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## **Asia Cement (China) Holdings Corporation**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 743)**

### **CONTINUING CONNECTED TRANSACTIONS REGARDING ADDENDUM TO 2016 SALE AND PURCHASE AGREEMENT IN RELATION TO SALE OF CEMENT TO ASIA CEMENT CORPORATION AND REVISION OF ANNUAL CAP**

Given the proposed increase of the maximum sale quantity of ordinary Portland cement under the 2016 Sale and Purchase Agreement, the Annual Cap of US\$11,878,500 will not be sufficient. The Company therefore proposes that the Annual Cap be increased to US\$41,400,000 for the period from 5 February 2016 to 31 December 2016, subject to the approval by the independent shareholders of the Company.

#### **LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to the Revised Annual Cap are less than 25% but the Revised Annual Cap is not less than HK\$10,000,000, the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Annual Cap are subject to the requirements of reporting, announcement and approval by the independent shareholders of the Company under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

## **GENERAL INFORMATION AND EGM**

The Company will convene the EGM for the independent shareholders of the Company to consider and, if thought fit, approve the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap. Asia Cement Corporation, the controlling shareholder of the Company, and its respective close associates (as defined in the Listing Rules) shall abstain from voting on the ordinary resolution(s) approving the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap at the EGM.

The IBC comprising all the independent non-executive Directors has been established to consider the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap and to advise and make recommendations to the independent shareholders of the Company as to how to vote at the EGM on the ordinary resolution(s) regarding the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap. Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming, all being independent non-executive Directors, have been appointed by the Board to serve as members of the IBC. None of the members of the IBC has any material interest in the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder. Fortune Financial Capital Limited has been appointed as the independent financial adviser to advise the IBC and the independent shareholders of the Company in this regard.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) details of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap; (ii) a letter of recommendation from the IBC to the independent shareholders of the Company; (iii) a letter of advice from Fortune Financial Capital Limited to the IBC and the independent shareholders of the Company; (iv) a notice of the EGM; and (v) other information required under the Listing Rules, will be despatched to the shareholders of the Company in due course.

## **INTRODUCTION**

Reference is made to the announcement (the “**Announcement**”) of Asia Cement (China) Holdings Corporation (the “**Company**” together with its subsidiaries, the “**Group**”) dated 5 February 2016 in relation to, among other things, the continuing connected transactions (the “**Transactions**”) contemplated under the 2016 Sale and Purchase Agreement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement.

As disclosed in the Announcement, on 5 February 2016, Jiangxi Yadong, an indirect non-wholly owned subsidiary of the Company, entered into the 2016 Sale and Purchase Agreement with the Buyer, the controlling shareholder of the Company, in relation to the sale of ordinary Portland cement in bulk from Jiangxi Yadong to the Buyer during the period commencing from 5 February 2016 to 31 December 2016 (both dates inclusive).

The Transactions contemplated under the 2016 Sale and Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On 14 April 2016 (after trading hours), Jiangxi Yadong and the Buyer entered into an addendum (the “**Addendum**”) to the 2016 Sale and Purchase Agreement to increase the maximum quantity of ordinary Portland cement to be purchased by the Buyer under the 2016 Sale and Purchase Agreement from 262,500 metric tonnes to 920,000 metric tonnes, subject to the approval by the independent shareholders of the Company. Pursuant to the Addendum, save for the proposed increase of sale quantity of ordinary Portland cement, other terms of the 2016 Sale and Purchase Agreement remain unchanged and the 2016 Sale and Purchase Agreement shall continue in full force and effect.

## **REVISION OF ANNUAL CAP**

As disclosed in the Announcement, the Annual Cap was set at US\$11,878,500. The Annual Cap has not been exceeded as at the date of this announcement.

Given the proposed increase of the maximum sale quantity of ordinary Portland cement under the 2016 Sale and Purchase Agreement, the Annual Cap of US\$11,878,500 will not be sufficient. The Company therefore proposes that the Annual Cap be increased to US\$41,400,000 for the period from 5 February 2016 to 31 December 2016 (the “**Revised Annual Cap**”), subject to the approval by the independent shareholders of the Company.

The Revised Annual Cap is calculated based on the increased maximum quantity of ordinary Portland cement to be purchased by the Buyer (i.e. 920,000 metric tonnes for the period from 5 February 2016 to 31 December 2016) and the maximum unit price of US\$45 per metric tonne under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum). As disclosed in the Announcement, the sale of ordinary Portland cement in bulk is at the actual transaction unit price per metric tonne which is equivalent to the Buyer’s selling price to its customers after deducting US\$0.5 to US\$1, representing the Buyer’s operating charge for each end customer, but in any event around or within the range of US\$35 to US\$45 per metric tonne (after deduction of the aforesaid Buyer’s operating charge), for loading at the Taizhou Port, Jiangsu Province, the PRC. The foregoing unit prices were determined by the parties at arm’s length with reference to and based on the market price of ordinary Portland cement, and remain unchanged.

Details of the payment terms remain unchanged as follows:

The Buyer shall make full payment within seven (7) working days of receipt of invoice after completion of loading against the bill of lading date.

Pursuant to the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum), if the market price of ordinary Portland cement fluctuates significantly, Jiangxi Yadong and the Buyer shall renegotiate the unit price of ordinary Portland cement to be supplied by Jiangxi Yadong to the Buyer under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum). In the event that the unit price is renegotiated under such circumstance and will be adjusted, the Company will make further announcement and (where necessary) re-comply with the applicable requirements under Chapter 14A of the Listing Rules before the adjusted unit price becomes effective.

## **INFORMATION ABOUT THE GROUP**

The principal activity of the Company is investment holding. The Group's principal activities are manufacture and sales of cement, concrete and related products.

## **INFORMATION ABOUT JIANGXI YADONG**

Jiangxi Yadong is a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, the Company holds 94.99% equity interests in Jiangxi Yadong. Jiangxi Yadong is principally engaged in manufacturing and sales of cement products, clinker, blast-furnace slag powder and related products.

## **INFORMATION ABOUT THE BUYER**

The Buyer, Asia Cement Corporation, is a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. As at the date of this announcement, Asia Cement Corporation is the controlling shareholder of the Company. It is principally engaged in production and sales of cement, concrete and related products through self-built of production line and diversified investment.

## **REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAP AND THE TRANSACTIONS**

The 2016 Sale and Purchase Agreement was entered into to allow the Group to receive a steady, reliable and relatively large income. The Transactions were fair and reasonable, and have been entered into after arm's length negotiations and determined on normal commercial terms and in the ordinary and usual course of business of the Company that are in the interests of the Company and its shareholders as a whole.

The Directors have been carefully monitoring the historical transacted amount and estimated demand of the Buyer regarding the Transactions. Domestic cement demand gradually declines each year, thus there is an increasing oversupply pressure. Lifting export volume is not only in line with the government's policy, but also ensures the Company's production capacity is optimally utilised, while generating better profits than selling to Shanghai and coastal regions. The Directors anticipate that the aggregate value of the continuing connected transactions under the 2016 Sale and Purchase Agreement for the year ending 31 December 2016 would exceed the Annual Cap. The Company therefore proposes to revise and increase the Annual Cap.

Having considered the above reasons and taking into account the basis of determination of the Revised Annual Cap, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be published by the Company after considering the advice from the independent Financial adviser) are of the view that the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap are fair and reasonable, have been entered into after arm's length negotiation and determined on normal commercial terms and in the ordinary and usual course of business of the Company that are in the interests of the Company and its shareholders as a whole.

Four Directors, namely Mr. HSU, Shu-tong, Mr. HSU, Shu-ping, Mr. CHANG, Tsai-hsiung and Mr. CHANG Chen-kuen, all of whom serve as board members of Asia Cement Corporation, abstained from voting on the relevant resolutions in the Board meeting to approve the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Annual Cap due to their mutual directorships in the Company and Asia Cement Corporation. In addition, one Director, namely Ms. WU Ling-ling, who serves as the chief financial officer of Asia Cement Corporation, also abstained from voting on the relevant resolutions in the Board meeting to approve the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Cap due to her positions held in the Company and Asia Cement Corporation. All the remaining Directors have confirmed in such Board meeting that they have no material interest in the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Buyer holds approximately 73% of the entire issued share capital of the Company. Thus, it is a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to the Revised Annual Cap are less than 25% but the Revised Annual Cap is not less than HK\$10,000,000, the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Annual Cap are subject to the requirements of reporting, announcement and approval by the independent shareholders of the Company under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

## **GENERAL INFORMATION AND EGM**

The Company will convene an extraordinary general meeting (the "EGM") for the independent shareholders of the Company to consider and, if thought fit, approve the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap. Asia Cement Corporation, the controlling shareholder of the Company, and its respective close associates (as defined in the Listing Rules) shall abstain from voting on the ordinary resolution(s) approving the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap at the EGM.

An independent board committee (the “**IBC**”) comprising all the independent non-executive Directors has been established to consider the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap and to advise and make recommendations to the independent shareholders of the Company as to how to vote at the EGM on the ordinary resolution(s) regarding the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap. Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming, all being independent non-executive Directors, have been appointed by the Board to serve as members of the IBC. None of the members of the IBC has any material interest in the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder. Fortune Financial Capital Limited has been appointed as the independent financial adviser to advise the IBC and the independent shareholders of the Company in this regard.

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By Order of the Board  
**Asia Cement (China) Holdings Corporation**  
**Mr. HSU, Shu-tong**  
*Chairman*

Hong Kong, 14 April 2016

*As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Mr. HSU Shu-ping, Dr. WU Chung-lih, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Ms. WU Ling-ling and the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming.*