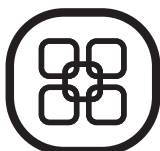

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities of TCC International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

**TCC INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1136)

CONTINUING CONNECTED TRANSACTIONS

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 11 to 39 of this circular. A letter from Altus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 81 of this circular.

A notice convening an extraordinary general meeting of TCC International Holdings Limited to be held at Gloucester Room, 2nd Floor, Mandarin Oriental, Hong Kong Limited, 5 Connaught Road, Central, Hong Kong on Thursday, 21 January 2010 at 10:00 a.m. is set out on pages 89 to 95 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment hereof should you so wish.

5 January 2010

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DEFINITIONS

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

“Altus”	Altus Capital Limited, a licensed corporation under the SFO permitted to engage types 4, 6 and 9 regulated activities (as defined under the SFO) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with respect to the Non-exempt Continuing Connected Transactions and the relevant annual caps relating thereto
“AKB Slag Powder Supply Agreement”	the slag powder supply agreement dated 15 December 2009 entered into between King Bridge and T’Cement governing the supply of slag powder by King Bridge to the T’Cement Group on an ongoing basis
“Anhui Conch”	Anhui Conch Cement Company Limited, a joint stock limited company established in the PRC, whose H shares are listed on the Stock Exchange
“Board”	the board of Directors
“Chia Hsin Cement”	Chia Hsin Cement Corporation, a company incorporated in Taiwan the securities of which are listed on the Taiwan Stock Exchange and which is the holding company of CHPL
“Chia Hsin Cement Agreement”	the agreement entered into between TCC Jurong and Chia Hsin Cement on 15 December 2009 in relation to the supply of cement by TCC Jurong to the Chia Hsin Group on an ongoing basis, the principal terms of which are set out in section B.1 of this circular
“Chia Hsin Group”	Chia Hsin Cement and its subsidiaries
“China SAP Maintenance Agreements”	collectively, the TCC Fuzhou China SAP Maintenance Agreement, the TCC Yingde China SAP Maintenance Agreement, the TCC Jurong China SAP Maintenance Agreement and the TCC Guigang China SAP Maintenance Agreement

DEFINITIONS

“CHPL”	Chia Hsin Pacific Limited, a company incorporated in the Cayman Islands with limited liability and a substantial shareholder of the Company holding an approximate 27.63% shareholding interest in the Company as at the Latest Practicable Date
“Company”	TCC International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Conch International Trading”	Shanghai Conch Construction Material International Trading Company Limited* (上海海螺建材國際貿易有限公司), a company established in the PRC and a wholly owned subsidiary of Anhui Conch, a joint stock limited liability company established in the PRC, whose H shares are listed on the Stock Exchange
“Conch International Trading Clinker Agreement”	the agreement entered into between Conch International Trading and TCC Fuzhou on 15 December 2009 in relation to the supply of clinker by Conch International Trading to TCC Fuzhou on an ongoing basis, the principal terms of which are set out in section B.2 of this circular
“connected persons”	has the meaning ascribed to the term under the Listing Rules
“Da-Ho Shipping”	Guigang Da-Ho Shipping Company Limited* (貴港市達和船務有限責任公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of Da Tong Logistics
“Da Tong Logistics”	Da Tong (Guigang) International Logistics Company Limited* (達通(貴港)國際物流有限公司), a company incorporated in the PRC with limited liability and indirectly owned as to 88.07% by T’Cement as at the Latest Practicable Date
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Non-exempt Continuing Connected Transactions and the caps in relation thereto

DEFINITIONS

“EGM Notice”	the notice convening the EGM set out in pages 89 to 95 of this circular
“Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Exempt Continuing Connected Transaction Agreements
“Exempt Continuing Connected Transaction Agreements”	collectively, the AKB Slag Powder Supply Agreement, the China SAP Maintenance Agreements, the SAP Maintenance Agreements and the Software License (Maintenance) Agreements
“First Batch Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the First Batch Non-exempt Continuing Connected Transactions Agreements
“First Batch Non-exempt Continuing Connected Transactions Agreements”	collectively, the Hong Kong Cement Supply Agreement and the PRC Cement Supply Agreement
“Fuzhou TCCI”	Fuzhou TCC Information Technology Corporation Limited* (福州台泥軟件科技有限公司), a company incorporated in Taiwan and a wholly owned subsidiary of TCC Information Systems
“Group” or “Listco Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Cement”	Hong Kong Cement Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Hong Kong Cement SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between Hong Kong Cement and TCC Information Systems in relation to provision of maintenance services by TCC Information Systems to Hong Kong Cement on an on-going basis

DEFINITIONS

“Hong Kong Cement Software License (Maintenance) Agreement”	the maintenance agreement dated 15 December 2009 entered into between Hong Kong Cement and TCC Information Systems in relation to provision of payment agency services by TCC Information Systems to Hong Kong Cement on an on-going basis
“Hong Kong Cement Supply Agreement”	the cement purchase agreement dated 15 December 2009 entered into between the Company and T’Cement governing the purchase of cement and/or clinker from the T’Cement Group required by the Group on an ongoing basis for its operations in Hong Kong, the principal terms of which are set out in section A.1 of this circular
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the caps in relation thereto
“Independent Shareholders”	Shareholders other than T’Cement and its associates in respect of the Hong Kong Cement Supply Agreement, the PRC Cement Supply Agreement and the T’Cement Transportation and Management Service Agreements; Shareholders other than CHPL and its associates in respect of the Chia Hsin Cement Agreement; and any Shareholders who are interested or involved in the Non-exempt Continuing Connected Transactions other than through their interest in the Shares
“King Bridge”	Anhui King Bridge Cement Co. Ltd., a company established in the PRC and held as to 60% indirectly by the Company and 40% by Anhui Conch
“Latest Practicable Date”	24 December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Non-exempt Continuing Connected Transactions”	the transactions contemplated under each of Non-exempt Continuing Connected Transactions Agreements
“Non-exempt Continuing Connected Transactions Agreements”	collectively, the Hong Kong Cement Supply Agreement, the PRC Cement Supply Agreement, the Chia Hsin Cement Agreement, the Conch International Trading Clinker Agreement and the T’Cement Transportation and Management Service Agreements
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“PRC Cement Supply Agreement”	the agreement dated 15 December 2009 entered into between the Company and T’Cement governing the purchase of cement and/or clinker from the T’Cement Group required by the Group for its operations in the PRC, the principal terms of which are set out in section A.2 of this circular
“Previous First Batch Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Previous First Batch Non-exempt Continuing Connected Transactions Agreements
“Previous First Batch Non-exempt Continuing Connected Transactions Agreements”	collectively, the agreement dated 23 November 2006 between the Company and T’Cement for the purchase of cement by Listco Group from the T’Cement Group for the Listco Group’s operations in Hong Kong and the agreement dated 23 November 2006 between the Company and T’Cement for the purchase of cement and/or clinker by Listco Group from the T’Cement Group for the Listco Group’s operations in the PRC
“Previous Second Batch Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Previous Second Batch Non-exempt Continuing Connected Transactions Agreements
“Previous Second Batch Non-exempt Continuing Connected Transactions Agreements”	collectively, the agreement dated 21 December 2007 between Chia Hsin Jingyang Cement Co., Ltd. and Shanghai Chia Hsin Ganghui Co. Ltd. and the agreement dated 21 December 2007 between Anhui Conch and TCC Fuzhou

DEFINITIONS

“Previous Third Batch Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Previous Third Batch Non-exempt Continuing Connected Transactions Agreements
“Previous Third Batch Non-exempt Continuing Connected Transactions Agreements”	collectively, the two agreements dated 20 November 2009 between TCC Yingde, Da Tong Logistics and Da-Ho Shipping, the agreement dated 1 September 2009 between TCC Guigang, Da Tong Logistics and Da-Ho Shipping and the agreement dated 1 October 2009 between TCC Fuzhou and Da-Ho Shipping
“RMB”	Renminbi, the lawful currency of the PRC
“SAP ERP system”	the SAP Enterprise Resource Planning system is an enterprise solution software application developed by SAP AG
“SAP Maintenance Agreements”	collectively, the Hong Kong Cement SAP Maintenance Agreement, the TCC Fuzhou SAP Maintenance Agreement, the TCC Yingde SAP Maintenance Agreement, the TCC Jurong SAP Maintenance Agreement and the TCC Guigang SAP Maintenance Agreement
“Second Batch Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Second Batch Non-exempt Continuing Connected Transactions Agreements
“Second Batch Non-exempt Continuing Connected Transactions Agreements”	collectively, the Chia Hsin Cement Agreement and the Conch International Trading Clinker Agreement
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Software License (Maintenance) Agreements”	collectively, the Hong Kong Cement Software License (Maintenance) Agreement, the TCC Fuzhou Software License (Maintenance) Agreement, the TCC Yingde Software License (Maintenance) Agreement, the TCC Jurong Software License (Maintenance) Agreement and the TCC Guigang Software License (Maintenance) Agreement

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	have the meaning ascribed to that term in the Companies Ordinance (Cap 32 Laws of Hong Kong) and “subsidiaries” shall be construed accordingly
“T’Cement”	Taiwan Cement Corporation, a company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange and which, through its wholly owned subsidiary, is holding approximately 44.04% of the issued share capital of the Company
“T’Cement Group”	T’Cement and its subsidiaries
“T’Cement Transportation and Management Service Agreements”	collectively, the TCC Guigang Cement/Clinker Transportation and Management Service Agreement, the TCC Yingde Cement/Clinker Transportation and Management Service Agreement, the TCC Yingde Coal Transportation and Management Service Agreement, the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement and the TCC Fuzhou Transportation and Management Service Agreement
“TCC Fuzhou”	TCC Fuzhou Cement Company Limited* (福州台泥水泥有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“TCC Fuzhou China SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Fuzhou and Fuzhou TCCI in relation to provision of maintenance services by Fuzhou TCCI to TCC Fuzhou on an on-going basis
“TCC Fuzhou SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Fuzhou and TCC Information Systems in relation to provision of maintenance services by TCC Information Systems to TCC Fuzhou on an on-going basis
“TCC Fuzhou Software License (Maintenance) Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Fuzhou and TCC Information Systems in relation to provision of payment agency services by TCC Information Systems to TCC Fuzhou on an on-going basis

DEFINITIONS

“TCC Fuzhou Transportation and Management Service Agreement”	the agreement entered into between TCC Fuzhou and Da-Ho Shipping on 15 December 2009 in relation to the provision of transportation and management services for the transportation of clinker on an on-going basis
“TCC Guigang”	TCC (Gui Gang) Cement Limited* (台泥(貴港)水泥有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“TCC Guigang Cement/Clinker Transportation and Management Service Agreement”	the agreement entered into between, on the one hand, TCC Guigang, and the other, Da Tong Logistics and Da-Ho Shipping on 15 December 2009 in relation to the provision of transportation and management services for the transportation of cement and clinker on an on-going basis, the principal terms of which are set out in section C.1 of this circular
“TCC Guigang China SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Guigang and Fuzhou TCCI in relation to provision of maintenance services by Fuzhou TCCI to TCC Guigang on an on-going basis
“TCC Guigang Gypsum/Coal Transportation and Management Service Agreement”	the agreement entered into between, on the one hand, TCC Guigang, and the other, Da Tong Logistics and Da-Ho Shipping on 15 December 2009 in relation to the provision of transportation and management services for the transportation of gypsum and coal on an on-going basis, the principal terms of which are set out in section C.4 of this circular
“TCC Guigang SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Guigang and TCC Information Systems in relation to provision of maintenance services by TCC Information Systems to TCC Guigang on an on-going basis
“TCC Guigang Software License (Maintenance) Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Guigang and TCC Information Systems in relation to provision of payment agency services by TCC Information Systems to TCC Guigang on an on-going basis
“TCC Information Systems”	TCC Information Systems Corporation* (台泥資訊股份有限公司), a company incorporated in Taiwan and a wholly owned subsidiary of T’Cement

DEFINITIONS

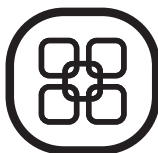
“TCC Jurong”	Jurong TCC Cement Co., Ltd.* (句容台泥水泥有限公司) a company incorporated in the PRC with limited liability and a subsidiary of the Company
“TCC Jurong China SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Jurong and Fuzhou TCCI in relation to provision of maintenance services by Fuzhou TCCI to TCC Jurong on an on-going basis
“TCC Jurong SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Jurong and TCC Information Systems in relation to provision of maintenance services by TCC Information Systems to TCC Jurong on an on-going basis
“TCC Jurong Software License (Maintenance) Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Jurong and TCC Information Systems in relation to provision of payment agency services by TCC Information Systems to TCC Jurong on an on-going basis
“TCC Subsidiaries”	Hong Kong Cement, TCC Fuzhou, TCC Guigang, TCC Jurong and TCC Yingde
“TCC Yingde”	TCC Yingde Cement Company Limited* (台泥(英德)水泥有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“TCC Yingde Cement/ Clinker Transportation and Management Service Agreement”	the agreement entered into between, on the one hand, TCC Yingde, and on the other, Da Tong Logistics and Da-Ho Shipping on 15 December 2009 in relation to the provision of transportation and management services for the transportation of cement and clinker on an on-going basis, the principal terms of which are set out in section C.2 of this circular
“TCC Yingde China SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Yingde and Fuzhou TCCI in relation to provision of maintenance services by Fuzhou TCCI to TCC Yingde on an on-going basis

DEFINITIONS

“TCC Yingde Coal Transportation and Management Service Agreement”	the agreement entered into between, on the one hand, TCC Yingde, and on the other, Da Tong Logistics and Da-Ho Shipping on 15 December 2009 in relation to the provision of transportation and management services for the transportation of coal on an on-going basis, the principal terms of which are set out in section C.3 of this circular
“TCC Yingde SAP Maintenance Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Yingde and TCC Information Systems in relation to provision of maintenance services by TCC Information Systems to TCC Yingde on an on-going basis
“TCC Yingde Software License (Maintenance) Agreement”	the maintenance agreement dated 15 December 2009 entered into between TCC Yingde and TCC Information Systems in relation to provision of payment agency services by TCC Information Systems to TCC Yingde on an on-going basis
“Third Batch Non-exempt Continuing Connected Transactions”	the continuing connected transactions under the Third Batch Non-exempt Continuing Connected Transactions Agreements
“Third Batch Non-exempt Continuing Connected Transactions Agreements”	collectively, the T’Cement Transportation and Management Service Agreements

In this circular, for reference only and unless otherwise specified, the translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.13. Payments for the Non-exempt Continuing Connected Transactions are proposed to be in RMB and are expressed in HK\$ in this circular for illustration purposes only and may vary as a result of any change in the exchange rate of RMB against HK\$.

LETTER FROM THE BOARD



TCC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1136)

Executive Directors:

Mr. Koo, Cheng-Yun, Leslie (*Chairman*)

Mr. Wu Yih Chin (*Managing Director*)

Non-executive Directors:

Dr. Shan Weijian

Mr. Chang, An-Ping, Nelson

Mr. Chang, Kang-Lung, Jason

Ms. Wang, Lishin, Elizabeth

Independent non-executive Directors:

Mr. Liao Poon Huai, Donald

Dr. Chih Ching Kang, Kenneth

Mr. Shieh, Jen-Chung, Roger

Registered office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Head office and principal place
of business*

16th Floor

Hong Kong Diamond

Exchange Building

8-10 Duddell Street

Central

Hong Kong

5 January 2010

To the Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to an announcement of the Company dated 16 December 2009, by which the Company announced, inter alia, that:

- (a) the Previous First Batch Non-exempt Continuing Connected Transactions Agreements and the caps in respect of the Previous First Batch Non-exempt Continuing Connected Transactions expired on 31 December 2009. In order to enable the Group to continue to carry out the First Batch Non-exempt Continuing Connected Transactions beyond 31 December 2009, the Group entered into the following agreements on 15 December 2009 for a term of three financial years from 1 January 2010 to 31 December 2012:
 - (i) the Company entered into the Hong Kong Cement Supply Agreement with T'Cement; and

LETTER FROM THE BOARD

- (ii) the Company entered into the PRC Cement Supply Agreement with T'Cement.
- (b) the Previous Second Batch Non-exempt Continuing Connected Transactions Agreements and the caps in respect of the Previous Second Batch Non-exempt Continuing Connected Transactions will expire on 31 December 2010. In order to streamline the Group's internal review process and to extend the term for the Previous Second Batch Non-exempt Continuing Connected Transactions up to 31 December 2012, the Group entered into the following agreements on 15 December 2009 for a term of three financial years from 1 January 2010 to 31 December 2012:
- (i) TCC Jurong, a wholly owned subsidiary of the Company, entered into the Chia Hsin Cement Agreement with Chia Hsin Cement, the holding company of CHPL, which holds 27.63% shareholding in the Company;
 - (ii) TCC Fuzhou, a wholly owned subsidiary of the Company, entered into the Conch International Trading Clinker Agreement with Conch International Trading, a wholly owned subsidiary of Anhui Conch, which is a substantial shareholder of a non-wholly owned subsidiary of the Company; and
- (c) the Previous Third Batch Non-exempt Continuing Connected Transactions comprise of existing and new continuing connected transactions of the Company. The caps for the continuing connected transactions under the Previous Third Batch Non-exempt Continuing Connected Transactions Agreement expired on 31 December 2009. In order to streamline the Group's internal review process and to carry out the Third Batch Non-exempt Continuing Connected Transactions up to 31 December 2012, the Group entered into the following agreements on 15 December 2009 for a term of three financial years from 1 January 2010 to 31 December 2012:
- (i) TCC Guigang, a wholly owned subsidiary of the Company, entered into the TCC Guigang Cement/Clinker Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping (both non-wholly owned subsidiaries of T'Cement, which is the controlling shareholder of the Company);
 - (ii) TCC Yingde, a wholly owned subsidiary of the Company, entered into the TCC Yingde Cement/Clinker Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping;

LETTER FROM THE BOARD

- (iii) TCC Yingde entered into the TCC Yingde Coal Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping;
- (iv) TCC Guigang entered into the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping; and
- (v) TCC Fuzhou, a wholly owned subsidiary of the Company, entered into the TCC Fuzhou Transportation and Management Service Agreement with Da-Ho Shipping.

The announcement of the Company dated 16 December 2009 also stated that the Company entered into the Exempt Continuing Connected Transactions, which are subject to reporting and announcement requirements under the Listing Rules.

The transactions under the Hong Kong Cement Supply Agreement and the PRC Cement Supply Agreement are aggregated pursuant to Rule 14A.26 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The transactions under the Chia Hsin Cement Agreement are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The transactions under the Conch International Trading Clinker Agreement are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The transactions under the T'Cement Transportation and Management Service Agreements are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Mr. Liao Poon Huai, Donald, Dr. Chih Ching Kang, Kenneth and Mr. Shieh, Jen-Chung, Roger, being all the independent non-executive Directors of the Company, have been appointed by the Board to serve as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the Non-exempt Continuing Connected Transactions and the annual caps relating thereto.

LETTER FROM THE BOARD

Altus has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Non-exempt Continuing Connected Transactions and the annual caps relating thereto are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with information regarding the Non-exempt Continuing Connected Transactions and the annual caps relating thereto, to set out the advice from Altus to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the annual caps relating thereto and to give notice of the EGM.

A. FIRST BATCH NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Hong Kong Cement Supply Agreement

The principal terms of the Hong Kong Cement Supply Agreement are as follows:

Date

15 December 2009

Parties

1. the Company (on behalf of itself and its subsidiaries) (as purchaser)
2. T'Cement (on behalf of itself and its subsidiaries) (as supplier)

Subject matter

Purchases of cement from the T'Cement Group which may be required and requested from time to time by the Group in the ordinary and usual course of business in Hong Kong.

LETTER FROM THE BOARD

Term

From 1 January 2010 to 31 December 2012.

Price determination and payment terms

A benchmark price would be calculated for imports from Taiwan to Hong Kong (the “Taiwanese Import Benchmark Price”) for each half-yearly period commencing 1 January and 1 July, being the weighted average price per tonne of cement by reference to prices of imports of cement from Taiwan into Hong Kong according to the cement import statistics issued by the Hong Kong Government for the relevant six-month period.

If the aggregate of the prices actually paid by the Group for cement purchased from the T’Cement Group and sourced from Taiwan into Hong Kong over any half-yearly period exceeds the Taiwanese Import Benchmark Price multiplied by the total tonnage of the cement purchased by the Group from the T’Cement Group from Taiwan for import into Hong Kong during such half-yearly period (the “Aggregate Taiwanese Import Benchmark Price”) by an amount exceeding 2.5% of the Aggregate Taiwanese Import Benchmark Price, then a balancing payment equal to such surplus would be repayable to the Group. No balancing payment shall be payable by the Group to the T’Cement Group if the aggregate of the prices actually paid by the Group is in fact less than the Aggregate Taiwanese Import Benchmark Price.

The Board is of the view that the Taiwanese Import Benchmark Price is a good indicator of the market price of cement imported from Taiwan into Hong Kong. The basis for having a balancing payment provision for payments representing over 2.5% of the Aggregate Taiwanese Import Benchmark Price is to ensure that the aggregate prices actually paid by the Group do not deviate too much from the market prices for comparable products. This balancing payment provision has been used by the Group for more than 12 years since the entering into of the first cement supply agreement dated 11 September 1997 with the T’Cement Group.

Payment is required to be made on a monthly basis, either by telegraphic transfer or bank-issued bills payable within 30 days.

LETTER FROM THE BOARD

Historical purchases and anticipated future purchases

The table below sets out (i) the historical amount of purchases of cement by the Group from the T'Cement Group and from all suppliers (including the T'Cement Group) for the Group's operations in Hong Kong for each of the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009; and (ii) the proposed cap for the amount of cement to be purchased by the Group from the T'Cement Group for each of the three years ending 31 December 2010, 2011 and 2012:

	Purchase of cement from the T'Cement Group (HK\$)	Total purchase of cement from the T'Cement Group and independent third parties (HK\$)	Purchase of cement from the T'Cement Group as a percentage of total purchase	Proposed cap (HK\$)
2007	12,503,000	85,880,000	15%	120,000,000
2008	17,948,000	115,996,000	15%	130,000,000
2009 (up to 30 June)	26,359,000	46,056,000	57%	141,000,000
2010	–	–	89%	152,000,000
2011	–	–	90%	176,000,000
2012	–	–	91%	200,000,000

Annual caps

The Directors estimate the aggregate value of cement to be purchased from the T'Cement Group for the Group's operations in Hong Kong will not exceed HK\$152,000,000, HK\$176,000,000 and HK\$200,000,000 for the three years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the value of the historical annual purchase of cement from the T'Cement Group for the Group's operations in Hong Kong for the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009;

LETTER FROM THE BOARD

- (ii) the estimated amount of cement to be purchased by the Group from the T'Cement Group for the Group's operations in Hong Kong for each of the three years ending 31 December 2010, 2011 and 2012;
- (iii) the historical average selling price of cement in Hong Kong for the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009;
- (iv) the projected average selling price of cement in Hong Kong for the three years ending 31 December 2010, 2011 and 2012;
- (v) the prevailing market prices of cement in Hong Kong; and
- (vi) allowances for possible price increases and volume growth in the future.

The purchase of cement from the T'Cement Group by the Group for its business in Hong Kong reduced in 2007, when comparing to the previous year, because more economical and effective alternative sources of supply of cement was available in 2007. The Group's cement trading business in Hong Kong has improved and maintained a favourable performance in 2008 as market conditions generally improved. Hence, the purchase of cement from the T'Cement Group increased in 2008. Since the first half of 2009, the prices offered by the T'Cement Group have become increasingly more favourable than prices offered by alternative suppliers. Based on current prices of cement offered by the T'Cement Group and expected continuing increase in purchase of cement from the T'Cement Group as a result of improving market conditions, the Company expects that there will be significant increases in the amount of cement to be purchased from the T'Cement Group for the Group's operations in Hong Kong for each of the three years ending 31 December 2010, 2011 and 2012.

LETTER FROM THE BOARD

Reasons for and benefit of the continuing connected transactions

The purpose of the purchase of cement from the T'Cement Group under the Hong Kong Cement Supply Agreement is for the Group's operations in Hong Kong. The Directors believe that it has been, and is expected to continue to be, in the best interest of the Group to be in a position to purchase cement required for its distribution operations in Hong Kong from or through the T'Cement Group for the following reasons:

- the Group has established a strong and stable business relationship with the T'Cement Group over the past 42 years;
- the Directors believe that the T'Cement Group is able to co-ordinate all shipments from its cement manufacturing plants in Taiwan and the PRC, thus providing the Group with effective shipping schedules and cost savings; and
- the quality of the cement supplied by the T'Cement Group has been of a consistently high standard.

2. PRC Cement Supply Agreement

The principal terms of the PRC Cement Supply Agreement are as follows:

Date

15 December 2009

Parties

1. the Company (on behalf of itself and its subsidiaries) (as purchaser)
2. T'Cement (on behalf of itself and its subsidiaries) (as supplier)

Subject matter

Purchases of cement and/or clinker from the T'Cement Group which may be required and requested from time to time by the Group in the ordinary and usual course of business in the PRC.

LETTER FROM THE BOARD

Term

From 1 January 2010 to 31 December 2012.

Price determination and payment terms

To be determined by reference to the prevailing market prices, and no less favourable than those available to the Group from independent third parties.

Payment is required to be made on a monthly basis, either by telegraphic transfer or bank-issued bills payable within 3 months.

Historical sales and anticipated future sales

The table below sets out (i) the historical amount of purchase of cement and/or clinker by the Group from the T'Cement Group and from all suppliers (including the T'Cement Group) for the Group's operations in the PRC for each of the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009; and (ii) the proposed cap for the amount of cement and/or clinker to be purchased by the Group from the T'Cement Group for each of the three years ending 31 December 2010, 2011 and 2012:

	Purchase of cement and/or clinker from the T'Cement Group (HK\$)	Total purchase of cement and/or clinker from the T'Cement Group and independent third parties (HK\$)	Purchase of cement and/or clinker from the T'Cement Group as a percentage of total purchase	Proposed cap (HK\$)
2007	30,462,000	234,792,000	13%	230,000,000
2008	11,481,000	260,831,000	4%	280,000,000
2009 (up to 30 June)	4,187,000	81,773,000	5%	280,000,000
2010	–	–	16%	82,000,000
2011	–	–	16%	85,000,000
2012	–	–	16%	89,000,000

LETTER FROM THE BOARD

Annual caps

The Directors estimate the aggregate value of cement and/or clinker to be purchased from the T'Cement Group for the Group's operations in the PRC for the three years ending 31 December 2010, 2011 and 2012 will not exceed HK\$82,000,000, HK\$85,000,000 and HK\$89,000,000, respectively.

The caps have been determined by reference to:

- (i) the value of the historical annual purchase of cement and/or clinker from the T'Cement Group for the Group's operations in the PRC for the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009;
- (ii) the estimated amount of cement and/or clinker to be purchased by the Group from the T'Cement Group for the Group's operations in the PRC for each of the three years ending 31 December 2010, 2011 and 2012;
- (iii) the historical average selling price of cement and/or clinker in the PRC for the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009;
- (iv) the projected average selling price of cement and/or clinker in the PRC for the three years ending 31 December 2010, 2011 and 2012;
- (v) the prevailing market prices of cement and/or clinker in the PRC; and
- (vi) allowances for possible price increases and volume growth in the future.

Purchases of cement and/or clinker from the T'Cement Group for the Group's operations in the PRC have decreased since 2007 because the prices offered by the T'Cement Group have not been as competitive as those offered by other suppliers of cement and/or clinker and the Group was able to purchase cement and/or clinker from independent third parties at cheaper prices. As the economy in PRC began to gain momentum in the second quarter of 2009, and with the revival of the domestic property market supported by relaxed fiscal policies, and a gradual implementation of the State's massive infrastructure budget, the Company expects that there will be increased demand for cement and/or clinker for the Group's operations in the PRC for each of the three years ending 31 December 2010, 2011 and 2012 and the Group will continue to require a steady back-up supply of cement and/or clinker from the T'Cement Group during the three year period.

LETTER FROM THE BOARD

Reasons for and benefit of the continuing connected transactions

The purpose of purchase of cement and/or clinker from the T'Cement Group under the PRC Cement Supply Agreement is for the Group's operations in the PRC. The T'Cement Group is likely to become one of the important suppliers of cement and/or clinker to the Group's operations in the PRC for the same reasons as set out above in section A.1 of this circular. In view of the past operational convenience and benefits brought to the Group and the established relationship between the Group and the T'Cement Group, the Board considers it to be beneficial for the Group to enter into future transactions with the T'Cement Group for the supply of cement and/or clinker needed in respect of its operations in the PRC where the sale prices available from the T'Cement Group are competitive when compared to suppliers who are independent third parties.

B. SECOND BATCH NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Chia Hsin Cement Agreement

The principal terms of the Chia Hsin Cement Agreement are as follows:

Date

15 December 2009

Parties

1. Chia Hsin Cement (on behalf of itself and its subsidiaries) (as purchaser)
2. TCC Jurong (as supplier)

Subject matter

Pursuant to the terms of the Chia Hsin Cement Agreement, TCC Jurong will continue to supply certain cement products to the Chia Hsin Group from time to time.

Term

From 1 January 2010 to 31 December 2012.

LETTER FROM THE BOARD

Price determination and payment terms

To be determined by reference to the prevailing open market prices of cement products of the same type and quality.

Payment to be made on a monthly basis by bank-issued bills payable within 2 months.

Historical sales and anticipated future sales

The table below sets out (i) the historical amount of cement supplied by TCC Jurong to the Chia Hsin Group and to all purchasers (including Chia Hsin Group) for the year ended 31 December 2008 and the 6 months ended 30 June 2009; and (ii) the proposed cap for the amount of cement to be supplied by TCC Jurong to the Chia Hsin Group for each of the three years ending 31 December 2010, 2011 and 2012:

	Supply of cement to Chia Hsin Group (HK\$)	Total supply of cement to Chia Hsin Group and independent third parties (HK\$)	Supply of cement to Chia Hsin Group as a percentage of total sales	Proposed cap (HK\$)
2008	39,290,000	725,000,000	5%	97,000,000
2009 (up to 30 June)	6,382,000	263,624,000	2%	102,718,930
2010	-	-	11%	112,000,000
2011	-	-	11%	116,000,000
2012	-	-	11%	119,000,000

The sluggish property market in Eastern China in the first half of 2009 had forced TCC Jurong's sales volume, including sales of cement to Chia Hsin Group, to decline. As the economy in PRC began to gain momentum in the second quarter of 2009, and with the revival of the domestic property market supported by relaxed fiscal policies, and a gradual implementation of the State's massive infrastructure budget, the Company expects that there will be increased demand for cement in the PRC, which includes Eastern China. Based on current prices of cement offered by TCC Jurong and expected continuing increase in purchase of cement from Chia Hsin Group as a result of improving market conditions, the Company expects that there will be increases in the amount of cement to be purchased by Chia Hsin Group from TCC Jurong for each of the three years ending 31 December 2010, 2011 and 2012.

LETTER FROM THE BOARD

Annual caps

The Directors estimate the aggregate value of cement to be supplied by TCC Jurong to the Chia Hsin Group will not exceed HK\$112,000,000, HK\$116,000,000 and HK\$119,000,000 for the three years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the value of the historical annual sales of cement by TCC Jurong to the Chia Hsin Group for the year ended 31 December 2008 and the 6 months ended 30 June 2009;
- (ii) the estimated amount of cement to be sold by TCC Jurong to the Chia Hsin Group for the three years ending 31 December 2010, 2011 and 2012;
- (iii) the historical average selling price of cement for the year ended 31 December 2008 and the 6 months ended 30 June 2009;
- (iv) the projected average selling price of cement for the three years ending 31 December 2010, 2011 and 2012;
- (v) the prevailing market prices of cement; and
- (vi) allowances for possible price increases and volume growth in the future.

Reasons for and benefit of the continuing connected transactions

Chia Hsin Cement is principally engaged in manufacturing, processing, marketing, distribution and trading of cement and cement related products, quarrying and distribution of limestone, and real estate development and rental in Taiwan.

TCC Jurong currently operates a cement production line in Jurong City, Jiangsu province, in the PRC and is expanding its facilities to increase its cement production capacity.

The supply of cement from TCC Jurong to the Chia Hsin Group under the Chia Hsin Cement Agreement will increase sales revenue for the Group and will be conducted in the ordinary and usual course of business of TCC Jurong, on normal commercial terms and negotiated on an arm's length basis.

LETTER FROM THE BOARD

2. Conch International Trading Clinker Agreement

The principal terms of the Conch International Trading Clinker Agreement are as follows:

Date

15 December 2009

Parties

1. TCC Fuzhou (as purchaser)
2. Conch International Trading (as supplier)

Subject matter

Pursuant to the terms of the Conch International Trading Clinker Agreement, Conch International Trading will supply clinker to TCC Fuzhou from time to time.

Term

From 1 January 2010 to 31 December 2012.

Price determination and payment terms

To be determined by reference to the prevailing open market prices of clinker of the same quality.

Payment to be made in advance, either by telegraphic transfer or bank-issued bills payable within 3 months.

LETTER FROM THE BOARD

Historical purchase and anticipated future purchase

The following table sets out (i) the historical amount of clinker purchased by TCC Fuzhou from Anhui Conch and from all suppliers (including Anhui Conch) for each of the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009; and (ii) the proposed cap for the amount of clinker to be purchased by TCC Fuzhou from Conch International Trading for each of the three years ending 31 December 2010, 2011 and 2012:

	Purchase of clinker from Anhui Conch <i>(HK\$)</i>	Total purchase of clinker from Anhui Conch and independent third parties <i>(HK\$)</i>	Purchase of clinker from Anhui Conch as a percentage of total purchase	Proposed cap <i>(HK\$)</i>
2007	144,422,000	234,792,000	62%	242,000,000
2008	58,340,000	260,831,000	22%	330,000,000
2009 (up to 30 June)	25,240,000	81,773,000	31%	500,000,000
2010 (from Conch International Trading)	–	–	32%	150,000,000
2011 (from Conch International Trading)	–	–	32%	156,000,000
2012 (from Conch International Trading)	–	–	32%	163,000,000

Annual caps

The Directors estimate the aggregate value of clinker to be purchased by TCC Fuzhou from Conch International Trading for the three years ending 31 December 2010, 2011 and 2012 will not exceed HK\$150,000,000, HK\$156,000,000 and HK\$163,000,000, respectively.

The caps have been determined by reference to:

- (i) the historical amount of purchase of clinker by TCC Fuzhou from Anhui Conch for the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009;

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- (ii) the estimated amount of clinker to be purchased by TCC Fuzhou from Conch International Trading for three years ending 31 December 2010, 2011 and 2012;
- (iii) the historical average purchase price of clinker for the two years ended 31 December 2007 and 2008 and the 6 months ended 30 June 2009;
- (iv) the projected average purchase price of clinker for three years ending 31 December 2010, 2011 and 2012;
- (v) the prevailing market prices of clinker; and
- (vi) allowances for possible price increases and volume growth in the future.

The purchases of clinker by TCC Fuzhou from Anhui Conch in 2007 and 2008 decreased because the prices offered by Anhui Conch in those years were not as competitive as those offered by other suppliers of clinker and the Group was able to purchase clinker from independent third parties at cheaper prices. As the economy in PRC began to gain momentum in the second quarter of 2009, and with the revival of the domestic property market supported by relaxed fiscal policies, and a gradual implementation of the State's massive infrastructure budget, the Company expects that there will be continued increases in amount of clinker which will be required by TCC Fuzhou for each of the three years ending 31 December 2010, 2011 and 2012 and TCC Fuzhou will continue to require a steady supply of clinker from Conch International Trading (a wholly owned subsidiary of Anhui Conch and the party under the Conch International Trading Clinker Agreement) during the three year period.

Reasons for and benefit of the continuing connected transactions

The principal activities of Conch International Trading consist of the manufacture and sale of clinker and cement products.

The Directors consider the Conch International Trading Clinker Agreement and the transactions contemplated thereunder to be in the interests of the Shareholders as Conch International Trading is a wholly owned subsidiary of Anhui Conch, one of the largest cement producer by volume in the PRC, and the Directors believe that Conch International Trading can provide the Group with a reliable source of clinker of consistent quality at prices which are competitive with those offered by other suppliers of clinker.

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C. THIRD BATCH NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. TCC Guigang Cement/Clinker Transportation and Management Service Agreement

Date

15 December 2009

Parties

1. TCC Guigang (as user)
2. Da Tong Logistics (as provider of road transportation services)
3. Da-Ho Shipping (as provider of shipping services)

Subject matter

Pursuant to the terms of the TCC Guigang Cement/Clinker Transportation and Management Service Agreement, Da-Ho Shipping and Da Tong Logistics agreed to provide transportation and management services to TCC Guigang in relation to the transportation of cement and clinker on an ongoing basis.

Term

From 1 January 2010 to 31 December 2012.

Price determination and payment terms

The transportation service fees (inclusive of 5% management fee) charged by Da Tong Logistics and Da-Ho Shipping, respectively, will be determined by reference to the prevailing open market prices of road transportation and shipping services. In the event that the buyer of clinker and/or cement arranges direct pick up, a 5% management fee is payable by TCC Guigang to Da Tong Logistics and Da-Ho Shipping respectively, for its management services.

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Da Tong Logistics will issue invoices to TCC Guigang on a monthly basis and payment is required to be made within 10 days of receipt of invoice issued by Da Tong Logistics. Da-Ho Shipping will issue invoices to TCC Guigang on the 15th and 30th day of each month and payment is required to be made within 10 days of receipt of invoice issued by Da-Ho Shipping.

Annual caps

The Directors estimate that the aggregate management and service fee payable by TCC Guigang to Da Tong Logistics and Da-Ho Shipping for the transportation and management services under the TCC Guigang Cement/Clinker Transportation and Management Service Agreement is not expected to exceed HK\$136,000,000 for each of the years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the prevailing open market charges for road transportation services in the Guangxi Zhuang autonomous region;
- (ii) the prevailing open market charges for shipping services in the Guangxi Zhuang autonomous region; and
- (iii) the estimated amount of cement and clinker to be sold by TCC Guigang for the three years ending 31 December 2010, 2011 and 2012.

2. TCC Yingde Cement/Clinker Transportation and Management Service Agreement

Date

15 December 2009

Parties

1. TCC Yingde (as user)
2. Da Tong Logistics (as provider of road transportation services)
3. Da-Ho Shipping (as provider of shipping services)

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Subject matter

Pursuant to the terms of the TCC Yingde Cement/Clinker Transportation and Management Service Agreement, Da-Ho Shipping and Da Tong Logistics agreed to provide transportation and management services to TCC Yingde in relation to the transportation of cement and clinker on an on-going basis.

Term

From 1 January 2010 to 31 December 2012.

Price determination and payment terms

The transportation service fees (inclusive of 5% management fee) charged by Da Tong Logistics and Da-Ho Shipping, respectively, will be determined by reference to the prevailing open market prices of road transportation and shipping services. In the event that the buyer of clinker and/or cement arranges direct pick up, a 5% management fee is payable by TCC Yingde to Da Tong Logistics and Da-Ho Shipping respectively, for its management services.

Da Tong Logistics will issue invoices to TCC Yingde on a monthly basis and payment is required to be made within 30 days of receipt of invoice issued by Da Tong Logistics. Da-Ho Shipping will issue invoices to TCC Yingde on the 15th and 30th day of each month and payment is required to be made within 30 days of receipt of invoice issued by Da-Ho Shipping.

Annual caps

The Directors estimate that the aggregate management and service fees payable by TCC Yingde to Da Tong Logistics and Da-Ho Shipping for the transportation and management services is not expected to exceed HK\$5,200,000, HK\$5,900,000 and HK\$5,900,000 for the three years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the prevailing open market charges for road transportation services in the Guangdong province;

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- (ii) the prevailing open market charges for shipping services in the Guangdong province; and
- (iii) the estimated amount of cement and clinker to be sold by TCC Yingde for the three years ending 31 December 2010, 2011 and 2012.

3. TCC Yingde Coal Transportation and Management Service Agreement

Date

15 December 2009

Parties

1. TCC Yingde (as user)
2. Da Tong Logistics (as provider of road transportation services)
3. Da-Ho Shipping (as provider of shipping services)

Subject matter

Pursuant to the terms of the TCC Yingde Coal Transportation and Management Service Agreement, Da-Ho Shipping and Da Tong Logistics agreed to provide transportation and management services to TCC Yingde in relation to the transportation of coal on an on-going basis.

Term

From 1 January 2010 to 31 December 2012.

LETTER FROM THE BOARD

Price determination and payment terms

The transportation service fees (inclusive of 5% management fee) charged by Da Tong Logistics and Da-Ho Shipping, respectively, will be determined by reference to the prevailing open market prices of road transportation and shipping services. If the prevailing market charges for road transportation and shipping services are more favourable than those offered by Da Tong Logistics and Da-Ho Shipping respectively, the parties may agree to engage any third party transportation service providers to replace Da Tong Logistics and Da-Ho Shipping respectively for provision of the transportation services. In such case, a 5% management fee is payable by TCC Yingde to Da Tong Logistics and Da-Ho Shipping respectively, for its management services.

Da Tong Logistics will issue invoices to TCC Yingde on a monthly basis and payment is required to be made within 10 days of receipt of invoice issued by Da Tong Logistics. Da-Ho Shipping will issue invoices to TCC Yingde on the 15th and 30th day of each month and payment is required to be made within 10 days of receipt of invoice issued by Da-Ho Shipping.

Annual caps

The Directors estimate that the aggregate management and service fee payable by TCC Yingde to Da Tong Logistics and Da-Ho Shipping for the transportation and management services is not expected to exceed HK\$77,500,000 for each of the years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the prevailing open market charges for road transportation services in the Guangdong province;
- (ii) the prevailing open market charges for shipping services in the Guangdong province; and
- (iii) the estimated amount of coal required by TCC Yingde for the three years ending 31 December 2010, 2011 and 2012.

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4. TCC Guigang Gypsum/Coal Transportation and Management Service Agreement

Date

15 December 2009

Parties

1. TCC Guigang (as user)
2. Da Tong Logistics (as provider of road transportation services)
3. Da-Ho Shipping (as provider of shipping services)

Subject matter

Pursuant to the terms of the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement, Da-Ho Shipping and Da Tong Logistics agreed to provide transportation and management services to TCC Guigang in relation to the transportation of gypsum and coal on an on-going basis.

Term

From 1 January 2010 to 31 December 2012.

Price determination and payment terms

The transportation service fees (inclusive of 5% management fee) charged by Da Tong Logistics and Da-Ho Shipping respectively will be determined by reference to the prevailing open market prices of road transportation and shipping services. If the prevailing market charges for road transportation and shipping services are more favourable than those offered by Da Tong Logistics and Da-Ho Shipping respectively, the parties may agree to engage any third party transportation service providers to replace Da Tong Logistics and Da-Ho Shipping respectively for provision of the transportation services. In such case, a 5% management fee is payable by TCC Guigang to Da Tong Logistics and Da-Ho Shipping respectively, for its management services.

Payment to Da-Ho Shipping are made within 15 days of receipt of invoice issued by Da-Ho Shipping. Payment to Da Tong Logistics are made on a monthly basis in arrears.

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Annual caps

The Directors estimate that the aggregate management and service fee payable by TCC Guigang to Da Tong Logistics and Da-Ho Shipping for the transportation and management services is not expected to exceed HK\$83,000,000 for each of the years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the prevailing open market prices for road transportation services and shipping services in the Guangxi Zhuang autonomous region; and
- (ii) the estimated amount of gypsum and coal to be purchased by TCC Guigang for the three years ending 31 December 2010, 2011 and 2012.

5. TCC Fuzhou Transportation and Management Service Agreement

Date

15 December 2009

Parties

1. TCC Fuzhou (as user)
2. Da-Ho Shipping (as provider of shipping services)

Subject matter

Pursuant to the terms of the TCC Fuzhou Transportation and Management Service Agreement, Da-Ho Shipping agreed to provide transportation and management services to TCC Fuzhou in relation to the transportation of clinker on an on-going basis.

Term

From 1 January 2010 to 31 December 2012.

LETTER FROM THE BOARD

Price determination and payment terms

The transportation service fees (inclusive of 5% management fee) charged by Da-Ho Shipping will be determined by reference to the prevailing open market prices of shipping services. If the prevailing market charges for shipping services are more favourable than those offered by Da-Ho Shipping, the parties may agree to engage any third party transportation service providers to replace Da-Ho Shipping for provision of the transportation services. In such case, a 5% management fee is payable by TCC Fuzhou to Da-Ho Shipping, for its management services.

Payment to Da-Ho Shipping is required to be made within 15 days of receipt of invoice issued by Da-Ho Shipping.

Annual caps

The Directors estimate that the aggregate management and service fee payable by TCC Fuzhou to Da-Ho Shipping for the transportation and management services is not expected to exceed HK\$88,000,000, HK\$103,000,000 and HK\$103,000,000 for the three years ending 31 December 2010, 2011 and 2012, respectively.

The caps have been determined by reference to:

- (i) the prevailing open market charges for shipping services from Anhui, Hubei and Guangdong provinces to Fujian province; and
- (ii) the estimated amount of clinker to be purchased by TCC Fuzhou for the three years ending 31 December 2010, 2011 and 2012.

Reasons for and benefit of the continuing connected transactions

Da-Ho Shipping is principally engaged in the provision of inner river and cross provincial shipping services in the PRC. Da Tong Logistics, a wholly owned subsidiary of Da-Ho Shipping, is principally engaged in the provision of transportation related services in the PRC.

The Directors expect that the continuing connected transactions under the T'Cement Transportation and Management Service Agreements will allow TCC Guigang, TCC Yingde and TCC Fuzhou to take advantage of the comprehensive transportation services offered by Da Tong Logistics and Da-Ho Shipping, which have expertise in provision of such services.

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D. INFORMATION ON THE GROUP

The principal activities of the Group consist of the import and distribution of cement in Hong Kong, the manufacturing and distribution of cement, clinker and slag powder in Mainland China. Through its associates, the Group is also engaged in the production and distribution of ready-mix concrete in Hong Kong and Mainland China.

E. INFORMATION ON THE RELEVANT CONTRACT PARTIES

T'Cement

T'Cement, through its subsidiaries, holds approximately 44.04% of the issued share capital of the Company, and is therefore the controlling shareholder and connected person of the Company.

The principal activities of the T'Cement Group consist of the manufacture and distribution of cement and cement products, exploitation of raw materials for cement products and minerals and operation of business in the cement and ancillary industry.

Conch International Trading

Conch International Trading is a wholly owned subsidiary of Anhui Conch. Anhui Conch holds 40% of the equity interest in King Bridge, a non-wholly owned subsidiary of the Company. Anhui Conch is therefore a substantial shareholder of a non-wholly owned subsidiary of the Company. Conch International Trading is therefore a connected person of the Company.

The principal activities of Conch International Trading consist of the sales of clinker and cement products.

Chia Hsin Cement

Chia Hsin Cement is the holding company of CHPL, which holds 27.63% shareholding in the Company and is therefore a substantial shareholder and a connected person of the Company.

Chia Hsin Cement is principally engaged in manufacturing, processing, marketing, distribution and trading of cement and cement related products, quarrying and distribution of limestone, and real estate development and rental in Taiwan.

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Da Tong Logistics/Da-Ho Shipping

Da Tong Logistics is indirectly owned as to approximately 88.07% by T'Cement, the controlling shareholder of the Company. Da Tong Logistics is therefore a connected person of the Company. Da-Ho Shipping is a wholly owned subsidiary of Da Tong Logistics and therefore also a connected person of the Company.

Da-Ho Shipping is principally engaged in the provision of inner river and cross provincial shipping services in the PRC, while Da Tong Logistics is principally engaged in the provision of transportation related services in the PRC.

F. LISTING RULES IMPLICATIONS

Non-exempt Continuing Connected Transactions

Listco Group purchases from T'Cement Group

The Company entered into the Hong Kong Cement Supply Agreement and PRC Cement Supply Agreement respectively, with T'Cement. T'Cement is the controlling shareholder of the Company and therefore the transactions under the Hong Kong Cement Supply Agreement and PRC Cement Supply Agreement constitute continuing connected transactions of the Company. Pursuant to Rule 14A.26 of the Listing Rules, the transactions under the Hong Kong Cement Supply Agreement and PRC Cement Supply Agreement are aggregated and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Listco Group sales to Chia Hsin Group

TCC Jurong, a wholly owned subsidiary of the Company, entered into the Chia Hsin Cement Agreement with Chia Hsin Cement. Chia Hsin Cement is the holding company of CHPL, a substantial shareholder of the Company, and therefore the transactions under the Chia Hsin Cement Agreement constitute continuing connected transactions of the Company. Pursuant to Rule 14A.26 of the Listing Rules, the transactions under the Chia Hsin Cement Agreement are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

LETTER FROM THE BOARD

Listco Group purchases from Conch International Trading

TCC Fuzhou entered into the Conch International Trading Clinker Agreement with Conch International Trading, a wholly owned subsidiary of Anhui Conch, which is a substantial shareholder of King Bridge, a non-wholly owned subsidiary of the Company, namely King Bridge. The transactions under the Conch International Trading Clinker Agreement therefore constitute continuing connected transactions of the Company. The transactions under the Conch International Trading Clinker Agreement are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Listco Group's transportation and management service agreements with T'Cement Group

TCC Guigang, a wholly owned subsidiary of the Company, entered into (i) the TCC Guigang Cement/Clinker Transportation and Management Service Agreement and (ii) the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping. TCC Yingde, also a wholly owned subsidiary of the Company, entered into (i) the TCC Yingde Cement/Clinker Transportation and Management Service Agreement and (ii) the TCC Yingde Coal Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping, respectively. TCC Fuzhou, also a wholly owned subsidiary of the Company, entered into the TCC Fuzhou Transportation and Management Service Agreement with Da-Ho Shipping. Da Tong Logistics is indirectly owned as to approximately 88.07% by T'Cement, the controlling shareholder of the Company. Da Tong Logistics is therefore a connected person of the Company. Da-Ho Shipping is a wholly owned subsidiary of Da Tong Logistics and therefore also a connected person of the Company. The transactions under the T'Cement Transportation and Management Service Agreements therefore constitute continuing connected transactions of the Company, and are subject to, on an aggregated basis, the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The Directors (except the independent non-executive Directors whose view are reserved pending the advice of the independent financial advisor to the Independent Board Committee) consider that each of the Non-exempt Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, T'Cement and CHPL (including their respective associates) control or are entitled to control over the voting right in respect of 567,518,000 Shares and 356,013,000 Shares respectively, representing 44.40% and 27.63% respectively, of the issued share capital of the Company. T'Cement and its associates will abstain from voting on the resolutions to be proposed at the EGM for the approval of the transactions under the Hong Kong Cement Supply Agreement, the PRC Cement Supply Agreement, the TCC Guigang Cement/Clinker Transportation and Management Service Agreement, the TCC Yingde Cement/Clinker Transportation and Management Service Agreement, the TCC Yingde Coal Transportation and Management Service Agreement, the TCC Guignag Gypsum/Coal Transportation and Management Service Agreement and the TCC Fuzhou Transportation and Management Service Agreement. CHPL and its associates will also abstain from voting on the resolution to be proposed at the EGM for the approval of the transactions under the Chia Hsin Cement Supply Agreement.

G. EGM

Set out on pages 89 to 95 is a notice convening the EGM to be held at Gloucester Room, 2nd Floor, Mandarin Oriental, Hong Kong Limited, 5 Connaught Road, Central, Hong Kong on Thursday, 21 January 2010 at 10:00 a.m. at which the resolution will be proposed to approve the Non-exempt Continuing Connected Transactions and the annual caps relating thereto. Voting on the ordinary resolutions will be conducted by poll at the EGM. T'Cement, CHPL and their respective associates will abstain from voting on the relevant ordinary resolutions at the EGM.

A form of proxy for use at the EGM is enclosed and such form of proxy is also published on the website of the Stock Exchange. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person should you so wish.

LETTER FROM THE BOARD

H. RECOMMENDATION

The Independent Board Committee has been established to consider whether the Non-exempt Continuing Connected Transactions and the annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and Altus has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter of Altus containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 81 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 40 of this circular.

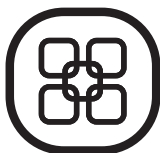
The Independent Board Committee, having taken into account the opinion of Altus, considers Non-exempt Continuing Connected Transactions and the annual caps relating thereto to be fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and is in the interest of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

I. FURTHER INFORMATION

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

Yours faithfully,
By Order of the Board of
TCC INTERNATIONAL HOLDINGS LIMITED
Wu Yih Chin
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TCC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1136)

5 January 2010

To the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the annual caps relating thereto, details of which are set out in the letter from the Board in the circular dated 5 January 2010 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless otherwise requires.

Taken into account the advice of Altus Capital Limited contained in its letter set out on pages 42 to 82 of the circular, we consider that the Non-exempt Continuing Connected Transactions and the annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, in the ordinary course of business and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions and the annual caps in relation thereto.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Liao Poon Huai, Donald

Independent Non-executive Director

Chih Ching Kang, Kenneth

Independent Non-executive Director

Shieh, Jen-Chung, Roger

Independent Non-executive Director

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction which has been prepared for the purpose of inclusion in this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

5 January 2010

The Independent Board Committee and Independent Shareholders

TCC International Holdings Limited

16/F, Hong Kong Diamond Exchange Building
8-10 Duddell Street, Central
Hong Kong

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the annual caps relating thereto. Details of the Non-exempt Continuing Connected Transactions and the terms of the conditions of the relevant agreements are set out in the Letter from the Board (“**Letter**”) contained in the circular of the Company dated 5 January 2010 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Independent Board Committee has been established to give advice and recommendation to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the annual caps relating thereto. The Independent Board Committee comprises the independent non-executive Directors namely Messrs. Liao Poon Huai, Donald, Chih Ching Kang, Kenneth and Shieh, Jen-Chung, Roger. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion to the Independent Board Committee in relation to the Non-exempt Continuing Connected Transactions for their consideration in making a recommendation to the Independent Shareholders.

LETTER FROM ALTUS

BASIS OF OUR OPINION

In formulating our opinion and recommendation with regard to the Non-exempt Continuing Connected Transactions, we have relied to a considerable extent on the information, statements, opinions 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, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular. We have 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 relied on certain publicly available information and we have assumed such information to be accurate and reliable, and we have not carried out any independent verification on the accuracy of such information.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions. We have no reason to suspect that any material facts or information (which is known to the Company, its representatives and the Directors) 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, facts, and representations provided, or the reasonableness of the opinions expressed by the Company, its representatives and the Directors. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business affairs, assets and liabilities, and the prospects of the Group.

LETTER FROM ALTUS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Non-exempt Continuing Connected Transactions, we have considered the following principal factors and reasons:

1. Background

The First Batch Non-exempt Continuing Connected Transactions

The Previous First Batch Non-exempt Continuing Connected Transactions Agreements and the annual caps related thereto expired on 31 December 2009. In order to enable the Group to carry out the First Batch Non-exempt Continuing Connected Transactions beyond 31 December 2009, the Group entered into the following agreements on 15 December 2009 for a term of three years from 1 January 2010 to 31 December 2012:

- (i) the Company entered into the Hong Kong Cement Supply Agreement with T'Cement; and
- (ii) the Company entered into the PRC Cement Supply Agreement with T'Cement.

The Second Batch Non-exempt Continuing Connected Transactions

The Previous Second Batch Non-exempt Continuing Connected Transactions Agreements and the annual caps related thereto will expire on 31 December 2010. In order to streamline the Group's internal review process and to extend the term for the Previous Second Batch Non-exempt Continuing Connected Transactions up to 31 December 2012, the Group entered into the following agreements on 15 December 2009 for a term of three years from 1 January 2010 to 31 December 2012:

- (i) TCC Jurong, a wholly owned subsidiary of the Company, entered into the Chia Hsin Cement Agreement with Chia Hsin Cement; and
- (ii) TCC Fuzhou, a wholly owned subsidiary of the Company, entered into the Conch International Trading Clinker Agreement with Conch International Trading.

LETTER FROM ALTUS

The Third Batch Non-exempt Continuing Connected Transactions

The Previous Third Batch Non-exempt Continuing Connected Transactions comprise existing and new continuing connected transactions of the Company. The current caps of the existing continuing connected transactions under the Previous Third Batch Non-exempt Continuing Connected Transactions Agreement expired on 31 December 2009. In order to streamline the Group's internal review process and to carry out the Third Batch Non-exempt Continuing Connected Transactions up to 31 December 2012, the Group entered into the following agreements on 15 December 2009 for a term of three years from 1 January 2010 to 31 December 2012:

- (i) TCC Guigang, a wholly owned subsidiary of the Company, entered into the TCC Guigang Cement/Clinker Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping;
- (ii) TCC Yingde, a wholly owned subsidiary of the Company, entered into the TCC Yingde Cement/Clinker Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping;
- (iii) TCC Yingde entered into the TCC Yingde Coal Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping;
- (iv) TCC Guigang entered into the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement with Da Tong Logistics and Da-Ho Shipping; and
- (v) TCC Fuzhou entered into the TCC Fuzhou Transportation and Management Service Agreement with Da-Ho Shipping.

(collectively, the T'Cement Transportation and Management Service Agreements)

LETTER FROM ALTUS

Information of relevant contract parties

The principal activities and ownership of the parties involved in the Non-exempt Continuing Connected Transactions are summarised below:

Group companies

The Group is engaged in the import and distribution of cement in Hong Kong, the manufacturing and distribution of cement, clinker and slag powder in Mainland China. Through its associates, Quon Hing Concrete Company Limited and Hong Kong Concrete Company Limited, the Group is also engaged in the production and distribution of ready-mix concrete in Hong Kong and Mainland China.

TCC Jurong is an indirectly wholly owned subsidiary of the Company and is engaged in the manufacturing and distribution of cement and clinker.

TCC Fuzhou is an indirectly wholly owned subsidiary of the Company and is engaged in the manufacturing and distribution of cement.

TCC Guigang is an indirectly wholly owned subsidiary of the Company and is principally engaged in the manufacturing and distribution of cement and clinker.

TCC Yingde is an indirectly wholly owned subsidiary of the Company and is principally engaged in the manufacturing and distribution of cement and clinker.

Connected persons

T'Cement, through its subsidiaries, holds approximately 44.04% of the issued share capital of the Company, and is therefore the controlling shareholder and a connected person of the Company. The principal activities of the T'Cement Group consist of the manufacture and distribution of cement and cement products, exploitation of raw materials for cement products and minerals and operation of business in the cement and ancillary industry.

LETTER FROM ALTUS

Chia Hsin Cement is the holding company of CHPL, which holds 27.63% shareholding in the Company and is therefore a substantial shareholder and a connected person of the Company. Chia Hsin Cement is principally engaged in manufacturing, processing, marketing, distribution and trading of cement and cement related products, quarrying and distribution of limestone, and real estate development and rental in Taiwan.

Conch International Trading is a wholly owned subsidiary of Anhui Conch, which holds 40% of the equity interest in King Bridge, a 60%-owned subsidiary of the Company. Anhui Conch is therefore a substantial shareholder of a non-wholly owned subsidiary of the Company and Conch International Trading is therefore a connected person of the Company. The principal activities of Conch International Trading are the sales of clinker and cement products.

Da Tong Logistics is a subsidiary indirectly owned as to 88.07% by T'Cement, the controlling shareholder of the Company. Da Tong Logistics is therefore a connected person of the Company. Da Tong Logistics is principally engaged in the provision of transportation related services in the PRC.

Da-Ho Shipping is a wholly owned subsidiary of Da Tong Logistics and is therefore a connected person of the Company. Da-Ho Shipping is principally engaged in the provision of inner river and cross provincial shipping services in the PRC.

Listing Rules Implication

Listco Group purchases from T'Cement Group

The transactions under the Hong Kong Cement Supply Agreement and the PRC Cement Supply Agreement entered into between the Company and T'Cement constitute continuing connected transactions of the Company. Pursuant to Rule 14A.26 of the Listing Rules, the transactions under the Hong Kong Cement Supply Agreement and PRC Cement Supply Agreement are aggregated and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Listco Group sales to Chia Hsin Group

The transactions under the Chia Hsin Cement Agreement entered into between TCC Jurong and Chia Hsin Cement constitute continuing connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

LETTER FROM ALTUS

Listco Group purchases from Conch International Trading

The transactions under the Conch International Trading Clinker Agreement entered into between TCC Fuzhou and Conch International Trading constitute continuing connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Listco Group's transportation and management service agreements with T'Cement Group

The transactions under the T'Cement Transportation and Management Service Agreements entered into between the Group and Da-Ho Shipping and Da Tong Logistics constitute continuing connected transactions of the Company and are subject to, on an aggregated basis, the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

2. Reasons for the Non-exempt Continuing Connected Transactions

A. Hong Kong Cement Supply Agreement

The Company entered into the Hong Kong Cement Supply Agreement with T'Cement to purchase cement from the T'Cement Group for the Group's operations in Hong Kong, which is primarily the trading of cement. The Listco Group has established a strong and stable business relationship with the T'Cement Group over the past 42 years. The Directors believe that T'Cement Group is able to provide the Listco Group a stable supply of cement with effective shipping schedules and cost savings. Moreover, the quality of the cement supplied by the T'Cement Group has been of a consistently high standard. Therefore, the Directors believe that it will be in the Listco Group's best interest to continue with the purchase of cement required for its distribution operations in Hong Kong from or through the T'Cement Group as and when necessary.

During 2007 and 2008, the proportion of the Company's cement purchases from T'Cement Group for its Hong Kong operations had decreased significantly to approximately 15% of its total cement purchase. We understand from the Directors that this was due to the availability of cement of similar quality from independent third party suppliers at comparable prices as the overall demand for cement in Hong Kong decreased in face of the economic downturn in 2007 and early 2008. The above demonstrated the arm's length business relationship between the Listco Group and the T'Cement Group.

LETTER FROM ALTUS

We are aware that several major infrastructure projects are being planned in Hong Kong and are expected to commence work in the next few years. Given the long presence of Listco Group in the Hong Kong cement market, the aforesaid upcoming projects will likely benefit the Listco Group with an increase in cement demand for its Hong Kong operations over the next few years.

In view of the anticipated increase in cement demand for Listco Group's Hong Kong operations in the next few years, we believe it is important for the Listco Group to have several supply sources to ensure prompt and reliable supply of cement at competitive prices. As discussed above, the Listco Group has had an established relationship with T'Cement Group and the price offered by T'Cement Group has been more favourable than that of some other suppliers since the first half of 2009. In addition, the balancing payment provision under the Hong Kong Cement Supply Agreement (as discussed in section 3A below) also ensures that the Company will not pay more than the aggregate benchmark price by more than 2.5%, thus reducing the impact of future price fluctuation.

We are therefore of the view that it is reasonable and is in the interests of Listco Group and the Shareholders to enter into the Hong Kong Cement Supply Agreement such that the Company has the option to continue purchasing cement from T'Cement Group when its prices are competitive. This may ensure reliable supply in the event that Listco Group is not able to purchase cement from independent third party supplier during time of supply shortage or when prices of independent suppliers are not competitive.

B. PRC Cement Supply Agreement

The Company entered into the PRC Cement Supply Agreement with T'Cement to purchase cement and/or clinker from the T'Cement Group for the Group's operations in the PRC. Clinker is a semi-raw material used in the production of cement. The cement and/or clinker purchased from T'Cement Group are primarily for the operation of TCC Fuzhou. Given the established business relationship, and with the stable quality and reliable supply of T'Cement Group, the Directors believe that it will be in the Listco Group's best interest to continue with the purchase of cement and/or clinker required for its operations in PRC from or through the T'Cement Group.

LETTER FROM ALTUS

During 2008 and the first half of 2009, the proportion of the Group's cement and/or clinker purchases from T'Cement Group for its PRC operations had decreased significantly. This was due to (i) the new production line of TCC Fuzhou becoming fully operational in the fourth quarter of 2008, thus reducing its need to purchase from cement suppliers, including T'Cement Group; and (ii) TCC Fuzhou's ability to purchase cement and/or clinker from independent third party suppliers at competitive prices. This again demonstrated the arm's length business relationship between the Listco Group and the T'Cement Group.

Looking forward, the Group expects a considerable improvement in the economy and general market condition in the PRC as a result of the government's stimulus plan and the pickup of global economy and foreign investments in the region. In order to capture the anticipated increase in cement demand in areas around Fuzhou, in addition to fully utilising its own cement and/or clinker production capacity, TCC Fuzhou also engages in the trading of purchased cement and/or clinker in the PRC. Therefore, the Directors expect TCC Fuzhou's purchase of cement and/or clinker from third parties, including the T'Cement Group, will increase in the next few years.

In view of the anticipated increase in demand for the Listco Group's PRC operations in the next few years, we believe it is important for the Listco Group to have several supply sources to ensure prompt and reliable supply of cement and/or clinker at competitive prices. Given the Listco Group's established relationship with T'Cement Group, we are therefore of the view that it is reasonable and is in the interests of Listco Group and the Shareholders to enter into the PRC Cement Supply Agreement such that it has the option to continue purchasing cement and/or clinker from T'Cement Group when its prices are competitive. This may ensure reliable supply in the event that Listco Group is not able to purchase cement and/or clinker from independent third party supplier during time of supply shortage or when prices of independent suppliers are not competitive.

LETTER FROM ALTUS

C. Chia Hsin Cement Agreement

TCC Jurong entered into the Chia Hsin Cement Agreement with Chia Hsin Cement to supply cement products to Chia Hsin Group in Eastern China. Prior to TCC Jurong becoming a part of the Group in 2007, it has been selling its cement products to the Chia Hsin Group in its ordinary and usual course of business. In the past, TCC Jurong has not been reliant on Chia Hsin Group as its major target market was export oriented and its sales to Chia Hsin Group do not constitute substantial portion of its total sales.

Due to the economy slowdown in the PRC in 2008 and first quarter of 2009, the sales volume of TCC Jurong to Chia Hsin Group and other third party buyers declined significantly. However, as the economy in the PRC began to gain momentum again in the second quarter of 2009, the Group anticipates that the sales to Chia Hsin Group, in particular for its cement trading business, will increase in the next few years due to (i) TCC Jurong's intention to adjust its target market from export oriented to domestic focus; (ii) the expansion of production capacity of TCC Jurong upon completion of its new production line by the first half of 2010, thus increasing its future maximum sale volume; and (iii) the competitive sale price offered by TCC Jurong to Chia Hsin Group and the increase in cement demand from Chia Hsin Group as the PRC property market picks up in the next few years.

Therefore, we are of the view that the sale of cement products to Chia Hsin Group provides TCC Jurong with an additional source of sales within its target market, which fits its future business plan and is favourable to the Group.

D. Conch International Trading Clinker Agreement

Conch International Trading is a wholly owned subsidiary of Anhui Conch, which is one of the largest producers of cement and commodity clinker in the PRC. Clinker is a semi-raw material used in the production of cement. In the past, Anhui Conch has been supplying clinker directly for part of TCC Fuzhou's cement production requirements since TCC Fuzhou's commencement of operations in November 2004 due to the consistent quality and stability of supply. From 1 January 2010 onwards, TCC Fuzhou will obtain the clinker supply from Conch International Trading, a wholly owned subsidiary of Anhui Conch which entered into the Conch

LETTER FROM ALTUS

International Trading Clinker Agreement and act as the direct supplier to TCC Fuzhou. In the past, TCC Fuzhou's purchases from Anhui Conch at prices based on arm's length negotiation and the prevailing market price. The purchase of clinker from Anhui Conch decreased in 2007 and 2008 as TCC Fuzhou was able to purchase from independent third party suppliers at more competitive prices. When determining whether to purchase from Conch International Trading in the future, the management intends to continue to make assessment on this basis.

TCC Fuzhou's production capacity increased with the commencement of its new production line in the fourth quarter of 2008. However, the production capacity was not fully utilised in the first half of 2009 due to weak sales resulting from tough market condition. The Directors anticipate that with the growth of the economy regaining momentum, the recovery of the domestic property market, and the massive infrastructure budget from the PRC government, there will be increase in cement demand for TCC Fuzhou. Accordingly, the utilization rate of TCC Fuzhou's production capacity will increase in the next few years, and thus its demand for clinker as a raw material for production purposes will increase correspondingly. We are of the view that it is reasonable for TCC Fuzhou to engage Conch International Trading as one of its suppliers of clinker to secure a reliable source of supply so long as its prices are competitive given its consistent quality.

E. T'Cement Transportation and Management Service Agreements

According to the management, TCC Guigang, TCC Yingde and TCC Fuzhou previously arranged their own transportation services for procurement of raw materials and delivery to customers to and from the production facilities. As their operations have grown, the volume of co-ordination work has increased significantly, thus they have engaged third party to arrange the process. TCC Guigang, TCC Yingde and TCC Fuzhou have been engaging Da Tong Logistics and/or Da-Ho Shipping since September 2009, November 2009 and October 2009 respectively. As there is no public benchmark to market price for transportation services, quotations of transportation price for each route were obtained from independent transportation companies and the lowest quotation would be chosen. The management intends to continue to make assessment on this basis for their future transportation arrangements.

LETTER FROM ALTUS

Da Tong Logistics and Da-Ho Shipping were incorporated in the PRC in September 2008 and November 2008 respectively. Da Tong Logistics is principally engaged in the provision of transportation and related services in the PRC, while Da-Ho Shipping is principally engaged in the provision of inner river and cross-provincial shipping services in the PRC. According to the Directors, Da Tong Logistics and Da-Ho Shipping, being newly set up and having commenced business for a short period of time, provide services only to the Group at present stage. The Directors believe that Da Tong Logistics and Da-Ho Shipping have the expertise and will dedicate their competence to provide TCC Guigang, TCC Yingde and TCC Fuzhou with reliable transportation services.

Pursuant to the T'Cement Transportation and Management Service Agreements, Da Tong Logistics and Da-Ho Shipping will provide transportation and management services to TCC Guigang, TCC Yingde and TCC Fuzhou, which include obtaining of price quotations from independent transportation companies, choosing the ideal shipping arrangement and dealing with the shipping schedules and other logistic issues. When choosing the transportation company for the shipments, Da Tong Logistics and/or Da-Ho Shipping will compare the price quotations from third-party transportation companies to their own quotation, the lower of which will be chosen. For checks and balances, TCC Guigang, TCC Yingde and TCC Fuzhou will conduct sample check to the price quotations on a periodic basis. For these management services, Da Tong Logistics and/or Da-Ho Shipping will charge a management fee equivalent to 5% of the gross transportation costs. Considered the growth of operations and increase in transportation volume for TCC Guigang, TCC Yingde and TCC Fuzhou respectively in the next few years, the Directors believe that the centralization of all transportation and management services to Da Tong Logistics and Da-Ho Shipping can improve the overall efficiency in the transportation arrangements, thus lowering the shipping costs and cutting the shipment lead time. Therefore, the Directors are of the view that the centralised shipping arrangement and the management fee paid to Da Tong Logistics and/or Da-Ho Shipping are reasonable.

Based on the above, we are of the view that it is favourable for TCC Guigang, TCC Yingde and TCC Fuzhou to engage Da Tong Logistics and Da-Ho Shipping in the provision of transportation and management services as long as their prices are competitive and their services are reliable.

LETTER FROM ALTUS

3. Terms and proposed annual caps

A. *Hong Kong Cement Supply Agreement*

Terms

Pursuant to the Hong Kong Cement Supply Agreement, cement purchase prices from T’Cement Group are to be compared with the “Taiwanese Import Benchmark Price” (as defined in section A.1 in the Letter from the Board), which is calculated for each half-yearly period commencing 1 January and 1 July. If the aggregate of the prices actually paid by the Group for cement purchased from the T’Cement Group and sourced from Taiwan into Hong Kong over any half-yearly period exceeds the “Aggregate Taiwanese Import Benchmark Price” (as defined in section A.1 in the Letter from the Board) by more than 2.5%, a balancing payment equal to such surplus would be repayable to the Group.

We understand from the Directors that imported cements are heterogeneous products of different qualities and specifications, and therefore there is no standardized market price or official benchmark price for cement products. The pricing is determined primarily by the prevailing market supply and demand at the time of transaction. Nevertheless, the Directors are of the view that the Taiwanese Import Benchmark Price is a good indicator of the market price of cement imported from Taiwan into Hong Kong. The basis for having a balancing payment provision for payments representing over 2.5% of the Aggregate Taiwanese Import Benchmark Price is to ensure that the aggregate prices actually paid by the Group do not deviate materially from the market prices of comparable products.

LETTER FROM ALTUS

The table below set out the average prices paid by the Group to T'Cement and the corresponding Taiwanese Benchmark Price for comparison purpose:

	Average price paid by the Group for purchase from T'Cement (HK\$ per tonne)	Taiwanese Import Benchmark Price (HK\$ per tonne)	(Discount)/ Premium to Taiwanese Benchmark Price %
2007	297.7	309.7	(3.9%)
2008	357.5	351.0	1.8%
2009 (up to 30 June 2009)	366.6	371.3	(1.3%)

Source: Hong Kong Cement Import Statistics and the Company

This balancing payment provision has been used by the Group for more than 12 years since the entering into of the first cement supply agreement dated 11 September 1997 with the T'Cement Group. We noted that the average price paid by the Group during the period from 1 January 2007 to 30 June 2009 fell within the 2.5% threshold and no balancing payment was required to be made by T'Cement to the Group during this period. When reviewing the Group's cement purchases in the past three years, we noted that at certain period of time, the Group was able to obtain cement supplies from independent third parties at prices lower than or comparable to the Taiwanese Import Benchmark Price during the period from 1 January 2007 to 30 June 2009.

Based on the above, we are of the view that the terms set out in the Hong Kong Cement Supply Agreement are fair and reasonable to the Group as the Group is able to source cement supply for its Hong Kong operations through T'Cement or other independent suppliers and its purchase prices are protected by the balancing payment mechanism as described above.

LETTER FROM ALTUS

Annual caps

The table below sets out (i) the historical amount of cement products purchased by the Group from T'Cement for its Hong Kong operations for the financial years/period ended 31 December 2007, 31 December 2008 and 30 June 2009; and (ii) the proposed cap for the three financial years ending 31 December 2012:

	The Group's purchase of cement from T'Cement (HK\$)	The Group's total purchase of cement products (HK\$)	Purchase from T'Cement as a percentage of total purchase	Proposed cap (HK\$)
2007	12,503,000	85,880,000	15%	120,000,000
2008	17,948,000	115,996,000	15%	130,000,000
2009 (up to 30 June)	26,359,000	46,056,000	57%	141,000,000
2010	–	171,000,000 (expected)	89%	152,000,000
2011	–	195,000,000 (expected)	90%	176,000,000
2012	–	220,000,000 (expected)	91%	200,000,000

We noted that the Group historical cement purchases from the T'Cement Group during the years ended 31 December 2007 and 31 December 2008 were substantially lower than the relevant proposed caps. The amount increased during for the six months ended 30 June 2009. Based on our review and discussion with the management, we understand the reasons include: (i) the overall demand of cement decreased significantly during the period due to the adverse economic condition; and (ii) the Group was able to obtain cement supplies for its Hong Kong operations from other independent suppliers at lower prices than from the T'Cement Group.

LETTER FROM ALTUS

We also noted the change in market trend in Hong Kong cement market since the beginning of 2009 which led to the increase in the Group's purchase of cement for its Hong Kong operations from the T'Cement Group (from 15% to 57% of the Group's total cement purchase). Specifically, the average price offered by the T'Cement Group became more competitive in comparison to other cement suppliers during the six months ended 30 June 2009 as the price offered by T'Cement Group fell more rapidly when the overall cement demand softened amid the economic crisis between the fourth quarter of 2008 and the first quarter of 2009. The management anticipates that the price offered by T'Cement will remain competitive as compared to those of other suppliers in the next few years due to the rising demand from several major projects and the tightened supply from other suppliers in Hong Kong. With the benefit of the price adjustment mechanism pursuant to the Hong Kong Cement Supply Agreement, and the fact that the supply and quality of cement from the T'Cement Group are stable, the Group expects the proportion of its cement purchase from the T'Cement Group will grow significantly during the next three financial years ended 31 December 2012.

Overall and based on discussion with management, the Group would purchase predominantly from T'Cement Group when its prices are competitive and T'Cement Group has been able to fulfill the Group's purchase quantity as demanded. This is crucial especially at times when there is a shortage of supply. We noted that during the second half of 2009, the Group has increased its cement purchase from T'Cement Group to over half of its total cement purchase as the supply from other suppliers tightened due to increased market demand and the prices offered by T'Cement Group were competitive as compared to the prices of other suppliers. The management expects that the supply from other suppliers to remain tight in the next few years given the increased demand from several major projects in Hong Kong. Therefore, given the supply from T'Cement Group to the Group remains stable and its prices are competitive in the next few years, it is reasonable to believe that the Group will source majority of its cement purchase from T'Cement Group for its operations in Hong Kong.

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Based on the above, we are of the view that the assumptions and the proposed annual caps under the Hong Kong Cement Supply Agreement, which account for approximately 90% of the total cement purchase of the Group's Hong Kong operations, for the three financial years ended 31 December 2012 are fair and reasonable.

B. PRC Cement Supply Agreement

Terms

Pursuant to the PRC Cement Supply Agreement entered into between the Company and T'Cement, T'Cement agreed to supply cement and/or clinker to the Group's operation in the PRC as it may order from time to time during the period from 1 January 2010 up to and including 31 December 2012. Each purchase will be made on an arm's length basis and determined by reference to the prevailing market prices of cement and clinker in the PRC at no less favourable terms than those available from suppliers who are independent third parties. As advised by the management, following the acquisition of TCC Guigang from the T'Cement Group in July 2009, the Group's cement and/or clinker purchase for its PRC operations from the T'Cement Group was supplied solely to TCC Fuzhou for its operations.

To compare reasonableness of historical transactions, we have reviewed samples of invoices for TCC Fuzhou's cement purchases from the T'Cement Group under previous similar arrangements and invoices from other suppliers, who are independent third parties. We are able to confirm that such relevant purchases made with the T'Cement Group were on not less favourable terms than those available from other independent suppliers. On this basis, we are of the view that the terms of the PRC Cement Supply Agreement are fair and reasonable.

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Annual caps

The table below sets out (i) the historical amount of cement and/or clinker purchased from T'Cement for its PRC operations for the financial years/ period ended 31 December 2007, 31 December 2008 and 30 June 2009; and (ii) the proposed cap for the three financial years ending 31 December 2012:

	PRC operation's purchase of cement and/or clinker from T'Cement <i>(note)</i> <i>(HK\$)</i>	PRC operation's total purchase of cement and/or clinker <i>(note)</i> <i>(HK\$)</i>	Purchase from T'Cement as a percentage of total purchase	Proposed cap <i>(HK\$)</i>
2007	30,462,000	234,792,000	13%	230,000,000
2008	11,481,000	260,831,000	4%	280,000,000
2009 (up to 30 June)	4,187,000	81,773,000	5%	280,000,000
2010	–	536,750,000 (expected)	16%	82,000,000
2011	–	558,220,000 (expected)	16%	85,000,000
2012	–	579,690,000 (expected)	16%	89,000,000

Note: This table only includes the purchase of TCC Fuzhou from T'Cement, Cement and clinker purchase of TCC Yingde from TCC Guigang (formerly a subsidiary of T'Cement) was excluded as TCC Guigang has become part of the Group as the acquisition of the shares of TCCI (Guangxi), the holding company of TCC Guigang, was completed on 24 September 2009.

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We noted that the Group historical cement and/or clinker purchases for its PRC operation from the T'Cement Group were significantly lower than the proposed caps for the years ended 31 December 2007 and 31 December 2008 and for the six months ended 30 June 2009. According to the management, the reasons for the difference include:

- (i) the overall demand of cement and clinker by the Group's PRC operations decreased significantly during the period due to adverse economic condition;
- (ii) the increase in TCC Fuzhou's production capacity upon commencement of operation of phase II production line in the fourth quarter of 2008 reduces the need to purchase cement from third parties;
- (iii) the Group was able to obtain cement and/or clinker supplies for its PRC operations from other independent suppliers at lower prices than from the T'Cement Group; and
- (iv) the previous annual caps have taken into account possible cement and/or clinker purchase by TCC Yingde from TCC Guigang, which previously was a connected person to the Listco Group.

The Directors expect that the quantity of cement and/or clinker purchased from the T'Cement Group for its PRC operations, primarily for TCC Fuzhou, will increase in 2010 in comparison to the actual amount purchased in 2007, 2008 and the six months ended 30 June 2009 and will remain at similar level from 2010 to 2012 for the following reasons:

- (i) considering the gradual pick up of general economy and the property market in the PRC since the beginning of 2009 and the expansion of government infrastructure budget, the management anticipates that demand of cement will be strong in the next few years and thus the Group's total purchase of cement for its PRC operations from the T'Cement Group will increase accordingly;

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- (ii) the unit price of cement and/or clinker are expected to increase from 2010 onwards due to increased demand. For determination of the proposed annual caps, the management has factored in a 21% increase in market price in 2010 as compared that in 2009, and approximately 4% increase in 2011 and 2012 respectively. This is in line with recent price trend;
- (iii) the production capacity from phase II production of TCC Fuzhou is expected to be further utilised as the demand rises. Therefore, as the overall annual production capacity increases from 1.5 million tonnes to 2.25 million tonnes, representing a 50% increase in capacity, the required purchase of clinker as raw material increases accordingly;
- (iv) in view of the expected increase in demand for cement products in the Eastern China region, TCC Fuzhou has increased its operations in cement product trading. The management anticipates that the total purchase of cement products by TCC Fuzhou for trading purpose will increase in the next few years; and
- (v) the prices offered by independent third party suppliers has risen gradually during the six months ended 30 June 2009 such that the price offered by the T'Cement Group has become more competitive. The management anticipates that the trend will likely continue in the next few years due to the rising demand and the tightened supply in the Greater China region.

Having taken into account the stable supply and consistent quality of cement and/or clinker from the T'Cement Group, the Group expects the proportion of its cement and/or clinker purchase from the T'Cement Group will grow significantly during the three financial years ended 31 December 2012. Based on the above, we are of the view that the assumptions and the proposed annual caps under the PRC Cement Supply Agreement, which account for 16% of the total cement purchase of the Group's PRC operations, for the three financial years ended 31 December 2012 are fair and reasonable.

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C. Chia Hsin Cement Agreement

Terms

The sales under the Chia Hsin Cement Agreement are entered into in the usual and ordinary course of business of the Group and are on normal commercial terms. In particular, the sale price of cement products from TCC Jurong to Chia Hsin Group will be determined with reference to the prevailing open market prices of cement products of the same type and quality.

We have reviewed sample historical terms and sale prices of cement products by TCC Jurong to Chia Hsin Group and they are consistent with the price determination basis as mentioned above. We have also compared the sale prices of TCC Jurong to both Chia Hsin Group and other third party customers and found that they are comparable.

Based on the above, we are of the view that the terms, including price determination, of the Chia Hsin Cement Agreement are fair and reasonable.

Annual caps

The table below sets out (i) the historical amount of cement products supplied by TCC Jurong to Chia Hsin Group for the financial year/period ended 31 December 2008 and 30 June 2009; and (ii) the proposed cap for the three financial years ending 31 December 2012:

	TCC Jurong's supply of cement products to Chia Hsin Group (HK\$)	TCC Jurong's total supply of cement products (HK\$)	Supply to Chia Hsin as a percentage of total supply	Proposed cap (HK\$)
2008	39,290,000	725,000,000	5%	97,000,000
2009 (up to 30 June)	6,382,000	263,624,000	2%	102,718,930
2010	–	1,044,120,000 (expected)	11%	112,000,000
2011	–	1,075,760,000 (expected)	11%	116,000,000
2012	–	1,107,400,000 (expected)	11%	119,000,000

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In the year 2008 and the six months period ended 30 June 2009, the actual historical amount of cement products sold to Chia Hsin Group has been significantly below the approved cap amounts. This was mainly due to adverse economic condition in the PRC which affected the demand from Chia Hsin Group.

It is expected that cement sales from TCC Jurong to Chia Hsin Group will increase significantly in 2010 in comparison to the six months ended 30 June 2009. Thereafter, it is expected to remain at similar level from 2010 to 2012. When proposing the annual caps, the management has taken the into account:

- (i) the expansion of production capacity of TCC Jurong upon completion of its new production line by the first quarter of 2010, which will give TCC Jurong additional cement production capacity of 2.4 million tonnes to the current capacity of 4.2 million tonnes, equivalent to a 57% increase from its current capacity;
- (ii) TCC Jurong's proportion of sales to local customers, such as Chia Hsin Group, is expected to continue to increase as TCC Jurong switches its focus from export oriented to domestic sales. TCC Jurong expects annual production of cement products of 4.2 million tonnes, out of which 300,000 tonnes will be supplied to Chia Hsin Group. Given TCC Jurong's established business relationship with Chia Hsin Group, we believe the expectation of 11% of TCC's Jurong's sale is reasonable;
- (iii) the competitive sale price offered by TCC Jurong to Chia Hsin Group and the increase in cement demand from Chia Hsin Group as the PRC property market picks up in the next few years; and

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- (iv) the expected price increase for cement products, which include an approximately 9% increase in the financial year ending 31 December 2010, and approximately 3% increase in the financial years ending 31 December 2011 and 2012 respectively. The significant expected price increase in 2010 is mainly due to the rebound from a sharp fall in price during the first quarter in 2009. It is expected that the cement price in 2010 will be in line with the price in 2008.

Based on the above, we are of the view that the assumptions and the proposed annual caps under the Chia Hsin Cement Agreement for the three financial years ended 31 December 2012 are fair and reasonable.

D. Conch International Trading Clinker Agreement

Terms

The purchases under the Conch International Trading Clinker Agreement will be entered into in the usual and ordinary course of business of the Group and on normal commercial terms. In particular, as a continuation to the previous clinker agreement entered into between TCC Fuzhou and Anhui Conch, the holding company of Conch International Trading, the purchase price of clinker from Conch International Trading will be determined with reference to the prevailing open market prices of clinker of the same quality.

We have reviewed sample historical terms and purchase prices of clinker by TCC Fuzhou from Anhui Conch (being the counterparty of the previous clinker agreement) and have compared those with TCC Fuzhou's clinker purchases from other independent third party suppliers. The terms from Anhui Conch were comparable to those from independent suppliers. The management has also demonstrated its commitment towards arm's length negotiation for the best terms of purchase as evidenced by TCC Fuzhou's reduced purchases from Anhui Conch in the financial year ended 31 December 2008 and for the six months ended 30 June 2009 when TCC Fuzhou was able to purchase from other clinker suppliers at more competitive prices.

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Annual caps

The table below sets out (i) the historical amount of clinker purchased by TCC Fuzhou from Anhui Conch for the financial years ended 31 December 2007, 31 December 2008 and for the six months ended 30 June 2009; and (ii) the proposed cap for the next three financial years ending 31 December 2012:

	TCC Fuzhou's purchase of clinker from Anhui Conch <i>(HK\$)</i>	TCC Fuzhou's total purchase of clinker <i>(HK\$)</i>	Purchase from Anhui Conch/Conch International Trading as a percentage of total purchase	Proposed cap <i>(HK\$)</i>
2007	144,422,000	234,792,000	62%	242,000,000
2008	58,340,000	260,831,000	22%	330,000,000
2009 (up to 30 June)	25,240,000	81,773,000	31%	500,000,000
2010	–	472,340,000 (expected)	32%	150,000,000
2011	–	493,810,000 (expected)	32%	156,000,000
2012	–	515,280,000 (expected)	32%	163,000,000

We noted that TCC Fuzhou's historical clinker purchases for its operation from Anhui Conch have been lower than the proposed caps for the years ended 31 December 2007 and 31 December 2008 and for the six months ended 30 June 2009. According to the management, we understand the reasons for the difference include:

- (i) TCC Fuzhou was able to obtain clinker supplies for its operations from other independent suppliers at lower prices than from Anhui Conch; and

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- (ii) despite the increase in TCC Fuzhou's production capacity upon commencement of operation of phase II production line in the fourth quarter of 2008, the overall demand of clinker by TCC Fuzhou decreased significantly during the period due to adverse economic condition, resulting in under-utilisation of the existing and new capacity.

When proposing the annual caps, the management has considered TCC Fuzhou's current and future requirements of clinker based on its planned production capacity over the next few years. Upon commencement of operation of its phase II production line in the fourth quarter of 2008, TCC Fuzhou's current annual production capacity has increased from 1.5 million tonnes to 2.25 million tonnes. TCC Fuzhou's clinker requirements are therefore expected to grow in line with the expansion of its production capacities, coupled with the recovery of the PRC economy and property market in the next few years. As Anhui Conch is the largest producer of clinker in the PRC and can provide a stable supply to TCC Fuzhou through Conch International Trading, it is expected that the proportion of purchase from Conch International Trading as a percentage to the total purchase of TCC Fuzhou will be comparable to that in 2009. In addition to the above, given the historical business relationship between TCC Fuzhou and Anhui Conch, we are of the view that the proposed caps of clinker purchases from Conch International Trading is fair and reasonable.

When arriving at the annual cap, the management has also factored in the expected price increase for clinker of approximately 23.6% from current price in 2010, and approximately 4.5% to 4.3% increase respectively in 2011 and 2012. The significant expected price increase in 2010 is mainly due to the rebound from a sharp fall in price during the first quarter in 2009. It is expected that the clinker price in 2010 will be in line with the price in 2008. Based on the above, we are of the view that the assumption above is fair and reasonable.

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E. T’Cement Transportation and Management Service Agreements

As disclosed in the announcement of the Company dated 26 November 2009 in relation to (i) the transportation service agreements entered into between TCC Yingde and TCC Guigang respectively with Da Tong Logistics and Da-Ho Shipping, (ii) the transportation service agreement entered into between TCC Fuzhou and Da-Ho Shipping, TCC Guigang, TCC Fuzhou and TCC Yingde have been engaging Da Tong Logistics and Da-Ho Shipping for the provision of transportation and management services since September 2009, October 2009 and November 2009 respectively. These aforesaid agreements constituted short term services on an ad-hoc basis and covered only specific needs of each group companies at that point in time. The historical transaction volumes under these agreements are therefore not comparable and for the purpose of determining the proposed annual caps pursuant to the T’Cement Transportation and Management Service Agreements.

(i) *TCC Guigang Cement/Clinker Transportation and Management Service Agreement*

Terms

The transportation services will be entered into in the usual and ordinary course of business of the Group and on normal commercial terms. In particular, the transportation costs charged by Da Tong Logistics and Da-Ho Shipping will be determined with reference to the prevailing open market prices of the same transportation route.

We have compared the quotations of Da Tong Logistics for road transportation service and quotations of Da-Ho Shipping for inner river transportation services and compared them with the quotations of other independent transportation service providers serving the same routes. We found that the prices offered by Da Tong Logistics and Da-Ho Shipping were comparable, if not, more favourable than those offered by independent transportation companies.

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Pursuant to the TCC Guigang Cement/Clinker Transportation and Management Service Agreement, Da Tong Logistics and Da-Ho Shipping will undertake the role of managing the whole transportation process, including the selection of transportation service provider. For the purpose of checks and balances, TCC Guigang will conduct sample check to the price quotation obtained by Da Tong Logistics and Da-Ho Shipping on a periodic basis. We are of the view that such control procedure can help TCC Guigang ensure that the most cost effective transportation service provider is selected.

A 5% management fee will be paid by TCC Guigang to Da Tong Logistic and/or Da-Ho Shipping if third party transportation service provider is selected in place of Da Tong Logistics or Da-Ho Shipping for the provision of transportation service. We have reviewed the invoices for previous transportation services and confirmed with the management that a 5% management fee on top of the gross transportation cost is normal business practice and are typically charged by all transportation service providers in addition to the gross transportation cost. With an increased production volume and considering the efficiency that can be achieved by engaging professional firms to manage the whole transportation process, we are of the view that the payment of management fee is reasonable.

Based on the above, we are of the view that the terms of the TCC Guigang Cement/Clinker Transportation and Management Service Agreement are fair and reasonable.

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Annual caps

The table below sets out the expected amount of cement and/or clinker to be transported from TCC Guigang to customers through Da Tong Logistics and Da-Ho Shipping and the proposed cap for the three financial years ending 31 December 2012:

	TCC Guigang's quantity of cement/clinker expected to be transported out (tonnes)	Proposed cap (HK\$)
2010	6,490,000	136,000,000
2011	6,490,000	136,000,000
2012	6,490,000	136,000,000

The proposed caps for the three financial years ended 31 December 2012 include the gross transportation costs and a management fee equivalent to 5% of the gross transportation costs. When proposing the annual caps, the management has considered the following factors:

- (a) the expected cement output of TCC Guigang's production facilities for the three financial years ended 31 December 2012 will be approximately 9 million tonnes, of which 6.5 million tonnes are expected to be sold to customers from other provinces. The management anticipates that the inner river transportation of 500,000 tonnes of these cement and/or clinker will be provided by Da-Ho Shipping, while the road transportation of the entire 6.5 million tonnes of cements and/or clinker will be handled by Da Tong Logistics;
- (b) the road transportation costs will be approximately RMB35 per tonne and the inner river transportation costs will be approximately RMB13 per tonne, with reference to the prevailing market price; and

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- (c) the 5% management fee will be applied to the entire 6.5 million tonnes of cement and/or clinker handled by Da Tong Logistics and Da-Ho Shipping.

The maximum production capacity of TCC Guigang's production facilities is 9 million tonne per annum and the new production facilities have completed their trial and run-in period and are capable of running at full capacity. It is expected that TCC Guigang's production facilities will be operating at close to full capacity from 2010 onwards due to the increase in cement demand as a result of the pick up of general economy. We also compared the transportation costs estimated by the management to current quotations of transportation service providers and noted that they are comparable. Therefore, we are of the view that the assumption above is fair and reasonable.

(ii) *TCC Yingde Cement/Clinker Transportation and Management Service Agreement*

Terms

The transportation services will be entered into in the usual and ordinary course of business of the Group and on normal commercial terms. In particular, the transportation costs charged by Da Tong Logistics and Da-Ho Shipping will be determined with reference to the prevailing open market prices of the same transportation route.

Pursuant to the TCC Yingde Cement/Clinker Transportation and Management Service Agreement, Da Tong Logistics will provide road transportation service while Da-Ho Shipping will only engage in the management of inner river transportation and charge a 5% management fee. We have compared the quotations of Da Tong Logistics for road transportation service and compared them with the quotations of other independent transportation service providers serving the same routes and we found that the prices offered by Da Tong Logistics were comparable, if not, more favourable than those offered by independent transportation companies.

For the purpose of checks and balances, TCC Yingde will conduct sample check to the price quotation obtained by Da Tong Logistics and Da-Ho Shipping on a periodic basis. We are of the view that such control procedure can help TCC Yingde ensure that the most cost effective transportation service provider is selected.

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In regard to the reasonableness of the management fee, we have also reviewed the invoices for previous transportation services and confirmed with the management that a 5% management fee on top of the gross transportation cost is normal business practice and are typically charged by all transportation service providers in addition to the gross transportation cost. With an increased production volume and considering the efficiency that can be achieved by engaging professional firms to manage the whole transportation process, we are of the view that the payment of management fee is reasonable.

Based on the above, we are of the view that the terms of the TCC Yingde Cement/Clinker Transportation and Management Service Agreement are fair and reasonable.

Annual caps

The table below sets out the expected quantity of cement and/or clinker to be transported out from TCC Yingde to customers through Da Tong Logistics and Da-Ho Shipping and the proposed cap for the three financial years ending 31 December 2012:

	TCC Yingde's quantity of cement/ clinker expected to be transported out by road transportation services	TCC Yingde's quantity of cement/ clinker expected to be transported out by inner river transportation services (management fee only) (tonnes)	Proposed cap (HK\$)
2010	130,000	2,300,000	5,200,000
2011	130,000	2,650,000	5,900,000
2012	130,000	2,650,000	5,900,000

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The proposed caps for the three financial years ended 31 December 2012 include the gross transportation costs for road transportation services and a management fee equivalent to 5% of the gross transportation costs of both road and inner river transportation services. When proposing the annual caps, the management has considered the following factors:

- (a) the expected cement output of TCC Yingde's production facilities for the three financial years ended 31 December 2012 will be approximately 9 million tonnes per annum, of which 2.4 million tonnes in 2010, 2.8 million tonnes in both 2011 and 2012 are expected to be sold to customers from other provinces. The management anticipates that Da-Ho Shipping will manage the inner river transportation of 2.3 million tonnes of these cement and/or clinker in 2010 and 2.7 million tonnes in both 2011 and 2012. Meanwhile, the road transportation of the 130,000 tonnes of cements and/or clinker will be arranged and transported by Da Tong Logistics; and
- (b) the road transportation costs will be approximately RMB4 per tonne and the inner river transportation costs from third party transportation service providers will be approximately RMB35 per tonne (the relevant management fee charged by Da-Ho Shipping will therefore be approximately RMB1.75 per tonne), with reference to the prevailing market price.

The maximum production capacity of TCC Yingde's production facilities is 9 million tonnes per annum. Its phase II production line, which commenced operations in the fourth quarter of 2008, have completed its trial and run-in period and is capable of running at full capacity. It is expected that TCC Yingde's production facilities will be operated at close to full capacity from 2010 onwards due to the increase in cement demand as a result of the pick up of general economy. We also compared the transportation costs estimated by the management to current quotations of transportation service providers and noted that they are comparable. Therefore, we are of the view that the assumption above is fair and reasonable.

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(iii) *TCC Yingde Coal Transportation and Management Service Agreement*

Terms

The transportation services will be entered into in the usual and ordinary course of business of the Group and on normal commercial terms. In particular, the transportation costs charged by Da Tong Logistics and Da-Ho Shipping will be determined with reference to the prevailing open market prices of the same transportation route.

Pursuant to the TCC Yingde Coal Transportation and Management Service Agreement, Da Tong Logistic and Da-Ho Shipping will handle the transportation of coal fuel from northern China to TCC Yingde's production facilities. Specifically, Da-Ho Shipping will handle the sea transport from Hebei Province to Guangdong Province and the inner river transport within Guangdong Province, while Da Tong Logistics will provide the last-mile road transportation service to TCC Yingde's production facilities. We have reviewed the quotations of Da Tong Logistics for road transportation and Da-Ho Shipping for sea and inner river transportation service and compared them with the quotations of other independent transportation service providers serving the same routes. We found that the prices offered by Da Tong Logistics and Da-Ho Shipping were comparable, if not, more favourable than those offered by independent transportation companies.

For the purpose of checks and balances, TCC Yingde will conduct sample check to the price quotation obtained by Da Tong Logistics and Da-Ho Shipping on a periodic basis. We are of the view that such control procedure can help TCC Yingde ensure that the most cost effective transportation service provider is selected.

In regard to the reasonableness of the management fee, we have also reviewed the invoices for previous transportation services and confirmed with the management that a 5% management fee on top of the gross transportation cost is normal business practice and are typically charged by all transportation service providers in addition to the gross transportation cost. With an increased production volume and considering the efficiency that can be achieved by engaging professional firms to manage the whole transportation process, we are of the view that the payment of management fee is reasonable.

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Based on the above, we are of the view that the terms of the TCC Yingde Coal Transportation and Management Service Agreement are fair and reasonable.

Annual caps

The table below sets out the expected quantity of coal fuel to be transported to TCC Yingde through Da Tong Logistics and Da-Ho Shipping and the proposed cap for the three financial years ending 31 December 2012:

	TCC Yingde's quantity of coal fuel expected to be transported in (tonnes)	Proposed cap (HK\$)
2010	500,000	77,500,000
2011	500,000	77,500,000
2012	500,000	77,500,000

The proposed caps for the three financial years ended 31 December 2012 include the gross transportation costs and a management fee equivalent to 5% of the gross transportation costs. When proposing the annual caps, the management has considered the following factors:

- (a) the expected cement output of TCC Yingde's production facilities for the three financial years ended 31 December 2012 will be approximately 9 million tonnes per annum. At this output level, the estimated coal fuel requirement for TCC Yingde's operations will be around 1 million tonnes, and 50% of the demand (equivalent to 500,000 tonnes) has to be obtained from northern China. The management expects that Da-Ho Shipping will provide the sea and inner river transportation for all 500,000 tonnes of coal fuel in the three financial years ending 31 December 2012. Meanwhile, the road transportation of these coal fuel will be provided by Da Tong Logistics;

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- (b) the road transportation costs will be approximately RMB45 per tonne and the sea and inner river transportation costs will be approximately RMB71 per tonne and RMB14 per tonne respectively, with reference to the prevailing market prices of the respective routes; and
- (c) the 5% management fee will be applied to the entire 500,000 tonnes of coal fuel handled by Da Tong Logistics and Da-Ho Shipping.

The maximum production capacity of TCC Yingde's production facilities is 9 million tonnes per annum. Its phase II production line, which commenced operations in the fourth quarter of 2008, have completed its trial and run-in period and is capable of running at full capacity. It is expected that TCC Yingde's production facilities will be operated at close to full capacity from 2010 onwards due to the increase in cement demand as a result of the pick up of general economy. We also compared the transportation costs estimated by the management to current quotations of transportation service providers and noted that they are comparable. Therefore, we are of the view that the assumption above is fair and reasonable.

(iv) *TCC Guigang Gypsum/Coal Transportation and Management Service Agreement*

Terms

The transportation services will be entered into in the usual and ordinary course of business of the Group and on normal commercial terms. In particular, the transportation costs charged by Da Tong Logistics and Da-Ho Shipping will be determined with reference to the prevailing open market prices of the same transportation route.

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Pursuant to the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement, Da Tong Logistic and Da-Ho Shipping will handle the transportation of gypsum and coal fuel to TCC Guigang's production facilities. Specifically, Da-Ho Shipping will handle the sea transportation of coal fuel from Hebei Province to Guangdong Province and the inner river transportation within Guangdong Province, while Da Tong Logistics will provide the last-mile road transportation service of coal fuel and gypsum to TCC Guigang's production facilities. We have reviewed the quotations of Da Tong Logistics for road transportation and Da-Ho Shipping for sea and inner river transportation service and compared them with the quotations of other independent transportation service providers serving the same routes. We found that the prices offered by Da Tong Logistics and Da-Ho Shipping were comparable, if not, more favourable than those offered by independent transportation companies.

For the purpose of checks and balances, TCC Guigang will conduct sample check to the price quotation obtained by Da Tong Logistics and Da-Ho Shipping on a periodic basis. We are of the view that such control procedure can help TCC Guigang ensure that the most cost effective transportation service provider is selected.

In regard to the reasonableness of the management fee, we have also reviewed the invoices for previous transportation services and confirmed with the management that a 5% management fee on top of the gross transportation cost is normal business practice and are typically charged by all transportation service providers in addition to the gross transportation cost. With an increased production volume and considering the efficiency that can be achieved by engaging professional firms to manage the whole transportation process, we are of the view that the payment of management fee is reasonable.

Based on the above, we are of the view that the terms of the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement are fair and reasonable.

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Annual caps

The table below sets out the expected quantities of gypsum and coal fuel to be transported to TCC Guigang through Da Tong Logistics and Da-Ho Shipping and the proposed cap for the three financial years ending 31 December 2012:

	TCC Guigang's quantity of gypsum expected to be transported in (tonnes)	TCC Guigang's quantity of coal fuel expected to be transported in (tonnes)	Proposed cap (HK\$)
2010	930,000	500,000	77,500,000
2011	930,000	500,000	77,500,000
2012	930,000	500,000	77,500,000

The proposed caps for the three financial years ended 31 December 2012 include the gross transportation costs and a management fee equivalent to 5% of the gross transportation costs. When proposing the annual caps, the management has considered the following factors:

- (a) the expected cement output of TCC Guigang's production facilities for the three financial years ended 31 December 2012 will be approximately 9 million tonnes per annum. At this output level, the estimated coal fuel requirement for TCC Guigang's operations will be around 1 million tonnes, and 50% of the demand (equivalent to 500,000 tonnes) has to be obtained from northern China. The management expects that Da-Ho Shipping will provide the sea and inner river transportation for all 500,000 tonnes of coal fuel in the three financial years ending 31 December 2012. Meanwhile, the road transportation of these coal fuel will be provided by Da Tong Logistics;

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- (b) the estimated requirement for gypsum at the expected output level will be 930,000 tonnes, all of which will be transportation on road by Da Tong Logistics;
- (c) the road transportation costs will be approximately RMB10 per tonne and the sea and inner river transportation costs will be approximately RMB71 per tonne and RMB40 per tonne respectively, with reference to the prevailing market prices of the respective routes; and
- (d) the 5% management fee will be applied to the entire 500,000 tonnes of coal fuel and 930,000 tonnes of gypsum handled by Da Tong Logistics and Da-Ho Shipping.

The maximum production capacity of TCC Guigang's production facilities is 9 million tonne per annum and the new production facilities have completed their trial and run-in period and are capable of running at full capacity. It is expected that TCC Guigang's production facilities will be operating at close to full capacity from 2010 onwards due to the increase in cement demand as a result of the pick up of general economy. We also compared the transportation costs estimated by the management to current quotations of transportation service providers and noted that they are comparable. Therefore, we are of the view that the assumption above is fair and reasonable.

(v) *TCC Fuzhou Transportation and Management Service Agreement*

Terms

The transportation services will be entered into in the usual and ordinary course of business of the Group and on normal commercial terms. In particular, the transportation costs charged by Da-Ho Shipping will be determined with reference to the prevailing open market prices of the same transportation route.

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Pursuant to the TCC Fuzhou Transportation and Management Service Agreement, Da-Ho Shipping will handle the transportation of cement and clinker from various locations to TCC Fuzhou's production facilities. Specifically, Da-Ho Shipping will provide and manage the inner river transportation service of cement and clinker from TCC Jurong and TCC Yingde to TCC Fuzhou's production facilities. Da-Ho Shipping will also manage the transportation process of clinker from suppliers in Anhui Province and Zhejiang Province to TCC Fuzhou. We have compared the quotations of Da-Ho Shipping for inner river transportation services and compared them with the quotations of other independent transportation service providers serving the same routes. We found that the prices offered by Da-Ho Shipping were comparable, if not, more favourable than those offered by independent transportation companies.

For the purpose of checks and balances, TCC Fuzhou will conduct sample check to the price quotation obtained by Da-Ho Shipping on a periodic basis. We are of the view that such control procedure can help TCC Fuzhou ensure that the most cost effective transportation service provider is selected.

In regard to the reasonableness of the management fee, we have reviewed the invoices for previous transportation services and confirmed with the management that a 5% management fee on top of the gross transportation cost is normal business practice and are typically charged by all transportation service providers in addition to the gross transportation cost. With an increased production volume and considering the efficiency that can be achieved by engaging professional firms to manage the whole transportation process, we are of the view that the payment of management fee is reasonable.

Based on the above, we are of the view that the terms of the TCC Fuzhou Transportation and Management Service Agreement are fair and reasonable.

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Annual caps

The table below sets out the expected quantities of cement and clinker to be transported to TCC Fuzhou through Da-Ho Shipping and the proposed cap for the three financial years ending 31 December 2012:

	TCC Fuzhou's quantity of cement expected to be transported in from group companies (tonnes)	TCC Fuzhou's quantity of clinker expected to be transported in from group companies (tonnes)	TCC Fuzhou's quantity of clinker expected to be transported in from other suppliers (management fee only) (tonnes)	Proposed cap (HK\$)
2010	600,000	1,000,000	900,000	88,000,000
2011	600,000	1,300,000	600,000	103,000,000
2012	600,000	1,300,000	600,000	103,000,000

The proposed caps for the three financial years ended 31 December 2012 include the gross transportation costs and a management fee equivalent to 5% of the gross transportation costs. When proposing the annual caps, the management has considered the following factors:

- (a) the management estimates that the total cement demand from other group companies or third party suppliers for TCC Fuzhou's trading business will be approximately 600,000 tonnes, and the demand of clinker for its production process will be approximately 1.9 million tonnes. The management expects that Da-Ho Shipping will provide the inner river transportation for the 600,000 tonnes of cement and 1 million tonnes of clinker purchased from TCC Jurong and TCC Yingde for the financial year ending 31 December 2010. The amount of clinker purchased from TCC Jurong and TCC Yingde is expected to increase to 1.3 million tonnes in 2011 and 2012;

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- (b) Da-Ho Shipping will also manage the transportation of the remaining 900,000 tonnes of clinker purchased from third-party suppliers in Anhui Province and Zhejiang Province. The amount of clinker purchased from third-party suppliers will be reduced to 600,000 tonnes in 2011 and 2012;
- (c) the inner river transportation costs of cement from TCC Yingde and TCC Jurong to TCC Fuzhou will be approximately RMB27 per tonne and RMB60 per tonne respectively, while the inner water transportation costs of clinker from TCC Yingde and TCC Jurong to TCC Fuzhou will be approximately RMB27 per tonne and RMB47 per tonne respectively. These prices are estimated with reference to the prevailing market prices of the respective routes; and
- (d) the 5% management fee will be applied to the transportation of the entire 600,000 million tonnes of cement and 1.9 million tonnes of clinker handled by Da-Ho Shipping. The management fees charged for the transportation management of clinker purchase from Anhui Province and Zhejiang Province will be based on the estimated transportation cost of RMB50 per tonne, which is also estimated with reference to prevailing market price.

The maximum production capacity of TCC Fuzhou's production facilities is 2.25 million tonne per annum, which includes 1.5 million tonnes from phase I production line and 0.75 million tonnes from phase II production line. The phase II production line, which commenced operations in the fourth quarter of 2008, have completed its trial and run-in period and is capable of running at full capacity. It is expected that TCC Fuzhou's production facilities will be operated at close to full capacity from 2010 onwards due to the increase in cement demand as a result of the pick up of general economy. We also compared the transportation costs estimated by the management to current quotations of transportation service providers and noted that they are comparable. Therefore, we are of the view that the assumption above is fair and reasonable.

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CONCLUSION AND RECOMMENDATION

Having considered the above principal factors, we are of the opinion that terms and conditions of the Non-exempt Continuing Connected Transactions are on normal commercial terms, are in the ordinary and usual course of business, and are fair and reasonable and in the interests of the Company and Shareholders as a whole. We would therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Arnold Ip
Executive Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS**(a) Directors' interests and short positions in shares and underlying shares and debentures**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in the Shares

Name of directors	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
KOO, Cheng-Yun, Leslie	Directly beneficially owned	15,114,000	1.17%
WU Yih Chin	Directly beneficially owned	3,550,000	0.28%
CHANG, Kang-Lung, Jason	Directly beneficially owned	2,000,000	0.15%
		20,664,000	1.60%

Save as disclosed herein so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(ii) Share options granted by the Company

Pursuant to a share option scheme adopted by the Company on 5 October 1997 (the “Scheme”), the Company had on 31 March 2006 granted to certain Directors the rights to subscribe for Shares at an exercise price of HK\$1.266 per Share exercisable during the period from 1 October 2006 to 30 March 2011 (both days inclusive).

The following table discloses the details of the above grant of share options to Directors under the Scheme as at the Latest Practicable Date:—

Name of Directors	Date of grant	Exercise price HK\$	Exercise period (Note)	Number of share options		Balance as at Latest Practicable Date
				Balance as at 1 January 2009	Exercised	
Koo, Cheng-Yun, Leslie	31 March 2006	1.266	1 October 2006 to 30 March 2011	4,040,000	4,040,000	–
Wu Yih Chin	31 March 2006	1.266	1 October 2006 to 30 March 2011	450,000	–	450,000
				4,490,000	4,040,000	450,000

Note: The exercisable period of an option granted under the Scheme commences on the date falling six months after the date of grant of an option and expiring at the close of business on the day falling immediately prior to the fifth anniversary of the date of grant in respect of such option. As both of the Directors who hold the options set out above were originally seconded from T’Cement, special restriction apply to the exercise period of these options: up to 40% of the share option held by each Director/employee may be exercised in 2007, a further 30% in 2008 and the entire balance from 2009 onwards. These share options will not lapse when the director leaves the Group and returns to his original employment with T’Cement; their termination is determined by reference to the date when the Director subsequently ceases to be employed by T’Cement.

(b) Substantial shareholders' and other persons' interests in shares and underlying shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors or chief executive of the Company, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital were as follows:

(i) Substantial shareholders' interests in the Shares

Name of shareholders	Capacity and nature of interest	Number of shares held <i>(Note 3)</i>	Approximate percentage of shareholding
TCC International Limited	Directly beneficially owned	567,518,000	44.04%
T'Cement <i>(Note 1)</i>	Through a controlled corporation	567,518,000	44.04%
CHPL	Directly beneficially owned	356,013,000	27.63%
Chia Hsin Cement Corporation ("Chia Hsin Cement") <i>(Note 2)</i>	Through a controlled corporation	356,013,000	27.63%

Notes:

- (1) T'Cement is interested in the shares of the Company by virtue of its beneficial ownership of the entire issued share capital of TCC International Limited.
- (2) Chia Hsin Cement is interested in the shares of the Company held by its subsidiary, CHPL.
- (3) All the interests stated above represent long positions.

*(ii) Substantial shareholders' interests in shares of subsidiaries of the Company**(a) Anhui King Bridge Cement Co., Ltd.*

Name of equityholder	Equity interest held	Approximate percentage of equityholding
Anhui Conch Cement Company Limited	US\$6,000,000	40%

(b) TCC Liuzhou Construction Materials Co., Ltd.

Name of equityholder	Equity interest held	Approximate percentage of equityholding
Guangxi Liuzhou Steel (Group) Corporation	US\$5,400,000	40%

(c) Chiefolk Company Limited

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Top Form Construction Limited	30,000	30%

Save as disclosed herein so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital.

INTEREST IN CONTRACTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any material interest in any contract or arrangement which is significant in relation to the business of the Group.

INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group since 31 December 2008 (the date to which the latest published audited consolidated financial statements of the Group were made up to) or proposed to be so acquired, disposed of or leased.

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the relevant employer within one year without payment of compensation other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and, as far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any other members of the Group.

MATERIAL ADVERSE CHANGES

Save as disclosed in this circular, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2008, the date to which the last published audited accounts of the Group were made up.

QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its letter for the inclusion in this circular:

Name	Qualification
Altus Capital Limited	a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and the independent financial adviser to the independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions

Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice to the Independent Board Committee and the Independent Shareholders dated 5 January 2010, and the references to its name, as the case may be, in the form and context in which they appear.

Altus does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member to the Group.

Altus does not have any interest direct or indirect, in any assets which have been, since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

- (a) The company secretary of the Company is Miss Kwok Pui Ha. Miss Kwok is fellow member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an Associate Chartered Accountant of the Institute of Chartered Accountants in England and Wales and ordinary member of the Hong Kong Securities Institute.

- (b) The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and the head office and principal place of business of the Company is situated at 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong. The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (c) The English text of this document shall prevail over the Chinese text in the case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong between 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong) up to and including 21 January 2010:

- (a) the Non-exempt Continuing Connected Transaction Agreements;

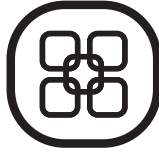
- (b) the written consent from Altus Capital Limited, the text of which is set out in this circular;

- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;

- (d) the letter from Altus Capital Limited, the text of which is set out in this circular; and

- (e) this circular.

NOTICE OF EGM



TCC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1136)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of TCC International Holdings Limited (the “**Company**”) will be held at Gloucester Room, 2nd Floor, Mandarin Oriental, Hong Kong Limited, 5 Connaught Road, Central, Hong Kong on Thursday, 21 January 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the agreement dated 15 December 2009 entered into between the Company and Taiwan Cement Corporation (“**T’Cement**”, and together with its subsidiaries, the “**T’Cement Group**”) pursuant to which the Company and its subsidiaries (the “**Group**”) will purchase cement from the T’Cement Group required by the Group on an ongoing basis for its operations in Hong Kong (the “**Hong Kong Cement Supply Agreement**”), a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (b) the proposed annual caps in relation to the transactions under the Hong Kong Cement Supply Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 of HK\$152,000,000, HK\$176,000,000 and HK\$200,000,000, respectively, be and are hereby approved.”

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2. “**THAT**

- (a) the agreement dated 15 December 2009 entered into between the Company and Taiwan Cement Corporation (“**T’Cement**”, and together with its subsidiaries, the “**T’Cement Group**”) pursuant to which the Group will purchase cement and/or clinker from the T’Cement Group required by the Group on an ongoing basis for its operations in the PRC (the “**PRC Cement Supply Agreement**”), a copy of which is produced to the meeting marked “**B**” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (b) the proposed annual caps in relation to the transactions under the PRC Cement Supply Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 of HK\$82,000,000, HK\$85,000,000 and HK\$89,000,000, respectively, be and are hereby approved.”

3. “**THAT**

- (a) the agreement dated 15 December 2009 entered into between Jurong TCC Cement Co., Ltd. (句容台泥水泥有限公司) (“**TCC Jurong**”), a wholly owned subsidiary of the Company and Chia Hsin Cement Corporation (“**Chia Hsin Cement**”, and together with its subsidiaries, the “**Chia Hsin Group**”) pursuant to which TCC Jurong will agree to supply cement to the Chia Hsin Group on an ongoing basis (the “**Chia Hsin Cement Agreement**”), a copy of which is produced to the meeting marked “**C**” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and

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- (b) the proposed annual caps in relation to the transactions under the Chia Hsin Cement Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 of HK\$112,000,000, HK\$116,000,000 and HK\$119,000,000, respectively, be and are hereby approved.”

4. **“THAT**

- (a) the agreement dated 15 December 2009 entered into between TCC Fuzhou Cement Company Limited (福州台泥水泥有限公司) (“**TCC Fuzhou**”), a wholly owned subsidiary of the Company and Shanghai Conch Construction Material International Trading Company Limited (“**Conch International Trading**”) pursuant to which Conch International Trading will supply clinker to TCC Fuzhou on an ongoing basis (“**Conch International Trading Clinker Agreement**”), a copy of which is produced to the meeting marked “**D**” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (b) the proposed annual caps in relation to the transactions under the Conch International Trading Clinker Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 of HK\$150,000,000, HK\$156,000,000 and HK\$163,000,000, respectively, be and are hereby approved.”

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5. “**THAT**

- (a) the two agreements each dated 15 December 2009 entered into between TCC (Gui Gang) Cement Limited (台泥(貴港)水泥有限公司) (“**TCC Guigang**”), a wholly owned subsidiary of the Company and Da Tong (Guigang) International Logistics Company Limited (“**Da Tong Logistics**”) and Guigang Da-Ho Shipping Company Limited (“**Da-Ho Shipping**”) pursuant to which Da Tong Logistics and Da-Ho Shipping will provide road transportation services and shipping services, respectively, to TCC Guigang in relation to the transportation of cement and/or clinker on an on-going basis (the “**TCC Guigang Cement/Clinker Transportation and Management Service Agreement**”) and the transportation of gypsum and coal on an on-going basis (the “**TCC Guigang Gypsum/Coal Transportation and Management Service Agreement**”), respectively, copies of which are produced to the meeting marked “**E**” and “**F**” respectively and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder;
- (b) the proposed annual caps in relation to the transactions under the TCC Guigang Cement/Clinker Transportation and Management Service Agreement of HK\$136,000,000 for each of the three years ending 31 December 2010, 2011 and 2012, respectively, be and are hereby approved; and
- (c) the proposed annual caps in relation to the transactions under the TCC Guigang Gypsum/Coal Transportation and Management Service Agreement of HK\$83,000,000 for each of the three years ending 31 December 2010, 2011 and 2012, respectively, be and are hereby approved.”

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6. “**THAT**

- (a) the two agreements each dated 15 December 2009 entered into between TCC Yingde Cement Company Limited (台泥(英德)水泥有限公司 (“**TCC Yingde**”), a wholly owned subsidiary of the Company and Da Tong (Guigang) International Logistics Company Limited (“**Da Tong Logistics**”) and Guigang Da-Ho Shipping Company Limited (“**Da-Ho Shipping**”) pursuant to which Da Tong Logistics and Da-Ho Shipping will provide road transportation services and shipping services, respectively, to TCC Yingde in relation to the transportation of cement and/or clinker on an on-going basis (the “**TCC Yingde Cement/Clinker Transportation and Management Service Agreement**”) and the transportation of coal on an on-going basis (the “**TCC Yingde Coal Transportation and Management Service Agreement**”), respectively, copies of which are produced to the meeting marked “**G**” and “**H**” respectively and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder;
- (b) the proposed annual caps in relation to the transactions under the TCC Yingde Cement/Clinker Transportation and Management Service Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 of HK\$5,200,000, HK\$5,900,000 and HK\$5,900,000, respectively, be and are hereby approved; and
- (c) the proposed annual caps in relation to the transactions under the TCC Yingde Coal Transportation and Management Service Agreement of HK\$77,500,000 for each of the three years ending 31 December 2010, 2011 and 2012, respectively, be and are hereby approved.”

NOTICE OF EGM

7. **“THAT**

- (a) the agreement dated 15 December 2009 entered into between TCC Fuzhou and Guigang Da-Ho Shipping Company Limited (“**Da-Ho Shipping**”) pursuant to which Da-Ho Shipping will provide shipping services to TCC Fuzhou in relation to the transportation of clinker on an on-going basis (the “**TCC Fuzhou Transportation and Management Service Agreement**”), a copy of which is produced to the meeting marked “I” and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company or by the secretary of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions contemplated thereunder; and
- (b) the proposed annual caps in relation to the transactions under the TCC Fuzhou Transportation and Management Service Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 of HK\$88,000,000, HK\$103,000,000 and HK\$103,000,000, respectively, be and are hereby approved.”

By Order of the Board of
TCC INTERNATIONAL HOLDINGS LIMITED
Kwok Pui Ha
Company Secretary

Hong Kong, 5 January 2010

NOTICE OF EGM

Notes:

1. In order to qualify for attending and voting at the above meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 January 2010.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
4. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.