

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Shares.



PROPOSED MAJOR & CONNECTED TRANSACTION

RELATING TO

ACQUISITION OF CEMENT BUSINESS IN THE PRC

AND

PROPOSED RENEWAL OF EXISTING CAPS

IN RESPECT OF

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to the Company



Independent financial adviser to the Independent Board Committee



1. PROPOSED MAJOR & CONNECTED TRANSACTION

On 12 September 2006, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the entire issued share capital of Yonica (BVI) which will hold a 80% equity interest in Union Cement subject to the terms and conditions of the Acquisition Agreement.

The consideration for the Acquisition is approximately US\$ 43 million (approximately HK\$ 333.64 million) and will be satisfied as to approximately US\$ 32.27 million (approximately HK\$ 250.38 million) by the issue of 263,496,000 Consideration Shares, credited as fully paid, to the Vendor or its nominee at the Issue Price and the Balance Consideration in cash from the Company's financial resources by way of Funding Alternative.

Since the percentage ratios under Chapter 14 of the Listing Rules for the Acquisition are 25% or more but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. As the Vendor is the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements, by way of poll at the EGM, as set out in the relevant provisions of Chapters 14 and 14A of the Listing Rules and the Vendor and its associates will abstain from voting at the EGM.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Stock Exchange has stated that if, upon Completion, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares, or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it may consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. Shareholders are advised to exercise caution in dealings with the Shares.

2. PROPOSED RENEWAL OF THE EXISTING CAPS IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS

The existing caps in respect of the Continuing Connected Transactions will expire on 31 December 2006 and the Company intends to carry out the Continuing Connected Transactions which are in its ordinary and usual course of business beyond 31 December 2006. In this regard, Jingyang Cement, an indirectly wholly owned subsidiary of the Company, has entered into a renewal agreement between Ganghui and Union Cement, respectively, on 12 September 2006 to extend the term of the Ganghui Sales Agreement and Union Cement Purchase Agreement for one additional financial year ending 31 December 2007.

As each of Ganghui and Union Cement is a subsidiary of CHPL as at the date of this announcement, which is a controlling shareholder of the Company, the extension of the term of Ganghui Sales Agreement and Union Cement Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements.

3. GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders on the Transactions. An independent financial adviser has been appointed to advise the Independent Board Committee who will make recommendation to the Independent Shareholders as to how to vote on the ordinary resolutions in respect of the Transactions at the EGM.

A circular containing, among other things, (i) details of the Acquisition Agreement; (ii) the Business Valuation report performed by an independent and recognised professional party/(ies); (iii) details of the proposed renewal of the existing caps in respect of the Continuing Connected Transactions; (iv) a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Transactions; (v) the recommendation of the Independent Board Committee regarding the Transactions to the Independent Shareholders; and (vi) a notice of the EGM will be dispatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 13 September 2006 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for trading in the Shares to resume from 9:30 a.m. on 19 September 2006.

Shareholders and potential investors should note that the Transactions which are subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealings in the Shares.

1. PROPOSED MAJOR & CONNECTED TRANSACTION

Background

Reference is made to the Prospectus.

On 26 November 2003, the Company entered into an option agreement with CHC and CHPL pursuant to which an option was granted to the Company by CHPL to purchase all of CHPL's interest in Yonica (Singapore) (which in turn holds a 80% equity interest in Union Cement) at a fair market value negotiated on arm's length basis between CHPL and the Company with reference to an independent valuation of Yonica (Singapore) by an independent firm of certified public accountants in Taiwan jointly appointed by CHPL and the Company whose valuation shall have reference to the most recent audited consolidated financial results of Yonica (Singapore) available at the time of the exercise of the Option. The exercise period

for the Option is for a period of 24 months commencing when Union Cement has reached a production capacity of clinker which equals or exceeds 30% of the aggregate production capacity of clinker of the Group (the “Pre-requisite”). Such Pre-requisite was met on 14 September 2005.

On 31 August 2006, Yonica (Singapore), a wholly owned subsidiary of CHPL, entered into agreements with Yonica (BVI), another wholly owned subsidiary of CHPL, involving the transfer of Yonica (Singapore)’s 80% equity interest in Union Cement and the assignment of Shareholder’s Loan to Yonica (BVI) pursuant to the Reorganisation. Upon completion of the Reorganisation, Yonica (BVI) will be interested in the 80% equity interest in Union Cement and the Shareholder’s Loan.

The Acquisition Agreement dated 12 September 2006

Parties

The Vendor: CHPL
The Purchaser: The Company

Assets to be acquired

The Sale Shares, representing the entire issued share capital of Yonica (BVI).

Consideration and mode of settlement

The consideration payable to the Vendor by the Company for the Sale Shares is approximately US\$ 43 million (approximately HK\$ 333.64 million), which will be satisfied as to approximately US\$ 32.27 million (approximately HK\$ 250.38 million) by the issue of 263,496,000 Consideration Shares, credited as fully paid, to the Vendor or its nominee at the Issue Price and the Balance Consideration payable in cash at Completion from the Company’s financial resources by way of Funding Alternative.

The Consideration Shares represent:

- (i) approximately 23.06% of the issued share capital of the Company as at the date of the Acquisition Agreement; and
- (ii) approximately 18.74% of the enlarged issued share capital of the Company after the issue and allotment of the Consideration Shares upon Completion but without taking into consideration of any new Shares which may be allotted pursuant to the Funding Alternative.

The consideration for the Acquisition has been determined after arm’s length negotiations between the Company and the Vendor by reference to a preliminary business valuation prepared by an independent firm of certified public accountants in Taiwan and the Shareholder’s Loan. A final Business Valuation report will be performed by an independent and recognised professional party/(ies) and its report will be included in the EGM circular of the Company.

The Directors (excluding the three independent non-executive directors of the Company) consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The three independent non-executive directors of the Company have yet to form a view on the terms of the Acquisition and their view and advice to the Independent Shareholders will be included in the EGM circular of the Company.

Funding of the Balance Consideration

The Balance Consideration will be funded by the Company through Funding Alternative. However, the timing and terms and/or conditions of such Funding Alternative have yet to be decided by the Company.

The Company will make an announcement as soon as the Funding Alternative is determined.

Changes in shareholding structure

The shareholding structure of the Company before and after the issue of Consideration Shares and the settlement of Balance Consideration through Funding Alternative is set out below:

Shareholders	As at the date of this announcement		After the issue of Consideration Shares but before the settlement of Balance Consideration through Funding Alternative		After the issue of Consideration Shares and the settlement of Balance Consideration through Funding Alternative	
	<i>Number of Shares ('000)</i>	<i>% Shares</i>	<i>Number of Shares ('000)</i>	<i>% Shares</i>	<i>Number of Shares ('000)</i>	<i>%</i>
CHPL and its associates	822,478	71.96	1,085,974	77.21	1,085,974	72.68
Directors	22,738	1.99	22,738	1.62	22,738	1.52
Independent investors	—	—	—	—	87,880 (<i>note</i>)	5.88
Public Shareholders	<u>297,684</u>	<u>26.05</u>	<u>297,684</u>	<u>21.17</u>	<u>297,684</u>	<u>19.92</u>
	<u>1,142,900</u>	<u>100.00</u>	<u>1,406,396</u>	<u>100.00</u>	<u>1,494,276</u>	<u>100.00</u>

Note: the number of new Shares to be issued through Funding Alternative to independent investors is for illustrative purpose only. The number of new Shares to be issued and the funding method is yet to be determined as at the date of this announcement.

As the Consideration Shares will not be issued to the Vendor and/or its nominees before the settlement of Balance Consideration to be raised through Funding Alternative, the Company will not be unable to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

The Stock Exchange has stated that if, upon Completion, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares, or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it may consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. Shareholders are advised to exercise caution in dealings with the Shares.

Issue Price

The Issue Price of HK\$ 0.95 per Share represents:

- (i) a discount of approximately 7.77% to the closing price of the Shares of HK\$ 1.03 per Share on the Last Trading Day;
- (ii) a discount of approximately 5.94% to the average closing price of approximately HK\$ 1.01 per Share for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 4.04% to the average closing price of approximately HK\$ 0.99 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 32.14% to the latest published net asset value of approximately US\$ 0.18 (approximately HK\$ 1.40) per Share as of 30 June 2006 as set out in the interim report of the Company dated 23 August 2006.

As at the date of this announcement, the market value of the Consideration Shares is approximately HK\$ 271.44 million.

Special Mandate to issue Consideration Shares

The Consideration Shares will be issued under the Special Mandate to be sought from the Independent Shareholders at the EGM.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions

Completion of the Acquisition Agreement is subject to the fulfillment of the following conditions:

- (i) the approval by the Independent Shareholders in the EGM by way of a poll of (a) the transactions contemplated under the Acquisition Agreement; and (b) the allotment and issue of the Consideration Shares under the Special Mandate;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;

- (iii) the Company being satisfied with the results of the due diligence review on the business, operations, affairs and assets of Yonica (BVI) and Union Cement;
- (iv) the completion to the satisfaction of the Company of the Reorganisation;
- (v) the completion of the Funding Alternative by the Company;
- (vi) the receipt by the Company of a PRC legal opinion in form and substance reasonably satisfactory to the Company on the establishment and existence of Union Cement and the completion of the Reorganisation; and
- (vii) the obtaining of the consents and approvals from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Acquisition Agreement and any transactions contemplated in the Acquisition Agreement.

In relation to condition (vi), the Company will review the opinion given and establish that Union Cement has been duly established and in existence under PRC law and that the Reorganisation is completed and conducted in compliance with the law, rules and regulations of the PRC.

In relation to condition (vii), the relevant PRC regulatory authorities include mainly (a) Ministry of Commerce of the PRC (中國商務部) for approval; (b) Zhenjiang Administration for Industry and Commerce, Jiangsu Province (江蘇省鎮江工商行政管理局) for registration; and (c) the State Administration of Foreign Exchange, Zhenjiang Central Branch (國家外匯管理局鎮江市中心支局) for registration. The Company shall have the right to waive conditions (iii) and (vi) above. If any of the conditions to Completion has not been fulfilled or waived, as the case may be, by the Long-Stop Date, the Acquisition Agreement will terminate and cease to be of any effect except for antecedent breaches. The Company has no present intention to waive any of the conditions aforesaid.

Completion

Completion will take place on the 30th business day after all the conditions have been fulfilled or waived, as the case may be, or such other date to be jointly determined by the Company and the Vendor.

Reasons for and benefits of the Acquisition

As stated in the interim results announcement of the Company dated 23 August 2006, the sales volume of cement and clinker of the Group for the first half of year 2006 amounted to 1,926,000 tonnes, representing an increase of 22% over the same period of last year. Although the situation of supply exceeding demand still remained, the overall cement business environment has improved when compared with last year. Export business, which has continued to prosper, becomes an important strategic initiative for companies striving to enhance their level of profitability. During the first half of year 2006, a total of 1,266,000 tonnes of cement and clinker were exported, accounting for 65.8% of the total sales volume. In view of the above, the Directors anticipate that the demand of cement products of the Group will remain strong in the foreseeable future.

For the first half of year 2006, the Group produced a total of 1,600,000 tonnes of cement and 1,030,000 tonnes of clinker. The Group has annual cement and clinker production capacity of 3,500,000 tonnes and 2,200,000 tonnes respectively. On an annualized basis, the utilization rates of cement and clinker production capacity of the Group have reached 91.4% and 93.6% respectively. As such, the Acquisition is a step for the Group to increase its production capacity for expansion into the cement business in the PRC in the future and to achieve economies of scale.

Union Cement has an annual cement and clinker production capacity of 600,000 tonnes and 1,000,000 tonnes respectively. Upon completion of the Acquisition, the annual cement production capacity and clinker production capacity of the Group will increase by 17.1% and 45.5% respectively.

In addition, Union Cement is located near the Yangtze River. The Yangtze River has enabled Union Cement to use river transportation to distribute its products. This has also enabled Union Cement to enjoy significant cost savings in transportation.

The Directors believe that the Acquisition will enhance the asset base of the Group and position the Group to capture the growth of the cement market share in the PRC.

Information of Yonica (BVI)

Yonica (BVI) is a company incorporated in the British Virgin Islands on 6 July 2006 as an investment holding company. It has no business operation other than its holding of a 80% interest in Union Cement and Shareholder's Loan upon completion of the Reorganisation.

Union Cement is principally engaged in the production and sales of cement and clinker. Products sold are under the trademark “寶船” (Bao Chuan). Union Cement is a company incorporated in the PRC on 20 November 1996 with a registered capital of US\$ 58 million (approximately HK\$ 450.02 million) and paid up capital of approximately US\$ 43.7 million (approximately HK\$ 339.07 million). The remaining 20% interest in Union Cement is held by 鎮江船山石灰石礦有限公司 (Zhenjiang Chuanshan Limestone Mine Company), an independent third party and not a connected person of the Company as defined under the Listing Rules.

The audited loss before and after taxation of Yonica (BVI) for the two years ended 31 December 2004 and 2005 were approximately US\$ 2.91 million (approximately HK\$ 22.59 million) and approximately US\$ 2.54 million (approximately HK\$ 19.70 million) respectively. The audited profit before and after taxation of Yonica (BVI) for the six months ended 30 June 2006 were approximately US\$ 1.80 million (approximately HK\$ 13.94 million).

As at 31 December 2005, the audited net asset value of Yonica (BVI) was approximately US\$ 37.32 million (approximately HK\$ 289.59 million). As at 30 June 2006, the audited net asset value of Yonica (BVI) was approximately US\$ 39.48 million (approximately HK\$ 306.33 million).

The financial information of Yonica (BVI) above was extracted from its audited financial statements for the relevant periods which are prepared in accordance with International Financial Reporting Standards.

Listing Rules requirements

Since the percentage ratios under Chapter 14 of the Listing Rules for the Acquisition are 25% or more but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. As the Vendor is the controlling shareholder of the Company, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements, by way of poll at the EGM, as set out in the relevant provisions of Chapters 14 and 14A of the Listing Rules and the Vendor and its associates will abstain from voting at the EGM.

2. PROPOSED RENEWAL OF EXISTING CAPS IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 2005 Circular in relation to the Continuing Connected Transactions. The existing caps in respect of the Continuing Connected Transactions will expire on 31 December 2006.

2.1 Renewal of Ganghui Sales Agreement

2.1.1 Background

At the extraordinary general meeting of the Company convened on 10 November 2005, the independent shareholders of the Company approved the Ganghui Sales Agreement entered into between Jingyang Cement and Ganghui dated 15 September 2005. Details of which were set out in the 2005 Circular in relation to the sales of certain cement products by Jingyang Cement to Ganghui with the proposed sales cap of RMB 50 million (approximately HK\$ 48.08 million) for the year ending 31 December 2006. As the term of the Ganghui Sales Agreement will end on 31 December 2006 and Jingyang Cement intends to continue to sell certain cement products to Ganghui which are in its ordinary and usual course of business beyond 31 December 2006. In this regard, Jingyang Cement, being an indirectly wholly owned subsidiary of the Company engaging in production and sale of cement in the PRC, has entered into a renewal agreement with Ganghui on 12 September 2006 to extend the term of the Ganghui Sales Agreement.

To enable the relevant parties to enjoy better flexibility to negotiate commercial terms, parties to the agreement consider the renewal term of one year is more appropriate and prudent.

2.1.2 Historical sales of certain cement products to Ganghui

The table below sets out historical sale of certain cement products by Jingyang Cement to Ganghui for each of the three years ended 31 December 2005 and the six months ended 30 June 2006:

	2003		Year ended 31 December 2004		2005		Six months ended 30 June 2006	
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>
	<i>Audited</i>		<i>Audited</i>		<i>Audited</i>		<i>Unaudited</i>	
Sales	11,302	87,692	8,897	69,032	6,253	48,517	1,166	9,047

2.1.3 Historical approved sales caps by Jingyang Cement to Ganghui

The table below sets out the relevant cap amounts in respect of sale of certain cement products to Ganghui under the Waiver obtained from the Stock Exchange for each of the three years ended 31 December 2005 and the year ending 31 December 2006:

	2003		Year ended 31 December 2004		2005		Year ending 31 December 2006	
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Relevant sales cap	15,602	121,059	16,389	127,161	18,297	141,966	50,000	48,077

2.1.4 Proposed Sales Cap of the transaction

The proposed maximum annual value of sales of certain cement products to Ganghui by Jingyang Cement for the year ending 31 December 2007 will be RMB 50 million (approximately HK\$ 48.08 million) (the "Sales Cap"). This Sales Cap is identical to the sales cap to Ganghui for the financial year ending 31 December 2006 which was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company convened on 10 November 2005.

The Directors determine the proposed Sales Cap by taking reference to:

- (i) In terms of sales of cement in tonnes, the average of:
 - (a) the historical annual sale of cement by Jingyang Cement to Ganghui for the two years ended 31 December 2005 and seven months ended 31 July 2006; and
 - (b) the estimated amount of sales of cement by Jingyang Cement to Ganghui for the five months ending 31 December 2006.

- (ii) In terms of selling price of cement, the average of
 - (a) the historical average selling price of various types of cement products for the two years ended 31 December 2005 and seven months ended 31 July 2006; and
 - (b) the projected average selling price of various types of cement products for the five months ending 31 December 2006.
- (iii) The prevailing market prices of the cement products; and
- (iv) The annual cap of RMB 50 million (approximately HK\$ 48.08 million) in respect of the sales by Jingyang Cement to Ganghui for the year ending 31 December 2006 which had been approved by the independent shareholders of the Company convened on 10 November 2005.

Given that the Ganghui Sales Agreement entered into between Ganghui and Jingyang Cement will lapse on 31 December 2006, the Company proposes to renew the term of the Ganghui Sales Agreement for a term of one financial year ending 31 December 2007.

2.1.5 Reasons for and benefits of the renewal of the Ganghui Sales Agreement

Ganghui is principally engaged in the trading of cement and the production of blended cement according to customer specifications. The Group intends to continue to sell its cement products to Ganghui as Ganghui has been the Group's customer for over seven years with good financial standing.

The business relationship between Jingyang Cement and Ganghui has established before the listing of the Shares of the Company on the Main Board of the Stock Exchange on 12 December 2003. Details of which were set out in the Prospectus. The supply of cement products to Ganghui by Jingyang Cement has been and will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and negotiate on an arm's length basis. The Directors are of the view that the transaction contemplated under the renewed Ganghui Sales Agreement is on normal commercial terms and such terms are fair and reasonable and in the interests of the Shareholders as a whole.

2.1.6 Listing Rules requirements

As Ganghui is an indirectly wholly owned subsidiary of CHPL, a controlling shareholder of the Company, the renewal of the term for sale of cement by Jingyang Cement to Ganghui for another financial year ending 31 December 2007 constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

The Company will seek the approval of the Independent Shareholders of the renewal of the Ganghui Sales Agreement on the following conditions:

- (i) The proposed Sales Cap under the Ganghui Sales Agreement for the financial year ending 31 December 2007 will not exceed RMB 50 million (approximately HK\$ 48.08 million); and
- (ii) The Company will comply with the relevant requirements under the Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules governing the continuing connected transaction.

2.2 Renewal of Union Cement Purchase Agreement

2.2.1 Background

At the extraordinary general meeting of the Company convened on 10 November 2005, the independent shareholders of the Company also approved the Union Cement Purchase Agreement entered into between Jingyang Cement and Union Cement dated 15 September 2005. Details of which were set out in the 2005 Circular in relation to the purchase of clinker from Union Cement by Jingyang Cement with the proposed cap of RMB 396 million (approximately HK\$ 381 million) for the year ending 31 December 2006. As the term of the Union Cement Purchase Agreement will expire on 31 December 2006 and Jingyang Cement intends to continue to purchase clinker from Union Cement which is in its ordinary and usual course of business beyond 31 December 2006, Jingyang Cement, an indirectly wholly owned subsidiary of the Company, has entered into a renewal agreement with Union Cement on 12 September 2006 to extend the term of the Union Cement Purchase Agreement for one additional financial year ending 31 December 2007.

To enable the relevant parties to enjoy better flexibility to negotiate commercial terms, parties to the agreement consider the renewal term of one year is more appropriate and prudent.

2.2.2 Historical purchase of clinker from Union Cement

The table below sets out the historical purchase of clinker from Union Cement by Jingyang for each of the three years ended 31 December 2005 and the six months ended 30 June 2006:

	2003		Year ended 31 December 2004		2005		Six months ended 30 June 2006	
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>
	<i>Audited</i>		<i>Audited</i>		<i>Audited</i>		<i>Unaudited</i>	
Purchase of clinker	Nil	Nil	Nil	Nil	12,225	94,854	11,282	87,537

2.2.3 Historical approved purchase cap by Jingyang Cement from Union Cement

The table below sets out the relevant cap amounts in respect of the purchase of clinker from Union Cement by Jingyang Cement under the Waiver obtained from the Stock Exchange for each of the three years ended 31 December 2005 and the year ending 31 December 2006:

	2003		Year ended 31 December 2004		2005		Year ending 31 December 2006	
	US\$'000	HK\$'000	US\$'000	HK\$'000	US\$'000	HK\$'000	RMB'000	HK\$'000
Relevant purchase cap	Nil	Nil	3,624	28,119	19,324	149,935	396,000	380,769

2.2.4 Proposed Purchase Cap of the transaction

The proposed maximum annual value of purchase of clinker by Jingyang Cement from Union Cement for the year ending 31 December 2007 will be RMB 396 million (approximately HK\$ 381 million) (the "Purchase Cap"). This Purchase Cap is identical to the purchase cap from Union Cement for the financial year ending 31 December 2006 which was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company convened on 10 November 2005.

The Directors determine the proposed Purchase Cap by taking reference to:

- (i) In terms of purchase of clinker in tonnes:
 - (a) the historical quantity of clinker required by Jingyang Cement for the six months ended 30 June 2006; and
 - (b) the estimated quantity of clinker to be required by Jingyang Cement for the six months ending 31 December 2006 and the year ending 31 December 2007.
- (ii) In terms of purchase price of clinker:
 - (a) the historical average purchase price of clinker products for the six months ended 30 June 2006; and
 - (b) the projected average purchase price of various types of clinker for the six months ending 31 December 2006 and the year ending 31 December 2007.
- (iii) The existing production capacity of clinker of Jingyang Cement; and
- (iv) The annual cap of RMB 396 million (approximately HK\$ 381 million) in respect of the purchase by Jingyang Cement from Union Cement for the year ending 31 December 2006 which had been approved by the independent shareholders of the Company convened on 10 November 2005.

Given that the Union Cement Purchase Agreement entered into between Union Cement and Jingyang Cement will lapse on 31 December 2006, the Company proposes to renew the term of the Union Cement Purchase Agreement for a term of one financial year ending 31 December 2007.

2.2.5 Reasons for and benefits of the renewal of the Union Cement Purchase Agreement

Union Cement is principally engaged in the production and sale of cement and clinker. As referred to in the paragraph headed “Reasons for and benefits of the Acquisition” above, the Groups’ utilisation rate in respect of clinker production has reached 93.6%. In anticipation to meet the growing demand of cement products in the PRC, the Directors consider that there is a need to seek other alternative source of clinker for the expansion of the business of the Group before completion of the Acquisition.

The Group commenced purchase of clinker from Union Cement in 2005 and 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 stringent requirements. Moreover, Union Cement is in close proximity to Jingyang Cement thereby reducing the related transportation costs and achieving time efficiency.

The Directors consider that the renewal of the Union Cement Purchase Agreement is a temporary measure as the Group has entered into Acquisition Agreement with CHPL to acquire Yonica (BVI), subject to certain conditions as mentioned above. Upon completion of the Acquisition Agreement, Union Cement, which will be owned as to 80% by Yonica (BVI), will become a 80% owned subsidiary of the Company. Hence, the transaction contemplated under the Union Cement Purchase Agreement will no longer constitute a continuing connected transaction under the Listing Rules upon completion of the Acquisition.

The supply of clinker products from Union Cement to Jingyang Cement has been and will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and negotiate on an arm’s length basis. The Directors are of the view that the transaction contemplated under the renewed Union Cement Purchase Agreement is on normal commercial terms and such terms are fair and reasonable and in the interests of the Shareholders as a whole.

2.2.6 Listing Rules requirements

As Union Cement is a subsidiary of CHPL, which is a controlling shareholder of the Company, prior to the completion of the Acquisition, the renewal of the term for purchase of clinker by Jingyang Cement from Union Cement for another financial year ending 31 December 2007 constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements.

The Company will seek the approval of the Independent Shareholders of the renewal of the Union Cement Purchase Agreement on the following conditions:

- (i) The proposed Purchase Cap under the Union Cement Purchase Agreement for the financial year ending 31 December 2007 will not exceed RMB 396 million (approximately HK\$ 381 million); and
- (ii) The Company will comply with the relevant requirements under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules governing the continuing connected transaction.

3. GENERAL

The Group is principally engaged in the production and sales of cement and other cement products under the brand name of 嘉新 (Chia Hsin).

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the Acquisition Agreement and the renewal of the Ganghui Sales Agreement and Union Cement Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

The Company has appointed an independent financial adviser to advise the Independent Board Committee, which will give recommendation to the Independent Shareholders on how to vote on the ordinary resolutions in respect of the Transactions at the EGM.

A circular containing, among other things, (i) details of the Acquisition Agreement; (ii) the Business Valuation report performed by an independent and recognised professional party/(ies); (iii) details of the renewals of the existing caps in respect of the Continuing Connected Transactions; (iv) a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Transactions; (v) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Transactions; and (vi) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 13 September 2006 pending release of this announcement. An application has been made by the Company to the Stock Exchange for trading in the Shares to resume from 9:30 a.m. on 19 September 2006.

Shareholders and potential investors should note that the Transactions, which are subject to a number of conditions precedents, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealings in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“2005 Circular”	the circular of the Company dated 12 October 2005 in relation to, among other things, the Ganghui Sales Agreement and Union Cement Purchase Agreement
“Acquisition”	the acquisition by the Company of the Sale Shares from the Vendor
“Acquisition Agreement”	the agreement dated 12 September 2006 entered into between the Company and the Vendor in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Balance Consideration”	being approximately US\$ 10.73 million (approximately HK\$ 83.25 million) payable to the Vendor by the Company in cash upon Completion
“Board”	the board of Directors
“Business Valuation”	the independent valuation of Union Cement as at 30 June 2006 prepared by an independent and recognised professional party/(ies), jointly appointed by Vendor and the Company taking reference to the most recent audited financial results of Union Cement being as of 30 June 2006
“CHC”	Chia Hsin Cement Corporation, a company incorporated in Taiwan, the securities of which are listed on the Taiwan Stock Exchange Corporation and a controlling shareholder of CHPL
“CHPL”	Chia Hsin Pacific Limited, a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company
“Company”	Chia Hsin Cement Greater China Holding Corporation, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition contemplated under the Acquisition Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	263,496,000 new Shares, credited as fully paid, to be issued to the Vendor or its nominee upon Completion

“Continuing Connected Transactions”	the proposed continuing connected transactions as contemplated under the Ganghui Sales Agreement and Union Cement Purchase Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Funding Alternative”	any fund raising exercise of the Company through issue of equity securities resulting in all times that the public float in the Company will be maintained at a minimum of 25% upon completion in compliance with Rule 8.08 of the Listing Rules to be completed on or before the Long-Stop Date
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Transactions and all other transactions contemplated thereunder by the Independent Shareholders, the notice of which will be contained in a circular to be dispatched to Shareholders as soon as practicable
“Ganghui”	上海嘉新港輝有限公司 (Shanghai Chia Hsin Ganghui Co., Ltd), is an indirectly wholly owned subsidiary of CHPL
“Ganghui Sales Agreement”	the sales agreement entered into between Jingyang Cement and Ganghui on 15 September 2005, details of which were set out in the 2005 Circular
“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 Board, comprising Davin A. Mackenzie, Zhuge Pei Zhi, Wu Chun Ming, the independent non-executive Directors
“Independent Shareholders”	Shareholders, other than the Vendor and its associates, who are not involved in or interested in the Transactions
“Issue Price”	the price of HK\$ 0.95 per Consideration Share
“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 on 26 June 1993 with limited liability and an indirectly wholly owned subsidiary of the Company
“Last Trading Day”	12 September 2006, being the last trading day immediately prior to the date of the Acquisition Agreement

“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Stop Date”	30 June 2007 (or such later date as the Company and the Vendor may jointly determine in writing)
“Main Board”	The stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Proposed Caps”	collectively, the proposed caps in respect of the Continuing Connected Transactions for the financial year ending 31 December 2007 as set out in the paragraph headed “2. Proposed renewal of existing caps in respect of the Continuing Connected Transactions” in this announcement
“Prospectus”	the prospectus of the Company dated 2 December 2003 in relation to the listing of the Shares on the Main Board of the Stock Exchange
“Reorganisation”	the transfer of Yonica (Singapore)’s 80% equity interest in Union Cement and the assignment of Shareholder’s Loan to Yonica (BVI) by Yonica (Singapore)
“Sale Shares”	1 share of US\$1.00 each in Yonica (BVI), representing the entire issued share capital of Yonica (BVI) before completion of the Reorganisation and the 43,022,013 new shares to be issued to the Vendor upon completion of the Reorganisation at the direction of Yonica (Singapore)
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the shareholder’s loan in the amount of US\$ 11.44 million (approximately HK\$ 88.76 million) due from Union Cement to Yonica (Singapore) which has been assigned to Yonica (BVI) as part of the Reorganisation
“Share(s)”	ordinary share(s) of US\$ 0.01 each in the share capital of the Company

“Special Mandate”	the special mandate to be sought from Independent Shareholders at the EGM by a resolution in respect of the issue and allotment of the Consideration Shares pursuant to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the Acquisition Agreement, the proposed renewal of the existing caps in respect of the Continuing Connected Transactions and the transactions contemplated therein
“Union Cement”	江蘇聯合水泥有限公司 (Jiangsu Union Cement Co., Ltd.), a sino-foreign equity joint venture established on 20 November 1996 in the PRC with limited liability and is owned as to 80% by Yonica (Singapore) and 20% by a PRC state owned enterprise known as 鎮江船山石灰石礦有限公司 (Zhenjiang Chuanshan Limestone Mine Company), an independent third party and not a connected person of the Company as defined under the Listing Rules
“Union Cement Purchase Agreement”	the purchase agreement entered into between Jingyang Cement and Union Cement on 15 September 2005, details of which were set out in the 2005 Circular
“Waiver”	the waiver from strict compliance with the disclosure and independent shareholders’ approval requirements under the Listing Rules for the three financial years ended 31 December 2005 and the financial year ending 31 December 2006 in relation to the Continuing Connected Transactions (as the case may be) as described in the Prospectus and the 2005 Circular
“Vendor”	CHPL
“Yonica (BVI)”	Yonica (BVI) Pte. Ltd., a company incorporated in the British Virgin Islands on 6 July 2006 with limited liability and a wholly owned subsidiary of the Vendor and holder of Shareholder’s Loan and the 80% equity interest in Union Cement upon completion of the Reorganisation
“Yonica (Singapore)”	Yonica Pte Ltd, a company incorporated in Singapore, a wholly owned subsidiary of the Vendor and holder of the 80% equity interest in Union Cement and the Shareholder’s Loan prior to the completion of the Reorganisation
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong

“US\$” United States dollars, the lawful currency of the United States

“%” per cent

For the purpose of this announcement, unless otherwise indicated, conversion of United States dollars to Hong Kong dollars and Renminbi into Hong Kong dollars are based on the approximate exchange rates of US\$ 1.00 to HK\$ 7.759 and RMB 1.04 to HK\$ 1.00 respectively. This exchange rates are for the purpose of illustration only and not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By the order of the Board
Chia Hsin Cement Greater China Holding Corporation
WANG Chien Kuo, Robert
Chairman

Hong Kong, 18 September 2006

As at the date of this announcement, the board of the Directors comprises:

<i>Executive Directors:</i>	<i>Non-Executive Directors:</i>	<i>Independent Non-Executive Directors:</i>
WANG Chien Kuo, Robert	CHANG Yung Ping, Johnny	Davin A. MACKENZIE
LAN Jen Kuei, Konrad	CHANG An Ping, Nelson	ZHUGE Pei Zhi
CHANG Kang Lung, Jason		WU Chun Ming
WANG Li Shin, Elizabeth		

* *for identification purpose only*

Please also refer to the published version of this announcement in The Standard.