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Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

NON-EXEMPT CONNECTED TRANSACTION EXTENSION OF SCHEME PERIOD OF PRE-IPO SHARE OPTION SCHEME

Reference is made to the circular of Asia Cement (China) Holdings Corporation (the “**Company**”) in respect of its extraordinary general meeting dated 14 March 2014 (the “**EGM Circular**”). Terms defined in the Announcement shall have the same meanings when used in this EGM Circular unless otherwise stated.

INTRODUCTION

As disclosed in the Company’s Prospectus, the Pre-IPO Share Option Scheme granted the Options of the Company to the employees, directors and consultants of the Group and any persons whom the Company has considered to have contributed or contributes to the Group. The principal terms of the Pre-IPO Share Option Scheme which were approved by the resolutions in writing of all the Shareholders passed on 13 December 2007 were disclosed in the Prospectus.

The period during which the Options may be exercised commenced on the Grant Date, April 17, 2008 and shall expire on the last day of the 6 year period after the Grant Date i.e. April 17, 2014 (the “**Scheme Period**”). As of the Latest Practicable Date, there are 11,578,000 Outstanding Options pursuant to the Pre-IPO Share Option Scheme. On 14 March 2014, the Board approved the amendment to the terms of the Pre-IPO Share Option Scheme so that the Scheme Period shall extend for one more year i.e. April 17, 2015 (the “**Amendment**”) subject to Independent Shareholders’ approval as explained below and in the EGM Circular. Given

that Interested Directors are connected persons with material interests in the transactions contemplated under the Amendment, the Interested Directors and their associates have abstained from voting in respect of the resolutions passed by the Board approving the Amendment and the transactions contemplated thereunder on 14 March 2014. Other than the Amendment, there are no other terms of the Scheme which would be changed. The Board has no intention to, and will not seek further extension of the Scheme Period, by any amendment to the Scheme or otherwise.

Some of the Option Holders under the Pre-IPO Share Option Scheme are Directors and therefore shall be treated as connected persons of the Company. The Amendment and any exercise of Options by the Interested Directors constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the Independent Shareholders at an extraordinary general meeting which will be held at the same time as the AGM. The Amendment is also subject to the granting of, and permission to deal in, the 11,578,000 Shares that may be issued upon exercise of all Options by the Stock Exchange. An application has been made to the Stock Exchange for the granting of, and permission to deal in, the 11,578,000 Shares that may be issued upon exercise of all Options.

DETAILS OF THE PROPOSED AMENDMENT TO PRE-IPO SHARE OPTION SCHEME

The Scheme Period

Historically, the date on which an offer of the Scheme was made to the Grantee was April 17, 2008. The period during which the Option may be exercised commenced on the Grant Date, April 17, 2008 and shall expire in any event not later than the last day of the 6 year period after the Grant Date i.e. April 17, 2014. No further Options have been granted after the Listing Date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in all respects. Options granted under the Pre-IPO Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the Listing Date.

Outstanding Option

As at the Latest Practicable Date, 11,578,000 Options were granted under the Scheme, and no such Options have yet been exercised. The Options granted under the Scheme are exercisable at HK\$4.2075 per Share.

Vesting Period

The Option Holders may exercise Options pursuant to the following schedules of vesting period and percentage:

(i) *The employee of the Group*

Period that the Share Options can be exercised after the Grant Date	Maximum accumulated percentage of share options exercisable
Attaining 2 years	30%
Attaining 3 years	60%
Attaining 4 years	80%
Attaining 5 years	100%

(ii) *The Director of the Group*

Period that the Share Options can be exercised after the Grant Date	Maximum accumulated percentage of share options exercisable
Attaining 1 year	33.3%
Attaining 2 years	66.6%
Attaining 3 years	100%

(iii) *A grantee who is neither the employee nor the Director of the Group may exercise the Share Options after 6 months from the date on which the Share Options are granted to him.*

Details of the Outstanding Options, as at the Latest Practicable Date under the Pre-IPO Share Option Scheme are as follows:

Name	Grant Date	Outstanding Options at 1 January 2013	Granted during the year	Options exercised during the year	Option lapsed on expiry	Options cancelled upon termination of employment	Outstanding Option at the Latest Practicable Date
Directors							
Mr. Chang, Tsai-hsiung	17 April 2008	1,500,000	-	-	-	-	1,500,000
Mr. Wu Chung-lih	17 April 2008	400,000	-	-	-	-	400,000
Madam Chiang Shao, Ruey-huey	17 April 2008	400,000	-	-	-	-	400,000
Mr. Hsu, Shu-tong	17 April 2008	3,000,000	-	-	-	-	3,000,000
Mr. Chang, Chen-kuen	17 April 2008	400,000	-	-	-	-	400,000
Mr. Lin, Seng-chang	17 April 2008	400,000	-	-	-	-	400,000
Other employees	17 April 2008	5,478,000	-	-	-	-	5,478,000
		<u>11,578,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,578,000</u>

Outstanding options

The table below demonstrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon the exercise of the Share Options under the Pre-IPO Share Options Scheme in full:

	As at the Latest Practicable Date		Upon exercise of the Options in full	
	Number of Shares	%	Number of Shares	%
Asia Cement Corporation	1,136,074,000	73.00	1,136,074,000	72.46
Directors	300,000	0.02	6,400,000	0.41
Grantees (<i>excluding Directors currently holding Shares and Options under the Pre-IPO Share Options Scheme</i>)	-	-	5,478,000	0.35
Public Shareholders	<u>419,876,000</u>	<u>26.98</u>	<u>419,876,000</u>	<u>26.78</u>
	<u>1,556,250,000</u>	<u>100.00</u>	<u>1,567,828,000</u>	<u>100.00</u>

Under the Pre-IPO Share Option Scheme, a total number of ordinary shares to be issued by the Company upon the exercise of all of the Options by the Grantees shall be 11,578,000 Shares, representing approximately 0.74% of the issued share capital of the Company as at the Latest Practicable date.

Other than the Pre-IPO Share Option Scheme, the Shareholders approved and adopted a share option scheme on 27 April 2008 in accordance with Chapter 17 of the Listing Rules (the “**New Scheme**”). For details, please refer to “D. Share Option Scheme” of Appendix VI to the Company’s Prospectus. As at the date of this announcement, no option has been granted or agreed to be granted under the New Scheme. Other than the aforesaid, the Company has not adopted other share option schemes. In addition, the Company has no other outstanding convertible securities issued.

Alternation of the Scheme

The Pre-IPO Share Option Scheme provides that the Scheme shall not be materially altered unless prior approval has been obtained from the Shareholders. No such alterations shall operate to affect adversely the terms of the issue of any Options granted or agreed to be granted prior to such alterations except with the consent of the Shareholders for the time being of the Company for a variation of the rights attached to the Shares.

Any alterations to the provisions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Pre-IPO Share Option Scheme.

Since the Board forms the view that the Amendment is of a material nature and it changes the terms of the Options, it shall be approved by the Shareholders in general meeting in accordance with the terms of the Scheme in addition to the requirements under Chapter 14A of the Listing Rules. Accordingly, subject to the Independent Shareholders’ approval to be sought hereunder, the Amendment would comply with the original terms of the Scheme.

The Directors confirm that other than the Grantees who are Directors and whose details are disclosed above, the rest of the Grantees under the Pre-IPO Share Option Scheme are not a connected person of the Company. The Directors have agreed not to exercise any Options to the extent that the public float of the Company will as a result of such exercise be less than the minimum requirements under the Listing Rules.

Information about the Company and the Interested Directors

The principal activity of the Company is investment holding. The Group’s principal business activities are manufacture and sales of cement, concrete and related products. There were no significant changes in the nature of the Group’s principal activities during the year.

Details of the Interested Directors as at the Latest Practicable Date are set out in the EGM Circular.

REASONS AND ADVANTAGES OF THE AMENDMENT

The reason for the Grantees not exercising the Options during the Relevant Period is that most of the Grantees are Taiwanese and mainland Chinese who have been stationing in the Company's subsidiaries in the PRC, hence the Grantees would require more time to arrange for necessary funding and set up the banking and/or securities accounts, for the purpose of exercising the Options. Besides, the Board has noted that the Share price of the Company was below the exercise price of the Option for a considerable period of time, before it has shown a recovery in recent months. Therefore, the Board intends to extend the Option Period, pursuant to which the Grantees would have sufficient time to re-allocate their financial resources and implement necessary arrangement to exercise the Options. As of the date of this announcement, the Company has not received any indication from the Grantees to exercise the Options if the Scheme Period is extended for one more year.

The advantage of the Amendment over any grant of new share options under the New Scheme is that the exercise price of the Options can be maintained at HK\$4.2075, instead of a higher price under the New Scheme. As a result, the Grantees who have been working for and contributing to the Group during the Scheme Period may enjoy the premium as reward when exercising the Options. Such advantage may not be available if options are granted under the New Scheme. Besides, when compared with any grant of new share options under the New Scheme, the Amendment will not expose the existing Shareholders to a risk of further dilution if more Shares could be granted under the New Scheme.

As the Board considers that it is legitimate for the Grantees to be rewarded with the incentive under the Option as illustrated above, and that the Amendment will continue to create incentives for the employees, directors and consultants of the Group to promote the growth of the Group and to retain such high-calibre Directors and employees by cultivating the sense of solidarity of these persons to the Group, the Amendment is in the interest of the Group and the Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Amendment”	the amendment of the terms of the Pre-IPO Share Option Scheme, pursuant to which the expiry date of the Scheme Period will be amended from 6 years to 7 years after the Grant Date
“Articles”	the articles of association of the Company as amended from time to time
“Asia Cement”	Asia Cement Corporation (亞洲水泥股份有限公司), a company incorporated on 21 March 1957 in Taiwan with limited liability under the Taiwan Company Law with its shares listed on the Taiwan Stock Exchange. Asia Cement is the controlling shareholder of the Company

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Chairman”	Mr. HSU, Shu-tong
“Company”	Asia Cement (China) Holdings Corporation, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“control”	means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be concerned and held for considering and approving the Amendment
“Grant Date”	the date of grant of the Options, being 17 April 2008
“Grantee(s)” or “Option Holder(s)”	the person(s) who were granted Share Options pursuant to the Pre-IPO Share Option Scheme
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board, comprising Mr. LIU, Zhen-tao, Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy, being all the independent non-executive Directors, which has been formed to make recommendation to the Independent Shareholders in respect of the Pre-IPO Share Option Scheme
“Independent Shareholders”	the shareholders of the Company who are not required to abstain from voting at the extraordinary general meeting under the Listing Rules

“Interested Directors”	the Directors, as at the date of this announcement, who hold Outstanding Options, and are deemed to have material interest in the Amendment, namely Mr. HSU, Shu-tong, Mr. CHANG, Tsai-hsiung, Dr. WU, Chung-lih, Madam CHIANG SHAO, Ruey-huey, Mr. CHANG, Chen-kuen, Mr. LIN, Seng-chang and Mr. HSU Shu-ping
“Latest Practicable Date”	11 March 2014, being the latest practicable date prior to the printing of the EGM Circular for ascertaining certain information contained herein
“Listing”	listing of the Company on the main board of the Stock Exchange
“Listing Date”	20 May 2008
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
“New Scheme”	the share option scheme approved and adopted by the Shareholders’ resolutions on 27 April 2008 under Chapter 17 of the Listing Rules
“Option(s)” or “Share Option(s)”	the options that have been granted under the Scheme
“Outstanding Option(s)”	the Options that have not been exercised by the Grantee
“PRC”	the People’s Republic of China
“Pre-IPO Share Option Scheme” or “Scheme”	the share option scheme approved by the resolutions in writing of all the Shareholders passed on 13 December 2007 which terms have been set out in the Prospectus
“Prospectus”	the prospectus issued by the Company in relation to its Listing dated 5 May 2008
“Relevant Period”	the period since the Grant Date until the Latest Practicable Date
“RMB”	Renminbi , the lawful currency of the People’s Republic of China
“Scheme Period”	the period during which the Options may be exercised
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong
“%”	per cent.

By order of the Board
Asia Cement (China) Holdings Corporation
Mr. Hsu, Shu-tong
Chairman

Hong Kong, 17 March 2014

As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Dr. WU Chung-lih, Madam CHIANG SHAO Ruey-huey, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Mr. HSU Shu-ping, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. LIU Zhen-tao, Mr. LEI Qian-zhi, Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.