

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

**If you have sold or transferred** all your shares in Chia Hsin Cement Greater China Holding Corporation 嘉新水泥(中國)控股股份有限公司\*, you should at once hand this circular and the accompanying form of proxy to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**嘉新水泥（中國）控股股份有限公司\***

**Chia Hsin Cement Greater China Holding Corporation**

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

(Stock code: 699)

**CONTINUING CONNECTED TRANSACTIONS  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

**Independent financial adviser to the Independent Board Committee**



**TIS Securities (HK) Limited**

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A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee is set out on page 12 of this circular. A letter from TIS Securities (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 20 of this circular.

A notice convening the Extraordinary General Meeting to be held at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 10 November 2005, at 10:00 a.m. is set out on pages 28 to 31 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

\* for identification purpose only

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## DEFINITIONS

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

“associate”	has the same meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which banks are generally open for business in Hong Kong
“CG Code”	the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules
“Company”	Chia Hsin Cement Greater China Holding Corporation, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as given to it under the Listing Rules
“Continuing Connected Transactions”	the transactions as contemplated under the Union Cement Purchase Agreement and/or the Ganghui Sales Agreement
“CHPL”	Chia Hsin Pacific Limited, a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company
“Current Articles of Association”	the current Articles of Association of the Company with the latest amendments made on 20 May 2004
“Directors”	directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Shareholders to be convened to consider, amongst other things, and, if thought fit, approve the Union Cement Purchase Agreement, the Ganghui Sales Agreement and the Proposed Caps
“Ganghui”	上海嘉新港輝有限公司 (Shanghai Chia Hsin Ganghui Co., Ltd.), a co-operative joint venture incorporated in the PRC with limited liability, the entire equity interest of which is indirectly wholly owned by CHPL
“Ganghui Sales Agreement”	the sales agreement entered into between Jingyang Cement and Ganghui on 15 September 2005, the particulars of which are set out in the paragraph headed “III. The Ganghui Sales Agreement” in the section headed “Letter from the Board” of this circular
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the committee of the independent non-executive Directors comprising Mr. Mackenzie Davin A., Mr. Zhuge Pei Zhi and Mr. Wu Chun Ming formed to advise the Independent Shareholders in respect of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts
“Independent Shareholders”	Shareholders other than CHPL, International Chia Hsin Corp. and their respective associates who are entitled to vote at the Extraordinary General Meeting
“Jingyang Cement”	嘉新京陽水泥有限公司 (Chia Hsin Jingyang Cement Co., Ltd.), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	10 October 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Caps”	the proposed caps in respect of the Continuing Connected Transactions for the financial year ending 31 December 2006 as set out in the paragraphs headed “II. The Union Cement Purchase Agreement” and “III. The Ganghui Sales Agreement” in the section headed “Letter from the Board” of this circular
“RMB”	Reminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	shares of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“TIS Securities”	TIS Securities (HK) Limited, a deemed licensed corporation under the SFO and is engaged in types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts
“Union Cement”	江蘇聯合水泥有限公司 (Jiangsu Union Cement Co., Ltd.), a sino-foreign equity joint venture established in the PRC with limited liability and is indirectly owned as to 80% by CHPL
“Union Cement Purchase Agreement”	the purchase agreement entered into between Jingyang Cement and Union Cement on 15 September 2005, the particulars of which are set out in the paragraph headed “II. The Union Cement Purchase Agreement” in the section headed “Letter from the Board” of this circular
“Waiver”	the waiver from strict compliance with the disclosure and independent shareholders’ approval requirements under the Listing Rules for the three financial years ending 31 December 2005 in relation to the Continuing Connected Transactions
“%”	per cent.

*In this circular, the exchange rate of HK\$1 to RMB1.04 and the exchange rate of US\$1.0 to HK\$7.8 are used for illustrative purpose.*

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LETTER FROM THE BOARD

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嘉新水泥（中國）控股股份有限公司\*

Chia Hsin Cement Greater China Holding Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock code: 699)

*Executive Directors:*

Wang Chien Kuo, Robert (*Chairman*)  
Lan Jen Kuei, Konrad (*Vice Chairman*)  
Chang Kang Lung, Jason (*Managing Director*)  
Wang Li Shin, Elizabeth

*Non-Executive Directors:*

Chang Yung Ping, Johnny  
Chang An Ping, Nelson

*Independent Non-Executive Directors:*

Mackenzie Davin A.  
Zhuge Pei Zhi  
Wu Chun Ming

*Registered office:*

P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

*Place of business in China:*

4100 Longwu Road  
Shanghai, 201108

*Principal place of business in  
Hong Kong*

Unit No.804, 8/F  
9 Queen's Road Central  
Central  
Hong Kong

12 October 2005

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF  
THE COMPANY**

**I. INTRODUCTION**

The Company announced on 21 September 2005 that Jingyang Cement entered into the Union Cement Purchase Agreement with Union Cement and entered into the Ganghui Sales Agreement with Ganghui on 15 September 2005.

\* for identification purpose only

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## LETTER FROM THE BOARD

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The Shares have been listed on the Stock Exchange since December 2003. The Company has previously obtained from the Stock Exchange the Waiver from strict compliance with the disclosure and independent shareholders' approval requirements under the Listing Rules for the three financial years ending 31 December 2005 in relation to the Continuing Connected Transactions. The Waiver will expire on 31 December 2005. As the Company intends to carry out the Continuing Connected Transactions in its ordinary and usual course of business, Jingyang Cement, an indirect wholly-owned subsidiary of the Company, entered into the Union Cement Purchase Agreement with Union Cement, and the Ganghui Sales Agreement with Ganghui on 15 September 2005 to renew the terms and conditions of the Continuing Connected Transactions for the financial year ending 31 December 2006.

As each of Union Cement and Ganghui is an associate of CHPL, which is a controlling shareholder of the Company, and hence a connected person of the Company, the transactions under the Union Cement Purchase Agreement and the Ganghui Sales Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts.

The independent financial adviser, TIS Securities, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts are fair and reasonable so far as the Independent Shareholders are concerned.

The purpose of this circular is:

- (i) to provide the Shareholders with details of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts;
- (ii) to set out the opinion of the independent financial adviser in respect of the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts;
- (iv) to provide the Shareholders with the information relating to the amendments to the Current Articles of Association; and
- (v) to give notice of the Extraordinary General Meeting to consider and, if thought fit, to approve the Union Cement Purchase Agreement, the Ganghui Sales Agreement and the respective caps in relation to the Continuing Connected Transactions and the amendments to the Current Articles of Association.

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## LETTER FROM THE BOARD

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Your attention is hereby drawn to pages 28 to 31 of this circular where you will find a notice of the Extraordinary General Meeting to be held on 10 November 2005.

### II. THE UNION CEMENT PURCHASE AGREEMENT

Date: 15 September 2005

Parties: Jingyang Cement as purchaser  
Union Cement as supplier

Subject: Pursuant to the Union Cement Purchase Agreement, Jingyang Cement will purchase clinker from Union Cement from time to time

Term: The New Purchase Agreement has a term of one financial year ending 31 December 2006 and will be subject to the approval by the Independent Shareholders at the Extraordinary General Meeting

Price: To be determined by reference to the prevailing market prices of clinker of the same type and quality. The average market price of clinker changes from time to time subject to market condition. Generally, the Company would compare the quotations from various potential suppliers and determine the price taking into consideration of the quality of the clinker and the related transportation costs

Proposed cap amount: The Directors propose that the transaction value under the Union Cement Purchase Agreement for the financial year ending 31 December 2006 will not exceed RMB396 million (equivalent to approximately HK\$381 million)

### III. THE GANGHUI SALES AGREEMENT

Date: 15 September 2005

Parties: Jingyang Cement as supplier  
Ganghui as purchaser

Subject: Pursuant to the Ganghui Sales Agreement, Jingyang Cement will sell certain cement products to Ganghui from time to time

Term: The Ganghui Sales Agreement has a term of one financial year ending 31 December 2006 and will be subject to the approval by the Independent Shareholders at the Extraordinary General Meeting

Price: To be determined by reference to the prevailing market prices of the cement products

Proposed cap amount: The Directors propose that the transaction value under the Ganghui Sales Agreement for the financial year ending 31 December 2006 will not exceed RMB50 million (equivalent to approximately HK\$48 million)



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## LETTER FROM THE BOARD

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### IV. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

Although the Waiver covers the three financial years ending 31 December 2005, the Group commenced purchases of clinker from Union Cement in 2005. The annual cap in respect of purchases from Union Cement as set out in the Waiver in respect of the financial year ending 31 December 2005 is US\$19,324,000 (equivalent to approximately HK\$150,341,000). As shown in the 2005 interim report of the Company, for the six months ended 30 June 2005, the dollar value of clinker that the Group had purchased from Union Cement amounted to approximately US\$4,972,000 (equivalent to approximately HK\$38,781,600), representing an approximately 96% of the aggregate purchases of clinker by the Group for the same period. The Group intends to continue to source from Union Cement as Union Cement is able to provide reliable delivery of clinker with quality that meets with the Group's requirements at prices comparable to those offered by other suppliers. In addition, Union Cement is in close proximity to Jingyang Cement, it would be beneficial for the Group to source clinker from Union Cement taking into consideration the transportation costs.

As set out in the Waiver, the aggregate amount of sales of cement products to Ganghui shall not exceed 20% of the total annual sales of the Group for the financial year in question. As shown in the annual and interim reports of the Company, for the two financial years ended 31 December 2004 and the six months ended 30 June 2005, the dollar value of cement products that the Group had sold to Ganghui amounted to approximately US\$11,302,000 (equivalent to approximately HK\$88,155,600), US\$8,897,000 (equivalent to approximately HK\$69,396,600) and US\$4,400,000 (equivalent to approximately HK\$34,320,000) respectively. Such sales to Ganghui represented approximately 14%, 11%, and 12% of the aggregate sales of the Group for the two financial years ended 31 December 2004 and the six months ended 30 June 2005 respectively. The Group intends to continue to supply cement products to Ganghui as Ganghui has been the Group's customer for over six years with good financial standing.

### V. THE LISTING RULES

As each of Union Cement and Ganghui is an associate of CHPL, which is a controlling shareholder of the Company, and hence a connected person of the Company, the transactions under the Union Cement Purchase Agreement and the Ganghui Sales Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

The Continuing Connected Transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Directors are of the view that the Union Cement Purchase Agreement and its terms have been negotiated on an arm's length basis and on normal commercial terms between the Group and Union Cement and are fair and reasonable and in the best interests of the Group and the Shareholders as a whole. The Directors are also of the view that the Ganghui Sales Agreement and its terms have been negotiated on an arm's length basis and on normal commercial terms between the Group and Ganghui and are fair and reasonable in the best interests of the Group and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The amount of the Proposed Cap of RMB396,000,000 (equivalent to approximately HK\$380,769,231) (excluding all taxes) for the transactions under the Union Cement Purchase Agreement is determined based on arm's length negotiations between the Group and Union Cement with reference to the Group's estimated demand for clinker and the estimated market price of clinker for the year 2006. The annual cap set out in the Waiver was determined on the same basis. While the Company does not anticipate a substantial increase in the market price of clinker in the year 2006, it is expected that there will be an increase in the Group's demand for clinker. The Group's cement production capacity has increased from 3.33 million tonnes per year in 2004 to 4.2 million tonnes per year in August 2005 and the Group has outgrown its capacity to produce clinker for its own use. The Company also anticipates that there will be an increase in the demand for cement in the overseas markets and the Company intends to further expand into these markets. The production of cement for this export market requires a specific type of clinker which the Group does not produce. Based on the above, the Board expected a larger cap so as to cope with the Group's increasing demand for clinker.

The amount of the Proposed Cap of RMB50,000,000 (equivalent to approximately HK\$48,076,923) (excluding all taxes) for the transactions under the Ganghui Sales Agreement is determined based on arm's length negotiations between the Group and Ganghui with reference to, among others, the historical figures on sales of cement products by the Group to Ganghui, the estimated amount of sales to Ganghui and the estimated average sale price of various types of cement products for the year 2006. According to the statistics provided by Shanghai Cement Federation, the average market price of cement in Shanghai for the first six months of 2005 is RMB240 (approximately HK\$231) per tonne (excluding all taxes). Besides, the Company does not anticipate a substantial increase in the market price of cement in the year 2006. In view of the increasing demand for cement products in the overseas markets and to maximize the profit margin of its products, the Company anticipates a decrease in the Group's sales to Ganghui as it intends to focus on other domestic and export markets of its cement products in the coming year, the Proposed Cap is therefore set at an amount smaller than the previous caps.

The Company will seek the approval of the Independent Shareholders of the Union Cement Purchase Agreement, the Ganghui Sales Agreement and the Proposed Caps on the following conditions:

- (a) (i) The cap amount of the transactions under the Union Cement Purchase Agreement for the financial year ending 31 December 2006 will not exceed RMB396,000,000 (equivalent to HK\$380,769,231) (excluding all taxes).
- (ii) The cap amount of the transactions under the Ganghui Sales Agreement for the financial year ending 31 December 2006 will not exceed RMB50,000,000 (equivalent to HK\$48,076,923) (excluding all taxes).
- (b) The Company will comply with the relevant requirements under the Listing Rules governing the Continuing Connected Transactions.

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## LETTER FROM THE BOARD

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### VI. GENERAL

The Group is principally engaged in the production and sales of cement and other cement products under the brandname of “嘉新” (Chia Hsin). Union Cement is principally engaged in the production and sale of cement and clinker. Ganghui is principally engaged in the trading of cement and the production of blended cement according to customer specifications.

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Union Cement Purchase Agreement and the Ganghui Sales Agreement and TIS Securities has been appointed the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts.

### VII. PROPOSED AMENDMENTS TO THE CURRENT ARTICLES OF ASSOCIATION

On 1 January 2005, the Listing Rules were amended by, among others, replacing the Code of Best Practice in Appendix 14 with the CG Code. To bring the constitution of the Company in alignment with certain provisions of the CG Code, the Directors propose to seek approval from the Shareholders at the Extraordinary General Meeting on the amendments of the Current Articles of Association. These amendments, for the purpose of complying with the provision A.4.2 of the CG Code, are summarized below:

- (i) Article 112 is proposed to be amended to provide that every Director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years; and
- (ii) Article 95 and Article 115 are proposed to be amended to provide that all Directors appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his employment and shall be eligible for re-election by the Shareholders.

In addition, Article 81.(a) is proposed to be amended to provide that every member who is present in person (or, in the case of a member being a corporation by its duly authorized representative) or by proxy shall have one vote on a show of hands.

The proposed amendments to the Current Articles of Association are stated in the proposed special resolution contained in item 3 of the notice convening the Extraordinary General Meeting as set out on pages 28 to 31 of this circular. A copy of the Current Articles of Association will be available for inspection at the Company's principal place of business in Hong Kong at Unit No. 804, 8/F, 9 Queen's Road, Central, Hong Kong during normal business hours from the date hereof up to and including the date of the date of the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### VIII. EXTRAORDINARY GENERAL MEETING

The notice convening the Extraordinary General Meeting to be held at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 10 November 2005 at 10:00 a.m. at which ordinary resolutions will be proposed to approve the Union Cement Purchase Agreement, the Ganghui Sales Agreement, and the respective cap amounts in relation to the Continuing Connected Transactions and a special resolution will be proposed to approve the amendments to the Current Articles of Association are set out on pages 28 to 31 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

Pursuant to the Current Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hand unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person or in the case of a corporation, by its duly authorised representative or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

The Continuing Connected Transactions are subject to the reporting, announcement and the Independent Shareholders' approval requirements and the vote of the Independent Shareholders taken at the Extraordinary General Meeting will be taken by poll pursuant to the Listing Rules and CHPL, International Chia Hsin Corp. and their respective associates will abstain from voting at the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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### IX. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders on the Union Cement Purchase Agreement, the Ganghui Sales Agreement and the respective cap amounts in relation to the Continuing Connected Transactions. Your attention is also drawn to the letter of advice received from TIS Securities which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions, the cap amounts and the principal factors and reasons considered by it in concluding its advice. The letter from TIS Securities is set out on pages 13 to 20 of this circular.

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,  
By Order of the Board  
**Chia Hsin Cement Greater China  
Holding Corporation**  
**Wang Chien Kuo, Robert**  
*Chairman*



嘉新水泥（中國）控股股份有限公司\*  
Chia Hsin Cement Greater China Holding Corporation  
(incorporated in the Cayman Islands with limited liability)  
(Stock code: 699)

12 October 2005

*To the Independent Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 12 October 2005 (the “Circular”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from TIS Securities as set out on pages 13 to 20 of the Circular and the letter from the Board set out on pages 4 to 11 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of TIS Securities as stated in its letter of advice, we consider that the terms of the Union Cement Purchase Agreement, the Ganghui Sales Agreement, the Continuing Connected Transactions and the relevant cap amounts are fair and reasonable so far as the Independent Shareholders are concerned and accordingly, recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Union Cement Purchase Agreement, the Ganghui Sales Agreement and the respective caps in relation to the Continuing Connected Transactions to be proposed at the Extraordinary General Meeting.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee of  
Chia Hsin Cement Greater China  
Holding Corporation  
Mackenzie Davin A.  
Zhuge Pei Zhi  
Wu Chun Ming**  
*Independent non-executive Directors*

\* for identification purpose only

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## LETTER FROM TIS SECURITIES

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*Set out below is the text of the letter from TIS Securities (HK) Limited to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular:*



**TIS Securities (HK) Limited**

Units 1401-02, 14th Floor  
Grand Millennium Plaza  
No. 181 Queen's Road Central  
Hong Kong

12 October 2005

*To the Independent Board Committee  
and Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Continuing Connected Transactions, particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 12 October 2005 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Circular.

On 15 September 2005, Jingyang Cement, an indirect wholly-owned subsidiary of the Company and Union Cement entered into the Union Cement Purchase Agreement in respect of the purchase of clinker from Union Cement by Jingyang Cement. In addition, Jingyang Cement and Ganghui entered into a Ganghui Sales Agreement in respect of the sales of certain cement products by Jingyang Cement to Ganghui. As each of Union Cement and Ganghui is an associate of CHPL, which is a controlling Shareholder, and hence a connected person of the Company, the transactions under the Union Cement Purchase Agreement and the Ganghui Sales Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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# LETTER FROM TIS SECURITIES

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## **BASIS OF OUR OPINION**

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinion and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the circular were true and accurate and complete at the time they were made and continue to be true at the date of the circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the circular. We have also discussed with the management of the Company their plans for the Group and the prospects of the businesses of the Group.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Continuing Connected Transactions and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the directors of the Company, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in respect of the terms of the Continuing Connected Transactions, we have taken the following principal factors and reasons into consideration:

### **1. Background and reasons for the Continuing Connected Transactions**

The Group is principally engaged in the production and sales of cement and other cement products under the brandname of “嘉新” (Chia Hsin). Union Cement is principally engaged in the production and sale of cement and clinker. Ganghui is principally engaged in the trading of cement and the production of blended cement according to customer specifications.

#### **(a) The Union Cement Purchase Agreement**

As stated in the Company’s prospectus dated 2 December 2003 (the “Prospectus”), the Group and Union Cement have been carrying out certain transactions from time to time in relation to the purchases of clinker by the Group from Union Cement (the “Union Purchases”) on an order by order basis after arm’s length negotiations between them, taking into account the



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## LETTER FROM TIS SECURITIES

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prevailing market price of clinker of the same type and quality, and compare the quotations from other independent suppliers and the related transportation costs and any specific requirements under the order and on normal commercial terms and in the ordinary course of business of the Group.

As stated in the Prospectus, the Waiver, which was dated 28 November 2003, from strict compliance with the disclosure and independent shareholders' approval requirements under the Listing Rules for three financial years ending on 31 December 2005 in respect of, inter alia, the Continuing Connected Transactions was granted by the Stock Exchange to the Company and such waiver will be expired after the financial year ending 31 December 2005.

The Waiver, in respect of the Union Purchases, was subject to a number of conditions, among others, the annual review by the auditors of the Company (the "Auditors") as to whether (i) the Union Purchases have been approved by the Board; (ii) the Union Purchases were conducted on terms no less favourable than those available from independent third parties; and (iii) the cap amount has not been exceeded. Based on the letters to the Company from the Auditors dated 15 March 2004 and 15 March 2005 (the "Auditors' Letters"), we learnt that the Auditors have duly examined the relevant documents relating to the Union Purchases. The Auditors noted in the Auditors' Letters that the Board has approved the Union Purchases and confirmed to the Board that the aggregate value of the Union Purchases for each of the year in the relevant period has not exceeded the cap amount under the Waiver.

The Group intends to continue to source from Union Cement as Union Cement is able to provide reliable delivery of clinker with quality that meets with the Group's requirements at prices comparable to those offered by other suppliers. In addition, Union Cement is in close proximity to Jingyang Cement, it would be beneficial for the Group to source clinker from Union Cement taking into consideration the transportation costs.

### **(b) Ganghui Sales Agreement**

Jingyang Cement and Ganghui have been carrying out certain transactions from time to time in relation to sales of certain cement products to Ganghui from Jingyang Cement (the "Ganghui Sales") on an order by order basis after arm's length negotiations between them, taking into account the prevailing market prices of the cement products and any specific requirements under the order and on normal commercial terms and in the ordinary course of business of the Group.

The Waiver, in respect of the Ganghui Sales, was subject to a number of conditions, among others, the annual review by the Auditors as to whether (i) the Ganghui Sales have been approved by the Board; (ii) the Ganghui Sales were conducted on terms no less favourable than those available to other independent third parties; and (iii) the cap amount has not been exceeded. Based on the Auditors' Letters, we learnt that the Auditors have duly examined the supporting invoices and other relevant documents relating to Ganghui Sales. The Auditors noted in the Auditors' Letters that the Board has approved the Ganghui Sales and confirmed to the Board that the aggregate value of the Ganghui Sales for each of the year in the relevant period has not exceeded the cap amounts under the Waiver.

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## LETTER FROM TIS SECURITIES

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The Group intends to continue to supply cement products to Ganghui as Ganghui has been the Group's customer for over six years with good financial standing.

In view of the above, the Company has a track record of endeavouring to fulfill strictly the requirements and conditions specified under the Waiver.

### 2. Major terms of the Continuing Connected Transactions

The major terms and conditions of the Union Cement Purchase Agreement and the Ganghui Sales Agreement have been summarized in page 6 of the Circular.

#### (a) The Union Cement Purchase Agreement

The Union Cement Purchase Agreement is for a term of one financial year ending 31 December 2006. Pursuant to the Union Cement Purchase Agreement, Jingyang Cement may from time to time purchase clinker from Union Cement by placing purchase order. The purchase prices of clinker as specified in each order are to be determined between Jingyang Cement and Union Cement on an order by order basis after arm's length negotiations between them, taking into account the prevailing market price of clinker of the same type and quality, and compare the quotations from other independent suppliers and the related transportation costs and any specific requirements under the order and on normal commercial terms and in the ordinary course of business of the Group. After considering all the relevant factors as stated above, the Directors are of the view that if the quotations for clinker of the same type and quality from another independent suppliers are more favourable than that of the Union Cement, the Company will purchase the relevant clinkers from other independent suppliers instead of the Union Cement.

As stated in the Union Cement Purchase Agreement, payment should be made in the form of cash on delivery, which is similar from other independent suppliers.

We have reviewed (i) the purchase orders and related invoices of the Union Purchases; and (ii) quotations from other independent suppliers requested by the Company with similar type of clinker and within the similar time frame, i.e. for the six months ended 30 June 2005. We have compared the purchase price of the Union Cement with that of other independent suppliers as stated above and noted that the purchase price from the Union Purchases were comparable to those obtained from other independent suppliers as reviewed by us. In addition, we also noted from the above quotations that the principal terms of the Union Purchases including the basis of determining the prices were comparable to that of the independent third parties. Therefore, we are of the opinion that the purchases under the Union Purchases are no more favourable than those purchases from other independent suppliers of the Group.

On the basis that (i) the Union Purchases was entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the purchase price of the Company from the Union Purchases are comparable to those from other independent suppliers, we are of the view that the terms of the Union Cement Purchase Agreement are fair and reasonable and the Union Cement Purchase Agreement is in the interest of the Group and the Shareholders as a whole.

### (b) **The Ganghui Sales Agreement**

The Ganghui Sales Agreement is for a term of one financial year ending 31 December 2006. Pursuant to the Ganghui Sales Agreement, Ganghui may from time to time purchase certain cement products from Jingyang Cement by placing purchase order. The purchase prices of certain cement products as specified in each order are to be determined between Jingyang Cement and Ganghui on an order by order basis after arm's length negotiations between them, taking into account the prevailing market prices of the cement products and any specific requirements under the order and on normal commercial terms and in the ordinary course of business of the Group.

As stated in the Ganghui Sales Agreement, the Group currently offers to Ganghui with a term of payment of not more than 75 days after the delivery of the products, which is similar to other independent customers.

In order to eliminate the geographical effect and different conditions in different places within the PRC on the price of the cements, we focus only on Shanghai, where Ganghui is located. We have reviewed i) the sales order and the related invoices of the Ganghui Sales; and ii) the invoices from other independent suppliers of Ganghui with similar type of cement and within the similar time frame, i.e. for the six months ended 30 June 2005. We noted that the sales prices of the Ganghui Sales were comparable to other independent suppliers of Ganghui as reviewed by us. In addition, we also noted from the above samples that the principal terms of the Ganghui Sales including the basis of determining the prices were comparable to that of other suppliers of Ganghui.

On the basis that (i) the Ganghui Sales Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the sales prices of the Ganghui Sales were comparable to those other independent suppliers of Ganghui, we consider that the terms of the Ganghui Sales Agreement are fair and reasonable and the Ganghui Sales Agreement is in the interest of the Group and the Shareholders as a whole.

### 3. **Cap Amount**

#### (a) **The Union Cement Purchase Agreement**

As stated in the Letter, the cap amount for the Union Purchases will not exceed RMB396 million (equivalent to approximately HK\$380.8 million) for the financial year ending 31 December 2006.

As stated in the Letter, the Group commenced purchases of clinker from Union Cement in 2005. The annual cap in respect of purchases from Union Cement as set out in the Waiver in respect of the financial year ending 31 December 2005 is US\$19,324,000 (equivalent to approximately HK\$150.3 million). As shown in the 2005 interim report of the Company, for the six months ended 30 June 2005, the dollar value of clinker that the Group had purchased from Union Cement amounted to approximately US\$4,972,000 (equivalent to approximately HK\$38.8 million), represented approximately 96% of the aggregate purchases of clinker by the Group for the same period.

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## LETTER FROM TIS SECURITIES

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We have reviewed and discussed with the Directors on the sales projection for Union Purchases for the two financial years ending 31 December 2006, made under due care and reasonable consideration by the Directors, which is based on the assumptions that (i) the historical sales record of the Union Purchases; (ii) the value of the orders on hand currently under negotiation between the Group and its customers; (iii) the growth in the production capacity of the Group's cement products in late 2004 and mid 2005 whilst the clinker production capacity of the Group has not undergone any corresponding expansion during the period; and (iv) the expansion of sales to overseas market and the production of the relevant cement for the overseas market requires a different type of clinker that are relatively more expensive than that used in the manufacture of cement sale in domestic market which the Group does not produce. We have reviewed (i) the sales record of the Union Purchase for the six months ended 30 June 2005 and (ii) the relevant documents regarding the orders on hand currently under negotiation between the Group and its customers. Based on the above and the discussions with the Directors, we are of the view that the sales projection for Union Cements is made under due care and reasonable consideration. The Directors have confirmed that the increase of the cap amount of the Union Purchases is a result of an expected increase in the demand for clinker due to factor (iii) and factor (iv) stated above which contribute of approximately two-third and one-third of the increase in the cap amount respectively. In addition, in general, given the same quantity of cements, the higher quality of cements, the more the clinker is needed. Since the quality of cement that sell to the overseas market is, in general, higher quality, therefore, more clinker is needed for the production of such type of cement. Based on the above, the Board expected a larger cap so as to cope with the Group's increasing demand for clinker. Having considered the reasons stated above and the projections made by the Company, we are of the view that cap amount for the Union Purchases is justifiable.

According to an articles on Chinacement.com on 25 August 2005 and 25 September 2005, we noted that many overseas countries such as United States are net importer on cements since year 2004 and become the largest net importer of cements in the world, the demand for cement in 2005 will reach 123.4 million tones which represented a rise in approximately 3% when compare with that in 2004 and amount of cement imported to United States will reach approximately 32 million tonnes in 2005 which represent approximately 25% of the total consumption of the United States.

In view of the above, we are of the view and concur with the view of the Directors that the cap amount for the Union Purchases, which will not exceed RMB396 million (equivalent to approximately HK\$380.8 million) for the financial years ending 31 December 2006, is justifiable.

### **(b) The Ganghui Sales Agreement**

As stated in the Letter, the cap amounts for the Ganghui will not exceed RMB50 million (equivalent to approximately HK\$48.1 million) for the financial year ending 31 December 2006.

As stated in the Letter and the Waiver, the aggregate amount of sales of cement products to Ganghui shall not exceed 20% of the total annual sales of the Group for the corresponding financial year. As shown in the annual and interim reports of the Company, for the two financial years ended 31 December 2004 and the six months ended 30 June 2005, the dollar value of cement products that the Group sold to Ganghui amounted to approximately US\$11,320,000 (equivalent to approximately HK\$88.2 million), US\$8,897,000 (equivalent to approximately

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## LETTER FROM TIS SECURITIES

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HK\$69.4 million) and US\$4,400,000 (equivalent to approximately HK\$34.3 million) respectively and such sales represented approximately 14%, 11% and 12% of the aggregate sales of the Group for the two financial years ended 31 December 2004 and the six months ended 30 June 2005 respectively.

We have reviewed and discussed with the Directors on the sales projection for the Ganghui Sales for the two financial years ending 31 December 2006 prepared by the Company which is based on the assumptions that (i) the historical sales record of the certain cement product to Ganghui; and (ii) the value of the orders on hand for certain cement products currently under negotiation between Jingyang Cement and Ganghui. In view of the increasing demand for cement products in the overseas markets and to maximize the profit margin of its products, the Company anticipates a decrease in the Group's sales to Ganghui as the Group intends to focus on other domestic and overseas market for its cement products in the coming year, the cap amount of Ganghui Sales is therefore set at an amount smaller than the previous cap amounts. According to statistics provided by Shanghai Cement Federation in August 2005 and an article on Chinacement.com on 23 September 2005, we noted that the average market price of cement in Shanghai is at the low end of the price range in the PRC and is relatively lower than that of the overseas market, where the Group intends to focus on.

Having considered the reasons stated above and the sales made to Ganghui for the six months ended 30 June 2005 and the projections made by the Company, we consider that cap amount for the Ganghui Sales is justifiable.

In view of the above, we are of the view and concur with the view of the Directors that the cap amount for the Ganghui Sales, which will not exceed RMB50 million (equivalent to approximately HK\$48.1 million) for the financial year ending 31 December 2006, is justifiable.

#### **4. Independent Shareholders' approval**

As each of Union Cement and Ganghui is an associate of CHPL, which is a controlling Shareholder, and hence a connected person of the Company, the transactions under the Union Cement Purchase Agreement and the Ganghui Sales Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company will seek the approval of the Independent Shareholders for the Continuing Connected Transactions pursuant to rules 14A.35 and 14A.48 of the Listing Rules. Furthermore, the Company will ensure that the Continuing Connected Transactions are in compliance with the provisions of Chapter 14A of the Listing Rules and in particular rules 14A.35 to 14A.41 and 14A.46 governing continuing connected transactions.

On this basis, we are of the view that the Company has taken appropriate measures to govern itself in carrying out the Continuing Connected Transactions, thereby safeguarding the interest of the Independent Shareholders.

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## LETTER FROM TIS SECURITIES

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Continuing Connected Transactions are in the usual and ordinary course of business of the Company and the terms and conditions of the Continuing Connected Transactions, including the cap amounts of the Union Cement Purchase Agreement and the Ganghui Sales Agreement, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Continuing Connected Transactions and the relevant cap amounts to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**TIS Securities (HK) Limited**  
**Kevin Chan**  
*Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

<i>Authorised share capital</i>	<i>US\$</i>
100,000,000,000 Shares	1,000,000,000
<i>Issued and fully paid</i>	
1,142,900,000 Shares	11,429,000

## 3. DISCLOSURE OF INTERESTS

### (a) Disclosure of interests by the Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (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 are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (i) *The Company*

Name of director	Number of ordinary shares (long positions)			Approximate Total percentage of issued share capital (%)
	Personal interest	Family interest	Total number of shares	
CHANG Kang Lung, Jason	6,740,000	—	6,740,000	0.58
CHANG Yung Ping, Johnny	13,452,000	1,600,000	15,052,000	1.31

(ii) *Associated Corporations*

Name of director	Name of associated corporation	Interest held by controlled corporation	Number of ordinary shares (long positions)			Approximate percentage of issued share capital (%)
			Personal interest	Family interest	Total number of shares	
WANG Chien Kuo, Robert	Chia Hsin Cement Corporation	—	358,811	21,108,875	21,467,686	3.07
	Tong Yang Chia Hsin International Corporation	—	194,168	14,002	208,170	0.12
	Chia Hsin Construction and Development Corp.	—	4,863,088	1,285,200	6,148,288	12.37
LAN Jen Kuei, Konrad	Chia Hsin Cement Corporation	—	64,000	—	64,000	0.01
CHANG Kang Lung, Jason	Chia Hsin Cement Corporation	—	300,000	—	300,000	0.04
	Tong Yang Chia Hsin International Corporation	—	869,180	—	869,180	0.51
	Chia Hsin Construction and Development Corp.	—	638,400	—	638,400	1.28
WANG Li Shin, Elizabeth	Chia Hsin Cement Corporation	—	40,000	—	40,000	0.01
	Chia Hsin Construction and Development Corp.	—	387,000	—	387,000	0.78
CHANG Yung Ping, Johnny	Chia Hsin Pacific Limited	—	107,738	—	107,738	0.48
	Chia Hsin Cement Corporation	44,955,178	27,780,062	—	72,735,240	10.39



Name of director	Name of associated corporation	Interest held by controlled corporation	Number of ordinary shares (long positions)			Total number of shares	Approximate percentage of issued share capital (%)
			Personal interest	Family interest			
	Tong Yang Chia Hsin International Corporation	—	380,781	—	380,781	0.22	
	Chia Hsin Construction and Development Corp.	—	8,169,600	—	8,169,600	16.43	
CHANG An Ping, Nelson	Chia Hsin Cement Corporation	10,646,179	2,295,527	202,640	13,144,346	1.87	
	Tong Yang Chia Hsin International Corporation	—	197,381	—	197,381	0.12	
	Chia Hsin Construction and Development Corp.	—	288	—	288	0.00	

**(b) Particulars of Directors' Service Contracts**

As at the Latest Practicable Date, no Director had a service contract with any member of the Group which is not determinable by the Company within one year without the payment other than statutory compensation.

**(c) Save as disclosed above, as at the Latest Practicable Date:**

- (i) none of the Directors and chief executive hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) notifiable 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 are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(iii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(d) **Directors' interests in competing businesses**

<b>Name of Director</b>	<b>Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of interest of the Director in the entity</b>
Lan Jen Kuei, Konrad	Ganghui	Trading of cement and the production of blended cement	Non-executive Director
Chang Kang Lung, Jason	Ganghui	Trading of cement and the production of blended cement	Non-executive Director
Chang Yung Ping, Johnny	Ganghui	Trading of cement and the production of blended cement	Non-executive Chairman
Lan Jen Kuei, Konrad	Union Cement	The production and sale of cement and clinker	Non-executive Director
Chang Yung Ping, Johnny	Union Cement	The production and sale of cement and clinker	Non-executive Director

## 4. SUBSTANTIAL SHAREHOLDERS

So far as the Directors or the chief executives of the Company are aware of, as at the Latest Practical Date the shareholders, other than the Directors or the chief executives of the Company, who had an interest or short positions in the shares of the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of shareholders	Nature of interests	Number of ordinary shares	Percentage of issued share capital of the Company
Chia Hsin Pacific Limited ("CHPL") (note a)	beneficially owned	814,000,000	71.22%
International Chia Hsin Corp. ("ICHC") (note b)	beneficially owned	7,192,000	0.63%
Tong Yang Chia Hsin International Corporation ("Chia Hsin International") (note b)	Interests held by controlled corporations	7,192,000	0.63%
Chia Hsin Cement Corporation ("CHC") (notes a and b)	Interests held by controlled corporations	821,192,000	71.85%

## Notes:

- a. CHPL is owned as to approximately 69.74% by CHC, the ultimate controlling company of the Company, as to approximately 24.19% by Chia Hsin International (a 87.18% owned subsidiary of CHC), as to approximately 4.16% by CHC Holdings Inc. (a wholly-owned subsidiary of CHC), as to approximately 1.21% by Chia Hsin RMC Corporation (a company owned as to 13.71% by CHC), as to approximately 0.48% by Mr. Chang Yung Ping, Johnny, a non-executive Director and as to approximately 0.22% by Sung-Ju Investment Corporation.
- b. The 19.33% and 20.18% issued share capital of ICHC is held by CHC and Chia Hsin International (a 87.18% owned subsidiary of CHC) respectively.

Save as disclosed above and so far as the Directors and the chief executive of the Company are aware, as at the Latest Practical Date, no other party (other than the Directors and the chief executive of the Company) had an interest or short positions in the shares, the underlying shares or debentures of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 6. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited accounts of the Company were made up.

## 7. QUALIFICATION AND CONSENT OF EXPERT

TIS Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

<b>Name</b>	<b>Qualification</b>
TIS Securities	A licensed corporation under the SFO and engaged in types 1, 2, 4, and 6 regulated activities.

Save as disclosed in this circular, TIS Securities is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

## 8. MISCELLANEOUS

- (a) The registered office of the Company is P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (b) The share registrar of the Company in Hong Kong is Tricor Investor Services Limited located at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Lo Yee Har, Susan, an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular will prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours at the principal place of business of the Company in Hong Kong from the date of this circular up to and including 10 November 2005 (being the date of the EGM to be held):

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2004;
- (c) the “Letter from the Independent Board Committee” as set out in this circular;
- (d) the “Letter from TIS Securities” as set out on in this circular;
- (e) the written consent from TIS Securities referred to in paragraph 7 of this Appendix;
- (f) the Union Cement Purchase Agreement; and
- (g) the Ganghui Sales Agreement.



嘉新水泥（中國）控股股份有限公司\*  
Chia Hsin Cement Greater China Holding Corporation  
(incorporated in the Cayman Islands with limited liability)  
(Stock code: 699)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of Chia Hsin Cement Greater China Holding Corporation (the “Company”) will be held at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 10 November 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary and special resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. **“THAT**

- (a) the conditional agreement (the “Union Cement Purchase Agreement”) dated 15 September 2005 entered into between 嘉新京陽水泥有限公司 (Chia Hsin Jingyang Cement Co., Ltd.) (“Jingyang Cement”) and 江蘇聯合水泥有限公司 (Jiangsu Union Cement Co., Ltd.) (“Union Cement”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which Jingyang Cement will purchase clinker from Union Cement from time to time (the “Clinker Transactions”) be and is hereby approved, ratified and confirmed;
- (b) the proposed cap in relation to the Clinker Transactions for the financial year ending 31 December 2006 of RMB396 million be and is hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Union Cement Purchase Agreement.”

2. **“THAT**

- (a) the conditional agreement (the “Ganghui Sales Agreement”) dated 15 September 2005 entered into between 嘉新京陽水泥有限公司 (Chia Hsin Jingyang Cement Co., Ltd.) (“Jingyang Cement”) and 上海嘉新港輝有限公司 (Shanghai Chia Hsin Ganghui Co., Ltd.) (“Ganghui”), a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, pursuant to which Jingyang Cement will sell certain cement products to Ganghui from time to time (the “Cement Transactions”) be and is hereby approved, ratified and confirmed;

\* for identification purpose only

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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- (b) the proposed cap in relation to the Cement Transactions for the financial year ending 31 December 2006 of RMB50 million be and is hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Ganghui Sales Agreement.”

### SPECIAL RESOLUTION

3. **“THAT** the Articles of Association of the Company be and are hereby amended in the following manner:

- (a) Article 81.(a)

By deleting the existing Article 81.(a) in its entirety and substituting therefor a new Article 81.(a) as follows:

‘81.(a) “Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person (or, in the case of a member being a corporation by its duly authorised representative) or by proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. On a poll a member entitled to more than one vote is under no obligation to cast all his votes in the same way.”

- (b) Article 95

By deleting the existing Article 95 in its entirety and substituting therefor a new Article 95 as follows:

‘95. “The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first general meeting of the Company after his appointment and shall be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation pursuant to Article 112.”

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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(c) Article 112

By deleting the existing Article 112 in its entirety and substituting therefor a new Article 112 as follows:

‘112. “Unless and until the Company in a general meeting shall otherwise determine, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as the Exchange may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company. The Directors to retire in every year shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.”

(d) Article 115

By deleting the existing Article 115 in its entirety and substituting therefor a new Article 115 as follows:

‘115. “The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Law, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation pursuant to Article 112.”

Yours faithfully,  
By Order of the Board  
**Chia Hsin Cement Greater China  
Holding Corporation**  
**Wang Chien Kuo, Robert**  
*Chairman*

Hong Kong, 12 October 2005



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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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*Registered office:*

P.O. Box 309GT,  
Ugland House,  
South Church Street,  
George Town,  
Grand Cayman,  
Cayman Islands

**Notes:**

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company's share registrar, Tricor Investor Services Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.