

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Cement (China) Holdings Corporation (亞洲水泥(中國)控股公司), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



## **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, REVISION OF ANNUAL CAP AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**富強金融資本**  
FORTUNE FINANCIAL CAPITAL

Unless the context otherwise requires, capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from Fortune Financial Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, is set out on pages 16 to 30 of this circular.

A notice convening the EGM to be held at Room 1 & 2, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 24 May 2016 at 3:00 p.m. (or as soon thereafter as the annual general meeting of the Company convened for the same day and place shall have concluded or adjourned) is set out on pages 36 to 37 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.achc.com.cn>).

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

6 May 2016

# CONTENTS

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	14
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	16
<b>APPENDIX I - GENERAL INFORMATION</b> .....	31
<b>APPENDIX II - NOTICE OF EGM</b> .....	36

## DEFINITIONS

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

“2016 Sale and Purchase Agreement”	the sale and purchase agreement dated 5 February 2016 entered into between Jiangxi Yadong as seller and Asia Cement Corporation as buyer, in relation to the sale of ordinary Portland cement during the period commencing from 5 February 2016 to 31 December 2016 (both dates inclusive)
“Addendum”	the addendum dated 14 April 2016 to the 2016 Sale and Purchase Agreement entered into between Jiangxi Yadong as seller and Asia Cement Corporation as buyer, in relation to the increase of the maximum quantity of ordinary Portland cement
“Announcements”	the announcements of the Company dated 5 February 2016 and 14 April 2016, respectively, in relation to the 2016 Sale and Purchase Agreement, and the Addendum and the Revised Annual Cap
“Annual Cap”	the annual cap of US\$11,878,500 under the 2016 Sale and Purchase Agreement
“Articles”	the articles of association of the Company as amended from time to time
“Asia Cement Corporation” or “Buyer”	Asia Cement Corporation (亞洲水泥股份有限公司), a limited liability company incorporated in Taiwan under the Taiwan Company Law with its shares listed on the Taiwan Stock Exchange Corporation
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Asia Cement (China) Holdings Corporation (亞洲水泥(中國)控股公司), 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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

## DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1&2, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 24 May 2016 at 3:00 p.m. (or as soon thereafter as the annual general meeting of the Company convened for the same day and place shall have concluded or adjourned) for the Independent Shareholders to consider and, if thought fit, approve, among other things, the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming, all being independent non-executive Directors, 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 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
“Independent Financial Adviser” or “Fortune Financial”	Fortune Financial Capital Limited, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activities under the SFO and appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap

## DEFINITIONS

“Independent Shareholders”	the Shareholders who do not have a material interest in the Transactions and the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and are not required to abstain from voting at the EGM under the Listing Rules
“Jiangxi Yadong” or “Seller”	Jiangxi Ya Dong Cement Corporation Ltd., a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Latest Practicable Date”	3 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Portland cement”	a kind of hydraulic cement which consists of 90% to 95% of cement clinker, 0% to 5% of interground additives and 5% of gypsum, which is usually used for normal construction
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Revised Annual Cap”	the revised annual cap of US\$41,400,000 for the period from 5 February 2016 to 31 December 2016 under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary 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
“subsidiary”	has the meaning ascribed to it under the Listing Rules

## DEFINITIONS

“Transactions”	the continuing connected transactions contemplated under the 2016 Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For illustration purpose only, amounts denominated in United States dollars in this circular have been translated into Hong Kong dollars at an exchange rate of US\$1: HK\$7.78.*

LETTER FROM THE BOARD



**Asia Cement (China) Holdings Corporation**

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

**(Stock Code: 743)**

*Executive Directors:*

Mr. CHANG, Tsai-hsiung  
Mr. HSU, Shu-ping (*Vice Chairman*)  
Dr. WU, Chung-lih (*Chief Executive Officer*)  
Mr. CHANG, Chen-kuen  
Mr. LIN, Seng-chang  
Ms. WU, Ling-ling

*Non-executive Director:*

Mr. HSU, Shu-tong (*Chairman*)

*Independent Non-executive Directors:*

Mr. TSIM, Tak-lung Dominic  
Mr. WANG, Wei  
Mr. LEE, Kao-chao  
Dr. WANG, Kuo-ming

*Registered Office:*

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of*

*Business in the PRC:*

No. 6 Yadong Avenue  
Ma-Tou Town, Ruichang City  
Jiangxi Province, PRC

*Principal Place of*

*Business in Hong Kong:*

Portion of Unit B  
11th Floor  
Lippo Leighton Tower  
103 Leighton Road  
Causeway Bay  
Hong Kong

6 May 2016

*To the Shareholders*

Dear Sir or Madam,

**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**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 14 April 2016 whereby the Board announced that Jiangxi Yadong, an indirect non-wholly owned

## LETTER FROM THE BOARD

subsidiary of the Company, and the Buyer entered into the Addendum 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.

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 the Revised Annual Cap of US\$41,400,000 for the period from 5 February 2016 to 31 December 2016 (both dates inclusive), subject to the approval by the Independent Shareholders.

The purpose of this circular is to provide you with, 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 Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM, at which the ordinary resolution(s) will be proposed for the Independent Shareholders 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; and (v) other information required under the Listing Rules.

### THE ADDENDUM

The principal terms of the Addendum are as follows:

**(A) Date:**

14 April 2016 (after trading hours)

**(B) Parties:**

- (i) Jiangxi Yadong, as seller; and
- (ii) Asia Cement Corporation, as buyer.

**(C) Sale of Cement**

As disclosed in the Announcements, 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 days inclusive). The Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.



## LETTER FROM THE BOARD

Jiangxi Yadong and the Buyer entered into the Addendum 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. 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.

### **(D) Term**

The Addendum shall come into effect on and from 14 April 2016 to 31 December 2016 (both dates inclusive).

### **(E) Revised Annual Cap, Price and Payment Term**

As disclosed in the Announcements, the Annual Cap was set at US\$11,878,500. The Annual Cap had not been exceeded as at the Latest Practicable Date.

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 the Revised Annual Cap of US\$41,400,000 for the period from 5 February 2016 to 31 December 2016 (both dates inclusive), subject to the approval by the Independent Shareholders.

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). 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 and on normal commercial terms with reference to and based on (i) the selling price of ordinary Portland cement in the year 2015, and (ii) the market price of ordinary Portland cement of approximately US\$35 for loading at the Taizhou Port, Jiangsu Province, the PRC as at the Latest Practicable Date, and remain unchanged. In addition, Jiangxi Yadong is responsible for the transportation costs of delivering the ordinary Portland cement to the Taizhou Port, Jiangsu Province, the PRC. This transportation costs is determined on normal commercial terms.

## LETTER FROM THE BOARD

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.

### **(F) Historical Transactions and Cap Amount**

The Buyer has purchased ordinary Portland cement from Jiangxi Yadong since 1 May 2015. The aggregate purchases of ordinary Portland cement by Asia Cement Corporation from Jiangxi Yadong for the financial year ended 31 December 2015 amounted to approximately US\$10,648,903 with a total actual sales volume of 230,166 tonnes. The historical cap in the financial year ended 31 December 2015 was US\$20,680,000.

Furthermore, the aggregated purchases of ordinary Portland cement by Asia Cement Corporation from Jiangxi Yadong for the period from 1 January 2016 to the Latest Practicable Date amounted to approximately US\$4,794,850 with a total actual sales volume of 121,531 tonnes.

### **(G) Internal Control Measures**

In order to secure the Shareholders' interests and ensure 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 on normal commercial terms or terms not more favourable than those available to independent third parties, the Company has adopted the following internal control measures:

- (a) all the orders under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) will first be reviewed and approved by the sales supervisor, the sales director and the chief executive officer to ensure the terms of the orders are in compliance with the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum);

## LETTER FROM THE BOARD

- (b) the accounting department and the sales department of the Group will prepare monthly report setting out the selling prices, the profit margins, the costs of production of the ordinary Portland cements and the other key terms of all the orders for the senior management to assess the fairness and reasonableness of the selling prices of ordinary Portland cements sold to the Buyer through comparing to the market price and the selling price paid by its customers who are independent third parties to ensure that the pricing monitoring procedures are duly carried out so that the sale of ordinary Portland cements under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) will be conducted in accordance with the pricing policy of the Group; and
- (c) the accounting department of the Group will monitor the Revised Annual Cap to ensure such Revised Annual Cap will not be exceeded, and the Company will continue to adopt reporting and record-keeping procedures (such as requesting the Buyer to provide the relevant sales records and agreements between the Buyer and its customers) to allow the independent non-executive Directors and its external auditors to properly review the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Annual Cap annually.

### 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 Latest Practicable Date, the Company held 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 Latest Practicable Date, Asia Cement Corporation was the controlling shareholder of the Company. It is principally engaged in production and sales of cement, concrete and related products through self-built production line and diversified investment.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAP AND THE TRANSACTIONS CONTEMPLATED UNDER THE 2016 SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED AND REVISED BY THE ADDENDUM)

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. As the silo in Taizhou commenced operation in May 2015, export activities were carried out for only about six months for the year ended 31 December 2015. However, for the year 2016, a full-year export volume will be recorded from the silo in Taizhou.

In addition, due to the slowdown of the PRC economy which adversely affects the growth of the real estate development and construction sectors in the PRC, domestic cement demand gradually declines each year, but at the same time, the domestic supply of cement in the PRC has been increasing steadily over the past few years. Thus, it is anticipated that the increasing oversupply pressure will continue in 2016. Lifting export volume is not only in line with the policy of the PRC government which encourages domestic enterprises to explore international trade opportunities for cements, but also ensures the Company's production capacity is optimally utilised through exports, 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 due to the reasons mentioned above. 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 (including the independent non-executive Directors whose views are set out in the section headed "The Letter from the Independent Board Committee" in this circular) are of the view that the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) 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 the 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

## LETTER FROM THE BOARD

2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Annual 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 Latest Practicable Date, the Buyer held 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 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.

### **Independent Board Committee and Independent Financial Adviser**

An Independent Board Committee 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 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 Independent Board Committee. None of the members of the Independent Board Committee 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 has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **EGM**

The Company will convene the EGM for the Independent Shareholders 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. A notice of the EGM is set out on pages 36 to 37 of this circular.

## LETTER FROM THE BOARD

Pursuant to Rules 13.39(4) and 13.39(5) of the Listing Rules, the votes of the Shareholders on the proposed resolution(s) for approving the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM. Asia Cement Corporation, the controlling shareholder of the Company, and its respective close associates 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. Save as disclosed above, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, no other Shareholder had any material interest in the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap, and no other Shareholder is required to abstain from voting at the EGM in respect of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains its recommendation to the Independent Shareholders in respect of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap. Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 16 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap, as well as the principal factors and reasons considered by it in concluding its advice.

## LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are set out in the section headed “The Letter from the Independent Board Committee” in this circular after taking into consideration 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 the Shareholders as a whole.

Accordingly, the Board (including the Independent Board Committee) recommends you to vote in favour of the ordinary resolution(s) set out in the notice of the EGM regarding the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the Revised Annual Cap.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Asia Cement (China) Holdings Corporation**  
**Mr. HSU, Shu-tong**  
*Chairman*



## Asia Cement (China) Holdings Corporation

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

**(Stock Code: 743)**

6 May 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**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**

We refer to the circular dated 6 May 2016 issued by the Company to its Shareholders (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Under the Listing Rules, 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 and, together with the Revised Annual Cap, are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee 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 the Independent Shareholders as to the fairness and reasonableness 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 whether such transactions are on normal commercial terms and in the ordinary and usual course of business of the Company, and whether such transactions are in the interests of the Company and the Shareholders as a whole, and how to vote on such transactions. Fortune Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter from Fortune Financial, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders as set out in the Circular.



**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account, among other things, the advice from Fortune Financial, the Independent Financial Adviser, we are of the view that 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 the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and transactions contemplated thereunder and the Revised Annual Cap.

Yours faithfully,  
Independent Board Committee

**TSIM, Tak-lung Dominic**  
*Independent non-  
executive Director*

**WANG, Wei**  
*Independent non-  
executive Director*

**LEE, Kao-chao**  
*Independent non-  
executive Director*

**WANG, Kuo-ming**  
*Independent non-  
executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



### **Fortune Financial Capital Limited**

35th Floor, Office Tower  
Convention Plaza  
1 Harbour Road, Wanchai  
Hong Kong

6 May 2016

To: *The Independent Board Committee and the Independent Shareholders of  
Asia Cement (China) Holdings Corporation*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE 2016 SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED AND REVISED BY THE ADDENDUM)**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the proposed Revised Annual Cap, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 6 May 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 5 February 2016, the Company announced that Jiangxi Yadong, a non-wholly owned subsidiary of the Company, and the Buyer entered into the 2016 Sale and Purchase Agreement, pursuant to which Jiangxi Yadong shall supply to the Buyer a maximum quantity of 262,500 metric tonnes of ordinary Portland cement at a maximum unit price of US\$45 per metric tonne (after deduction of the Buyer's operating charge) during the period from 5 February 2016 to 31 December 2016 (the "**Relevant Period**"). Pursuant to the 2016 Sale and Purchase Agreement, the sale and purchase transactions of ordinary Portland cement between Jiangxi Yadong and the Buyer for the Relevant Period were subject to an annual cap of US\$11,878,500. As at the date of the 2016 Sale and Purchase Agreement, the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to the Annual Cap were less than 5% and accordingly, the 2016 Sale and Purchase Agreement and the transactions contemplated thereunder were exempt from

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

circular, independent financial advice and independent shareholders' approval requirements, and were only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 5 February 2016 for details of the 2016 Sale and Purchase Agreement and the transactions contemplated thereunder and the Annual Cap.

On 14 April 2016 (after trading hours), the Company announced that Jiangxi Yadong and the Buyer entered into the Addendum, pursuant to which the Company proposed to increase the maximum quantity of ordinary Portland cement to be sold to 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 for the Transactions being obtained in accordance with the requirements under Chapter 14A of the Listing Rules. The Company also proposed to revise the annual cap for the Transactions to US\$41.4 million. Save for the proposed increase in the maximum quantity of ordinary Portland cement to be supplied by Jiangxi Yadong to the Buyer over the Relevant Period, other terms of the 2016 Sale and Purchase Agreement remain unchanged.

As advised by the management of the Company, Jiangxi Yadong supplied a total of 44,065 metric tonnes of ordinary Portland cement with an aggregated sales amount of approximately US\$2.05 million to the Buyer between the period from 5 February 2016 to 31 March 2016, representing approximately 17.25% of the Annual Cap. The Directors confirmed that the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the sales amount under the 2016 Sale and Purchase Agreement did not exceed 5% as at the Latest Practicable Date.

As at the Latest Practicable Date, the Buyer, being the controlling shareholder of the Company, was interested in approximately 73% of the entire issued share capital in the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As a result of the revision of the Annual Cap in accordance with the terms of the Addendum, one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) exceeds 5%. The 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the proposed Revised Annual Cap are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. TSIM Tak-lung Dominic, Mr. WANG Wei, Mr. LEE Kao-chao and Dr. WANG Kuo-ming (all being the independent non-executive Directors), was established to (a) advise the Independent Shareholders on whether the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the proposed Revised Annual Cap are (i) fair and reasonable; (ii) on normal commercial terms or better

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole; and (b) make recommendation to the Independent Shareholders on how to vote on the resolution to be proposed at the EGM to approve the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the proposed Revised Annual Cap. We, Fortune Financial Capital Limited, was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Within the two years immediately prior to the submission of our independency declaration to the Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules on 15 April 2016, we were engaged as the independent financial adviser to the Company (the “**Previous Engagement**”) to express our opinion on and give recommendation to the then independent committee of the Board and independent Shareholders in respect of certain connected transaction of the Company (details of which are set out in the circular of the Company dated 16 July 2014). Apart from normal advisory fees paid to us in connection with the Previous Engagement, no arrangement exists whereby we were entitled to receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates. As at the Latest Practicable Date, we were independent from the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the proposed Revised Annual Cap.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and Rule 14A.36 of the Listing Rules requires any shareholder who has a material interest in the underlying transactions to abstain from voting on related resolutions. As the Buyer and its close associates have material interests in the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum), they are required to abstain from voting on the proposed resolution relating to the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the proposed Revised Annual Cap at the EGM.

### **BASIS OF OUR OPINION**

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful considerations by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs or the prospect of the Group or any of their associates.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the purpose of giving information with regard to the Company. The Directors have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration regarding the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the transactions contemplated thereunder and the proposed Revised Annual Cap.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and transactions contemplated thereunder and the proposed Revised Annual Cap, we have taken the following principal factors and reasons into consideration:

**(a) Background and reasons for entering into of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum)**

***(i) Information about the Company and Jiangxi Yadong***

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in manufacture and sales of cement, concrete and related products.

Jiangxi Yadong is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company, which is principally engaged in manufacturing and sales of cement products, clinker, blast-furnace slag powder and related products. As at the Latest Practicable Date, the Company held approximately 94.99% equity interests in Jiangxi Yadong.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(ii) Financial highlights of the Group*

We set out below the Group's key financial information for the two years ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015:

	<b>For the year</b>	
	<b>ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Revenue by segment:		
Cement business	7,324,517	5,880,746
Concrete business	869,199	510,419
Revenue	8,193,716	6,391,165
Cost of sales	(6,282,321)	(5,434,903)
Gross Profit	1,911,395	956,262
Profit (loss) before tax	1,091,108	(247,335)
Total comprehensive income (loss) for the year	816,025	(289,834)
	<b>As at 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Total assets	20,022,989	17,627,180
Total liabilities	9,917,855	8,056,254
Total assets less current liabilities	13,960,650	13,176,170
Net Assets	10,105,134	9,570,926

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has been relying on domestic sales of cement in the PRC. The cement business of the Group accounted for approximately 89.39% and 92.01% of the total revenue of the Group for the two years ended 31 December 2015, respectively. However, as the growth of the PRC economy slowed down in recent years, the domestic demand for and price of cement in the PRC have been declining. Sales of cement of the Group for the year ended 31 December 2015 dropped approximately 19.71% when compared to the sales of cement of the Group for the year ended 31 December 2014. The Group recorded a loss of approximately RMB289.83 million for the year ended 31 December 2015 when compared to a profit of approximately RMB816.03 million for the year ended 31 December 2014.

### *(iii) 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. Asia Cement Corporation was the controlling shareholder of the Company, holding approximately 73% of the entire issued share capital in the Company as at the Latest Practicable Date. The Buyer is principally engaged in the production and sales of cement, concrete and related products through self-built production line and diversified investment.

Four of the Directors, namely Mr. HSU, Shu-tong, Mr. HSU, Shu-ping, Mr. CHANG, Tsai-hsiung and Mr. CHANG, Chen-kuen, also serve as the board members of the Buyer. In addition, one Director, namely Ms. WU, Ling-ling, also serves as the chief financial officer of the Buyer.

As confirmed by the Company, the Buyer was the only offshore customer of the Group as at the Latest Practicable Date.

### *(iv) Reasons for entering into of the Transactions*

As mentioned in the section headed “Reasons for and benefits of the revised annual cap and the transactions contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum)” in the Letter from the Board, domestic demand for cement in the PRC has been gradually declining over years. This is mainly due to the slowdown of the PRC economy which adversely affects the growth of the real estate development and construction sectors in the PRC. According to the National Bureau of Statistics of the PRC, (a) the economy of the PRC grew at a rate of 7.7%, 7.4% and 6.9%, respectively, for the three years ended 31 December 2015; and (b) the accumulated newly constructed real estate gross floor area for the year ended 31 December 2015 dropped approximately 14.0% and 23.2%, respectively, when compared to those recorded for the years ended 31 December 2013 and 2014. As domestic demand for construction materials are correlated with the scale and number of ongoing development projects, weak sentiments towards the real estate development and construction sectors in the PRC would inevitably affect domestic sales of construction materials such as cement and concrete.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, the domestic supply of cement in the PRC has been increasing steadily over the past few years. According to the statistics disclosed by the National Bureau of Statistics of the PRC, the total production volume of cement in the PRC increased from approximately 2,209.84 million tonnes in 2012 to approximately 2,492.07 million tonnes in 2014.

As there is no apparent short term easing measures that could turnaround the economic fundamentals of the PRC, it is anticipated that the domestic demand for cement will remain at low level for the year ending 31 December 2016 whilst the situation of oversupply of cement in the PRC will continue.

The PRC Government has been encouraging domestic enterprises which are experiencing the problem of excess capacity to explore international trade opportunities for its products. This was addressed in the Recommendations for the 13th Five-year Plan for Economic and Social Development as approved at the fifth meeting of the 18th Central Committee of the Communist Party of the PRC held on 29 October 2015. Following the address on the issue of domestic oversupply by the PRC Government, the China Cement Association, the registration of which was approved by the Ministry of Civil Affairs of the PRC and is operated under the supervision and administration of the State-owned Assets Supervision and Administration Commission of the State Council, also issued the No. 4 [2016] CCA document (“中國水泥協會文件 — 中水協字[2016]4號”) to provide guidance to market participants of the cement industry in the PRC on how to mitigate the adverse impacts caused by domestic oversupply on local producers of cement in the PRC.

Based on the current annual production capacity of cement of the Group, the Directors estimated that the Group will also experience excess supply of cement for the year ending 31 December 2016 which is in line with the trend of the industry. In order to mitigate the issue of domestic oversupply of cement of the Group, the Group has commenced sales of cement to the Buyer since May 2015. The Directors are of the view that easing the current domestic oversupply pressure of cement is critical to the success of the Group over the long term and therefore the same should be given priority in terms of corporate business strategies and plans for future expansion. Accordingly, the Group entered into the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) with the Buyer to secure overseas demand for its products in order to ease the oversupply pressure of cement which is adversely affecting its business performance.

The Directors consider that the entering into of the Transactions by the Group is beneficial to the Company and the Shareholders as a whole because (i) pressure of oversupply of cement by the Group can be partially eased over the short term; (ii) the Group will be able to lower its cost of production by maintaining a relatively high rate of utilisation of production facilities of the Group due to economies of scale while securing sufficient demand for its products; (iii) the upward adjusted sales volume of cement to the Buyer under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) will account for less than 3% of the annual production capacity of cement of the Group for the year ending 31



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

December 2016, which would not cause any material adverse effect to the overall domestic sales of its products in the PRC; (iv) the terms of the Transactions are no less favourable to the Group when compared to the terms of sales of cement to other customers of the Group; (v) the Group does not possess relevant experience and knowledge in the export of cement products and therefore it would be cost efficient for the Group to broaden its sales coverage by escalating on the Buyer's expertise in international trades of cement products and established clientele overseas; (vi) the Transactions are in line with the policies and recommendations of the PRC Government and relevant industry association which encourage the exploration of the overseas market for domestic enterprises in the PRC; and (vii) the duration of the arrangements contemplated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) is relatively short so as to allow the Group to adjust its business strategies and plans on a timely basis.

Having considered the circumstances and various factors stated above, we concur with the view of the Directors that it would be beneficial to the Company and the Shareholders as a whole to enter into the Transactions.

**(b) Principal terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum)**

We set out below a summary of the major terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum):

Date	:	5 February 2016
Parties	:	Jiangxi Yadong as the seller Asia Cement Corporation as the buyer
Nature of the transactions	:	Sale of ordinary Portland cement in bulk by Jiangxi Yadong to the Buyer
Effective period	:	5 February 2016 to 31 December 2016 (both days inclusive)
Quantity of ordinary Portland cement to be supplied by Jiangxi Yadong	:	A maximum of 920,000 metric tonnes (as supplemented and revised by the Addendum)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy : The actual transaction unit price per metric tonne of ordinary Portland cement is equivalent to the selling price offered by the Buyer to its end customers after deducting the Buyer's operating charge in the amount of US\$0.5 to US\$1 per metric tonne. The net selling price to be offered by the Buyer to its end customers must be within the range of US\$35 to US\$45 per metric tonne of ordinary Portland cement.

In the event that the market price of ordinary Portland cement fluctuates significantly, Jiangxi Yadong and the Buyer shall re-negotiate on the unit price per metric tonne 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).

It was stated in the agreement that for one specific shipment of products from Jiangxi Yadong to the Buyer in February 2016, the parties agreed that the unit price per metric tonne of ordinary Portland cement was revised to US\$46.5 (after deduction of the Buyer's operating charge of US\$1 per metric tonne).

Payment term : The Buyer shall make full payments within seven working days of receipt of invoice after completion of loading against the bill of lading date

Shipment term : FOB ST Taizhou Port, Jiangsu Province, China

*(i) Quantity of ordinary Portland cement to be supplied by Jiangxi Yadong*

The sales of ordinary Portland cement by Jiangxi Yadong to the Buyer commenced in May 2015. The aggregate purchase of ordinary Portland cement made by the Buyer from Jiangxi Yadong amounted to (i) approximately US\$10.65 million for the financial year ended 31 December 2015; (ii) approximately US\$2.05 million for the period commencing from the date of the 2016 Sale and Purchase Agreement to 31 March 2016, representing approximately 17.25% of the Annual Cap; and (iii) approximately US\$4.79 million for the period from the date of the 2016 Sale and Purchase Agreement to the Latest Practicable Date, representing approximately 40.37% of the Annual Cap. The surge in sales volume of ordinary Portland cement to the Buyer in April 2016 was mainly due to an unexpected increase in demand for such cement product from overseas customers of the Buyer. After Buyer's communication with its customers, it is anticipated that the demand for ordinary Portland cement by customers of the Buyer will remain strong for the period

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

commencing on 1 May 2016 and ending on 31 December 2016, the Directors are of the view that the Annual Cap would not be sufficient to satisfy further purchase orders from the Buyer and accordingly, it is proposed that the Annual Cap be revised upward to the Revised Annual Cap.

The sales volume of ordinary Portland cement of the Group to the Buyer for the period commencing on the date of the 2016 Sale and Purchase Agreement and ending on 31 December 2016 was capped at 920,000 metric tonnes under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum). The Directors determined such a cap amount by taking into consideration (i) the historical sales volume of the same product to the Buyer during the period from the date of 2016 Sale and Purchase Agreement to the Latest Practicable Date; (ii) the surge in demand for ordinary Portland cement of the Group by overseas customers of the Buyer; (iii) the estimation on purchase quantity of ordinary Portland cement of the Group for the nine months ending 31 December 2016 made by the Buyer after communications with its customers; (iv) the competitive edge offered by escalating on the Buyer's expertise in international trades of cement products and its established clientele overseas becomes apparent after the trial period for implementation of such sales arrangements with the Buyer ended on 31 December 2015; (v) the proposal for the increase in sales volume to the Buyer, if materialise, will further ease the pressure of domestic oversupply of ordinary Portland cement of the Group in the PRC; and (vi) the other factors considered by the Board as set out in the section headed "*(a)(iv) Reasons for entering into of the Transactions*" above and accordingly, considered that the sales volume was appropriately capped at 920,000 metric tonnes. Having taken into consideration the factors above, we are of the view that the reasons for the increase in sales amount and quantity of ordinary Portland cement for financial year ending 31 December 2016 when compared to the financial year ended 31 December 2015 considered by the Directors are fair and reasonable so far as the Independent Shareholders are concerned.

Assuming the absence of any force majeure event and having considered the various factors stated above, we concur with the view of the Directors and consider that the cap on the supply quantity as stipulated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) was set at a fair and reasonable level.

### *(ii) Pricing policy*

#### *(1) Price range*

In assessing the fairness and reasonableness of the price range as stipulated under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum), we obtained data from the China Cement Net (中國水泥網) regarding the selling price of cement in the Jiangsu Province of the PRC for the 12 months immediately prior to the Latest Practicable Date (the "**Review Period**"). We consider the selling price of cement in the Jiangsu Province of the PRC is fair and representative for the present comparison purpose because the Group's silo used for exporting cement to the Buyer is located in Taizhou, the Jiangsu Province of the PRC.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that (i) the highest selling price of cement in the Jiangsu Province of the PRC during the Review Period was approximately RMB250 (equivalent to approximately US\$38.30) per metric tonne, which is well below the highest selling price per metric tonne of US\$45 as provided under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the lowest selling price of cement in the Jiangsu Province of the PRC during the Review Period was approximately RMB200 (equivalent to approximately US\$30.27) per metric tonne, which is also well below the minimum selling price per metric tonne of US\$35 as provided under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum); (ii) the average of the historical price range per metric tonne of cement in the Jiangsu Province of the PRC during the Review Period was approximately RMB225 (equivalent to approximately US\$34.78) and the average of the proposed selling price range per metric tonne of cement under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) is US\$40, representing an approximately 15.01% premium over the average of the historical price range per metric tonne of cement in the Jiangsu Province of the PRC during the Review Period; (iii) there is an overall declining trend in the price per metric tonne of cement in the Jiangsu Province of the PRC over the period commencing from April 2015 to March 2016; (iv) the Directors anticipated that the downward pressure on the price per metric tonne of cement in the Jiangsu Province of the PRC will continue; and (v) as advised by the Company, the pricing of each purchase order of its products depends on a number of factors including but not limited to the then market price of the ordered products, purchase volume, quality requirements, frequency of orders, delivery charge and relationship with the purchasing customers and it is a common practice in the industry to offer competitive price to key customers with recurring bulk purchase orders, synergy effects and well established business relationships.

By taking into consideration the factors discussed above as a whole, we are of the opinion that the Company's basis of determination of pricing of ordinary Portland cement and the price range for sales of its ordinary Portland cement to the Buyer under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) is justifiable.

### *(2) Buyer's operating charge*

The Buyer is only entitled to receive an operating fee of US\$0.5 to US\$1.0 per metric tonne of ordinary Portland cement sold under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum). The maximum Buyer's operating fee of US\$1.0 per metric tonne of ordinary Portland cement sold represents approximately 2.86% of the low end price of US\$35 per metric tonne and approximately 2.22% of the high end price of US\$45 per metric tonne under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum). The Directors are of the view, which we concur, that the amount of operating fee to be charged by the Buyer under the 2016 Sale and Purchase Agreement (as supplemented and revised

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

by the Addendum) is acceptable and reasonable provided that (i) the Group does not possess relevant experience and knowledge in the export of cement products and therefore it would be cost efficient for the Group to broaden its sales coverage by escalating on the Buyer's expertise in international trades of cement products and established clientele overseas; (ii) the Buyer will be responsible for handling purchase orders from its customers and all related administrative tasks including but not limited to contract negotiation, document preparation and shipping arrangements; (iii) the Group is entitled to receive the guaranteed price within the agreed range of US\$35 to US\$45 which is more favourable than the market price as abovementioned; and (iv) the default risks by end customers are effectively borne by the Buyer under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum).

### *(3) Protection against fluctuations in price*

Pursuant to the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum), in the event that the market price of ordinary Portland cement fluctuates significantly, Jiangxi Yadong and the Buyer shall re-negotiate on the unit price per metric tonne of ordinary Portland cement to be supplied by Jiangxi Yadong to the Buyer. This is a mutual protection to both parties to the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum).

### *(iii) Payment and shipment terms*

The Buyer shall make full payment within seven working days of receipt of invoice after completion of loading against the bill of lading date under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum). We were advised by the Company that different payment terms have been applied to different independent customers of the Group with reference to, among others, the particulars of the transactions and the relationship between the Group and the independent customer. The payment term ranges from payment before delivery to 30 days after the monthly settlement scheduled on the fifth day of each month. The Company also confirmed that the standard shipment term for transportation of cement by vessels offered to customers by the Company is free on board (FOB), which is also adopted under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum).

We have reviewed ten samples of sale and purchase agreement between the Group and independent customers provided by the Company and noted that the payment and shipment terms stipulated thereunder are in line with the above policies. Accordingly, we are of the view that the payment and shipment terms under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) are on normal commercial terms and no less favourable to the Group when compared to those offered to other customers of the Group.

Based on our review on the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum), we are not aware of any other term

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contained in the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) which is unfavourable to the Group.

Having taken into account all the factors presented above, and together with the internal control measures in place as discussed in the section headed “(d) *Internal control measures*” below, we are of the opinion that the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### (c) The proposed Revised Annual Cap

We set out below the Annual Cap and the proposed Revised Annual Cap for the sale and purchase transactions between the Jiangxi Yadong and the Buyer during the Relevant Period:

	<b>From 5 February 2016 to 31 December 2016 (both dates inclusive)</b>		
	<b>Annual Cap</b>	<b>Proposed Revised Annual Cap</b>	<b>Change</b>
	<i>US\$</i>	<i>US\$</i>	
The Transactions	<u>11,878,500</u>	<u>41,400,000</u>	<u>248.53%</u>

The Revised Annual Cap is calculated by multiplying the maximum quantity of 920,000 metric tonnes of ordinary Portland cement to be sold to the Buyer by the maximum unit price of US\$45 per metric tonne under the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum).

Having considered the factors set out under the sections headed “(a)(iv) *Reasons for entering into of the Transactions*” and “(b) *Principal terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum)*” above, we concur with the view of the Directors that the proposed Revised Annual Cap and its calculation basis are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

However, the Shareholders should note that the proposed Revised Annual Cap relates to future events and is estimated based on assumptions which may or may not remain valid during the Relevant Period, thus it does not represent a forecast of revenue to be generated from the Transactions. Consequently, we express no opinion as to how closely the actual amounts to be generated under the Transactions correspond with the proposed Revised Annual Cap.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (d) Internal control measures

As advised by the management of the Company, the Company will comply at all times with the applicable provisions under Rules 14A.34, 14A.51 to 14A.54 of the Listing Rules in respect of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and transactions contemplated thereunder and the proposed Revised Annual Cap.

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and transactions contemplated thereunder and the proposed Revised Annual Cap are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Transactions and confirm in the annual report whether the Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and
  - (iv) have exceeded the proposed Revised Annual Cap;
- (c) the Company must provide a copy of the auditors' letter to Stock Exchange at least 10 business days before the bulk printing of its annual report;
- (d) the Company must allow, and ensure that the counterparties to the Transactions allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the Transactions; and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters as required. Stock Exchange may require the Company to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

The aforesaid annual review requirements pursuant to Rules 14A.55 to 14A.59 of the Listing Rules can provide appropriate measures to govern the Company in carrying out the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and transactions contemplated thereunder and safeguard the interests of the Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the terms of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the proposed Revised Annual Cap are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolution in respect of the 2016 Sale and Purchase Agreement (as supplemented and revised by the Addendum) and the Revised Annual Cap to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**FORTUNE FINANCIAL CAPITAL LIMITED**  
**Alan Chung**  
*Managing Director*

*Mr. Chung is a responsible officer under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has around 15 years of experience in corporate finance.*

For illustration purpose only, amounts denominated in United States dollars in this circular have been translated into Renminbi at an exchange rate of US\$1: RMB6.47.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (I) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be and were entered in the register required to be maintained by the Company pursuant to section 352 of the SFO, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, as otherwise notified to the Company and the Stock Exchange, were as follows:

#### *Long positions in Shares and underlying Shares of the Company*

Name of Director	Number of ordinary Shares			% of the Company's issued Shares
	Personal interests	Equity derivatives	Total interests	
Mr. Hsu, Shu-ping	200,000	–	200,000	0.01%
Mr. Chang, Tsai-hsiung	1,322,000	–	1,322,000	0.08%
Mr. Wu, Chung-lih	400,000	–	400,000	0.03%
Mr. Hsu, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. Chang, Chen-kuen	430,000	–	430,000	0.03%
Mr. Lin, Seng-chang	400,000	–	400,000	0.03%
Ms. Wu, Ling-ling	20,000	–	20,000	0.001%

*Long positions in shares and underlying shares of associated corporation*

Name of Director	Name of associated corporation	Type of interest			Total no. of Shares in the associated corporation	% of shareholding in the associated corporation
		Personal	Through spouse	Corporate		
Mr. Hsu, Shu-ping	Asia Cement Corporation	11,454,981	-	-	11,454,981	0.34%
Mr. Chang, Tsai-hsiung	Asia Cement Corporation	459,350	60,877	-	520,227	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	-	-	2,000	0.0004%
Mr. Hsu, Shu-tong	Asia Cement Corporation	23,278,334	8,124,332	-	31,402,666	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	-	-	2	0.00002%
	Oriental Industrial	4,000	-	-	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement Corporation	24,387	5,358	-	29,745	0.0009%
Mr. Lin, Seng-chang	Asia Cement Corporation	16,892	476	-	17,368	0.0005%
Dr. Wang, Kuo-ming	Asia Cement Corporation	-	1,841	-	1,841	0.00005%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(II) Substantial Shareholders' and Other Persons' Interest in Shares and Underlying Shares**

As at the Latest Practicable Date and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the Shares and underlying Shares, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

*Long positions in Shares**Substantial Shareholders*

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement Corporation (Note 1)	Beneficial owner and interest by attribution	1,136,074,000	73.00%
Invesco Hong Kong Limited	Investment Manager	78,512,000	5.04%

*Note:*

1. Asia Cement Corporation beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore holds approximately 4.10% interest in the Company, which is approximately 99.96% owned by Asia Cement Corporation. Asia Cement Corporation is deemed to be interested in approximately 4.10% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 0.71% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement Corporation. Asia Cement Corporation is deemed to be interested in approximately 0.71% interest of the Company under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO.

**3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

**4. DIRECTORS' SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than normal statutory compensation).

**5. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associates had interests in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up).

**7. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given its advice and recommendation which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Fortune Financial Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Fortune Financial had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name and advice or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, Fortune Financial was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up).

#### 8. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The branch share registrar of the Company in Hong Kong is at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is LO, Wai-kit.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

#### 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on a business day in Hong Kong at the principal place of business of the Company in Hong Kong at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong from the date of this circular to the date of the EGM:

- (a) the 2016 Sale and Purchase Agreement;
- (b) the Addendum;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" on pages 14 to 15 of this circular;
- (d) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" on pages 16 to 30 of this circular;
- (e) the written consent as referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix; and
- (f) this circular.



## Asia Cement (China) Holdings Corporation

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

**(Stock Code: 743)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Asia Cement (China) Holdings Corporation (the “**Company**”) will be held at Room 1 & 2, 10/F, United Conference Centre, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 24 May 2016 at 3:00 p.m. (or as soon thereafter as the annual general meeting of the Company convened for the same day and place shall have concluded or adjourned) for the purpose of considering and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. **“THAT:**
  - (a) the 2016 Sale and Purchase Agreement (as defined in the circular of the Company dated 6 May 2016 (the “**Circular**”)) (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) as supplemented and revised by the Addendum (as defined in the Circular) (a copy of which has been produced to the meeting and marked “B” and initiated by the chairman of the meeting for the purpose of identification), and all the transactions contemplated thereunder, be and is hereby approved;
  - (b) the Revised Annual Cap (as defined in the Circular) be and is hereby approved; and
  - (c) any one of the directors of the Company (the “**Director**”) be and is hereby authorized to do all such acts and things and sign, agree, ratify, execute, perfect or deliver all such documents or instrument under hand (or where required, under the common seal of the Company together with another Director or any person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the 2016 Sale and

Purchase Agreement as supplemented and revised by the Addendum and any of the transactions contemplated thereunder (save and except for the purpose of effecting any material variation to the terms of the 2016 Sale and Purchase Agreement as supplemented and revised by the Addendum).”

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

Hong Kong, 6 May 2016

*Notes:*

1. All resolution at the EGM (except for procedural and administrative matters, which should be taken by a show of hands as the chairman of the meeting may decide, in good faith) will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the offices of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish and in such event, the form of proxy shall be deemed to be revoked.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 19 May 2016 to Tuesday, 24 May 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant shares certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 18 May 2016.
6. If a black rainstorm warning signal is in force or a tropical cyclone warning signal number 8 or above remains hoisted at 8:00 a.m. on 24 May 2016, the EGM will be postponed. Members are requested to read the website of the Company at [www.achc.com.cn](http://www.achc.com.cn) for details of alternative meeting arrangements. If members have any queries concerning the alternative meeting arrangements, please call the Company at 28393705 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays.
7. The above EGM will be held as scheduled when an amber or red rainstorm warning signal is in force.
8. Members should make their own decision as to whether they would attend the above meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

*As at the date of this notice, 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. LEE Kao-chao, Mr. WANG Wei and Dr. WANG Kuo-ming.*