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

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

**(Stock Code: 743)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN SICHUAN LANFENG CEMENT CO., LTD**

Reference is made to the announcement of the Company dated 3 April 2014 relating to the Framework Agreement in respect of the acquisition of Sichuan Lanfeng.

The Board is pleased to announce that on 16 April 2014, Sichuan Yadong, being a non wholly-owned subsidiary of the Company, entered into the Sales and Purchase Agreement with the Sellers for acquiring 100% of the equity interest in Sichuan Lanfeng. Upon the completion of the Acquisition, Sichuan Lanfeng will become a wholly-owned subsidiary of Sichuan Yadong.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company which is subject to the announcement requirements under Chapter 14 of the Listing Rules.

**The completion of the Acquisition is subject to the signing of the Handover Agreement and the fulfillment of the conditions to be stipulated therein. Although the Parties expect to sign the Handover Agreement no later than 31 May 2014, it is still possible that the Handover Agreement may not be entered into and Acquisition may not proceed to completion. Shareholders and potential investors of the Company are thus advised to exercise caution when dealing in the shares of the Company.**

A further announcement will be made by the Company upon the completion of the Acquisition.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 3 April 2014 relating to the Framework Agreement in respect of the acquisition of Sichuan Lanfeng. The Board is pleased to announce that on 16 April 2014, Sichuan Yadong, a non wholly-owned subsidiary of the Company, entered into the Sales and Purchase Agreement with the Sellers for the acquisition of the entire equity interest in Sichuan Lanfeng and thus indirectly the entire equity interest in Sichuan Lanfeng's wholly owned subsidiary, Sichuan Langfeng Building Materials Co., Ltd.

Upon the completion of the Acquisition, the Company will, through Sichuan Yadong, hold the entire equity interest in the Target Companies and control the members of the board of directors of the Target Companies. The Target Companies shall thus become subsidiaries of the Company.

## **MATERIAL TERMS OF THE SALES AND PURCHASE AGREEMENT**

### **Date**

16 April 2014

### **Parties**

Purchaser : Sichuan Yadong

Sellers : (1) Shi Guopeng;  
(2) Chen Minghua

Target Companies : Sichuan Lanfeng and Sichuan Langfeng Building  
Materials Co., Ltd

### **Subject of the Acquisition**

Pursuant to the Sales and Purchase Agreement, the Sellers have agreed to sell and the Purchaser has agreed to purchase the entire equity interest in the Target Companies at a total estimated consideration of RMB1.0 billion.

### **Consideration and basis of determination**

The Consideration for the Acquisition is calculated based on the following formula:

(the total of non-current assets and prepayments to be converted to non-current assets (i.e. RMB 2.005 billion)) x 100% + (current assets as at 30 April 2014 – total liabilities as at 30 April 2014) x 100% of the Target Companies.

Pursuant to the Sales and Purchase Agreement, the Consideration shall be determined based on the audit report of the Target Companies as at 30 April 2014 to be prepared by a PRC auditor which is mutually agreed by the Parties. Given the unaudited consolidated accounts of the Target Companies as at 31 December 2013 indicate that the unaudited net amount of total liabilities and current assets was RMB1.058 billion, the total consideration is estimated at the amount of RMB1.0 billion. In light of all information currently available to the Board, the Board expects that the adjustment on the consideration will be insignificant and the total consideration, after taking into account the maximum possible adjustment, should not exceed RMB1.0 billion.

The Consideration shall be settled in cash in the following manner:

- (a) RMB200 million deposit was paid to the Sellers after the signing of the Framework Agreement (the “**Deposit**”), which shall be counted as part of the Consideration;
- (b) RMB384 million, representing 40% of the Consideration shall be paid within 5 working days upon the signing of the Sales and Purchase Agreement (the “**First Installment**”). Part of the First Installment may be temporarily withheld by the Purchaser until certain conditions under the Sales and Purchase Agreement are met, which include the fulfillment of all obligations under the shareholding entrustment agreement entered into between Sichuan Lanfeng Building Materials Co., Ltd and another independent third party; the completion of certain demolition work to the Purchaser’s satisfaction and the discharge of all debt liabilities in relation to the Target Companies. The Purchaser shall pay to the Sellers such sum of the First Installment as has been withheld within 5 working days after the conditions are fulfilled;
- (c) An amount representing 30% of the Consideration shall be paid within 5 working days after the completion of certain handover matters pursuant to the Sales and Purchase Agreement, which include, amongst other things, the completion of financial due diligence by the Purchaser on the Target Companies and the delivery of material business documentations of the Target Companies to the Purchaser; and
- (d) the remainder of the Consideration shall be paid to the Sellers upon the Handover Completion and within 3 months after the registration for change of shareholders of the Target Companies with relevant government authorities (the “**Registration**”) has been completed (the “**Remainder**”). In the event that the Registration cannot be completed due to reasons attributable to the Purchaser, the Purchaser shall pay the Remainder within 4 months after the Handover Completion. RMB50 million of the Remainder may be temporarily withheld by the Purchaser until all of the liabilities which the Target Companies may have incurred within the 18 months after 30 April 2014 have been fully discharged.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the parties to the Sales and Purchase Agreement and with reference to, among others, the valuation of the Target Companies as at 31 December 2013 as stated in the auditor's report prepared by a PRC auditor and the production capacity and the synergies with the existing expansion plan of the Group. The Consideration and the terms of the Acquisition are considered by the Board to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Consideration will be satisfied by way of internal resources of the Company and/or bank borrowings.

### **New composition of board of directors, supervisory board and senior management**

After 30 April 2014, the Purchaser shall nominate and appoint new directors, members of the supervisory board and senior management of the Target Companies and the Sellers shall be responsible for compensating those personnel who would be dismissed as a result.

### **Completion**

Completion of the Acquisition shall take place after the signing of the Handover Agreement, which is expected to take place on or before 31 May 2014, and the fulfillment of the handover conditions stipulated therein. Upon the completion of the Acquisition, Sichuan Lanfeng will become wholly-owned subsidiary of Sichuan Yadong.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Board believes that the Acquisition will accelerate the Company's capacity expansion plan in the Sichuan Region and enable the Company to increase its market shares in the Sichuan cement market.

### **INFORMATION ON THE TARGET COMPANIES**

The Target Companies principally engage in the business of manufacture and sale of cement, concrete and related products in Sichuan in the PRC. The Target Companies operate a cement plant located in Pengzhou City, Sichuan which comprises two new dry process clinker production lines with total annual cement production capacity of 5 million tons.

## Financial information

	<b>For the year ended 31 December 2012 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2013 (RMB'000) (unaudited)</b>
Net profit before taxation and extraordinary items:	<u>16,527</u>	<u>15,659</u>
Net profit after taxation and extraordinary items:	<u>10,516</u>	<u>12,085</u>
	<b>As at 31 December 2012 (RMB'000) (unaudited)</b>	<b>As at 31 December 2013 (RMB'000) (unaudited)</b>
Net assets:	<u>440,895</u>	<u>328,900</u>

## INFORMATION ON THE PARTIES TO THE ACQUISITION AND THE COMPANY

The Sellers are PRC individuals who together hold 100% equity interest in the Target Companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers are third parties being independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement, concrete and related products.

## LISTING RULES IMPLICATIONS AND GENERAL INFORMATION

The Acquisition constitutes a discloseable transaction of the Company which is subject to the announcement requirements under Chapter 14 of the Listing Rules.

**The completion of the Acquisition is subject to the signing of the Handover Agreement and the fulfillment of certain conditions to be stipulated therein. Although the Parties expect to sign the Handover Agreement no later than 31 May 2014 but it is still possible that the Handover Agreement may not be entered into and Acquisition may not proceed to completion. Shareholders and potential investors of the Company are thus advised to exercise caution when dealing in the shares of the Company.**

A further announcement will be made by the Company upon the completion of the Acquisition.

## DEFINITIONS

“Acquisition”	the acquisition of 100% equity interest in the Target Companies by Sichuan Yadong pursuant to the Sales and Purchase Agreement
“Board”	the board of Directors of the Company
“Company”	Asia Cement (China) Holdings Corporation
“Consideration”	the consideration of the Acquisition
“Directors”	the directors of the Company
“Formal Documentations”	the Sales and Purchase Agreement, the Handover Agreement in relation to the Acquisition
“Framework Agreement”	has the meaning ascribed to it in the announcement of the Company dated 3 April 2014
“Group”	the Company and its subsidiaries
“Handover Agreement”	the handover agreement to be entered into between the Sellers and Purchaser on or before 31 May 2014 for certain handover matters in relation to the Target Companies
“Handover Completion”	the date when all handover matters as agreed between the Parties have been completed
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Purchaser and Sellers
“PRC”	the People’s Republic of China
“Purchaser” or “Sichuan Yadong”	Sichuan Yadong Cement Co., Ltd (四川亞東水泥有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Purchase Agreement”	the equity transfer agreement entered into on 16 April 2014 between the Purchaser and the Sellers in relation to the Acquisition

“Sellers”	Shi Guopeng (施國鵬) and Chen Minghua (陳明華), both being individuals residing in the PRC who hold 60% and 40% of the equity interest respectively in the Target Companies immediately before the Acquisition
“Shareholders”	shareholders of the Company
“Sichuan Lanfeng”	Sichuan Lanfeng Cement Co., Ltd (四川蘭豐水泥有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Sichuan Lanfeng and Sichuan Lanfeng Building Materials Co., Ltd

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

Hong Kong, 16 April 2014

*As at the date hereof, the Board comprises six executive directors, namely Mr. CHANG Tsai-hsiung (Vice Chairman); Dr. WU Chung-lih (Chief Executive Officer); Madam CHIANG SHAO Ruey-huey; Mr. CHANG Chen-kuen; Mr. LIN Seng-chang and Mr. HSU Shu-ping; one non-executive director, namely Mr. HSU Shu-tong (Chairman); and four independent nonexecutive directors, namely Mr. LIU Zhen-tao; Mr. LEI Qian-zhi; Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.*