

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



Dongwu Cement International Limited
東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 695)

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF THE ENTIRE INTEREST IN THE TARGET COMPANY**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 16 February 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchaser agreed to purchase and the Vendors agreed to sell the Sale Equity Interest, which represent the entire equity interest of the Target Company at the Consideration of RMB32 million. The Consideration shall be satisfied using part of the Net Proceeds of Placing and be subject to adjustments as described in the sub-paragraph headed “Adjustments for the Consideration for the Acquisition”.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreement constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but is exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 October 2014 in relation to the Letter of Investment Intent entered into between the Purchaser and the Vendors. Unless otherwise specified, terms used herein shall have the same meanings as defined in the said announcement.

Reference is also made to the announcement dated 13 February 2015 in relation to the completion of placing of new shares under general mandate with which the net proceeds of placing of approximately HK\$51.3 million were raised.

The Board is pleased to announce that on 16 February 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchaser agreed to purchase and the Vendors agreed to sell the Sale Equity Interest, which represent the entire equity interest of the Target Company at the Consideration of RMB32 million (equivalent to approximately HK\$40 million). The Consideration shall be satisfied by using part of the net proceeds of placing and be subject to adjustments as described in the subparagraph headed “Adjustments for the Consideration for the Acquisition” below.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement is set out below.

Date: 16 February 2015

Parties: (i) the Purchaser, a wholly owned subsidiary of the Company; and
(ii) the Vendors, all being Independent Third Parties

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase and the Vendors agreed to sell the Sale Equity Interest, which represent the entire issued share capital of the Target Company.

The Consideration for the Acquisition

The Consideration of RMB32 million (equivalent to approximately HK\$40 million, subject to adjustments as detailed in the subparagraph headed “Adjustments for the Consideration of the Acquisition” below) will be satisfied by cash consideration using part of the net proceeds of placing.

The Consideration of RMB32 million (subject to adjustments as detailed in the subparagraph headed “Adjustments for the Consideration of the Acquisition” below) will be satisfied in accordance with the manner below:–

- (i) The Purchaser shall pay the Vendors RMB12 million (the “**1st Payment**”) within 5 working days upon:
 - (1) the Acquisition Agreement being signed and sealed by the Purchaser and Vendors and becoming effective;
 - (2) the accounts receivables actually received by the Target Company before 25 December 2014 being not less than RMB12 million;

- (3) the adjustment to the Consideration being calculated (as detailed in the subparagraph headed “Adjustments for the Consideration of the Acquisition” below) and a supplemental agreement confirming the adjusted Consideration being entered into by the Purchaser and Vendors;
 - (4) an account being opened by the Purchaser and Vendors at a relevant bank according to the PRC foreign exchange management regulations;
 - (5) the Purchaser and Vendors being compliant with all relevant regulations and having completed all necessary procedures for the transfer of the Consideration; and
 - (6) the Vendors not being in breach of any provisions in the Acquisition Agreement.
- (ii) The Purchaser shall pay the Vendors 80% of the remaining balance of the Consideration (the “**2nd Payment**”) within 5 working days upon:
- (1) the change of business registration in relation to the Acquisition being completed;
 - (2) the change of management of the Target Company being completed according to the Acquisition Agreement;
 - (3) the balance of accounts receivables of the Target Company before the 2nd Payment being not more than RMB4 million; and
 - (4) the Vendors not being in breach of any provisions in the Acquisition Agreement.
- (iii) The Purchaser shall pay the Vendors the remaining balance of the Consideration (the “**3rd Payment**”) within 5 working days upon:
- (1) the accounts receivables as of the Base Date being all received by the Target Company before 31 December 2015 or the Vendors paying the Target Company in cash the amount of receivables as of the Base Date not yet received by the Target Company; and
 - (2) the Vendors not being in breach of any provisions in the Acquisition Agreement.

The Consideration has been arrived after arm’s length negotiations between the Purchaser and each of the Vendors with reference to, among others, (i) the Valid Net Assets Value (as calculated in the formula in the subparagraph headed “Adjustments for the Consideration of the Acquisition” below) of the Target Company; (ii) the potential for growth of the Group in the future; (iii) the Consideration which is to be satisfied using the net proceeds of placing which will not require immediate cash outflow; and (iv) the reasons of and benefits for the Acquisition as described below.

Adjustments for the Consideration for the Acquisition

Pursuant to the Acquisition Agreement, the Purchaser shall, after signing of the Acquisition Agreement, appoint an independent auditor to audit the financial information of the Target Company as of the Base Date, and within 3 weeks calculate the Valid Net Assets Value of the Target Company according to the following formula:–

Valid Net Assets Value = total assets – total liabilities – intangible assets – assets with devaluation risk – liabilities confirmed but not included in the financial information as of the Base Date

The Consideration shall be adjusted with reference to the Valid Net Assets Value calculated by the auditor according to the following formula:–

Adjusted Consideration = RMB22 million + Valid Net Assets Value

The Adjusted Consideration shall be determined according to the adjustment mechanism in the above and confirmed by the Purchaser and the Vendors by entering into a supplemental agreement. If the applicable percentage ratio of the Adjusted Consideration exceeds 25%, the Company will issue a further announcement in accordance with the Listing Rules.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

Completion of the Acquisition

Completion of the Acquisition was the date of signing of the Acquisition Agreement. Within 5 days upon the Purchaser paying the 1st Payment to the Vendors, the Vendors shall supervise and assist the Target Company to register the transfer of the Sale Equity Interest.

After Completion, the Target Company will become an indirectly and wholly owned subsidiary of the Company.

INFORMATION OF THE VENDORS AND THE TARGET COMPANY

The Vendors

Shanghai Dong Xi and Shanghai Yue Quan are both limited liability companies incorporated in Shanghai, PRC. The principal business activities of Shanghai Dong Xi and Shanghai Yue Quan include industrial investment, investment management and sales of goods and technology. Mr. Yu Jian Zhong is a citizen of PRC and the CEO of the Target Company.

As at the date of and immediately before the Acquisition Agreement, Shanghai Dong Xi, Shanghai Yue Quan and Mr. Yu Jian Zhong were respectively holding 45.4%, 37.1% and 17.5% equity interest of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors is Independent Third Party.

The Target Company

The Target Company is a limited liability company incorporated in Shanghai, PRC. With a tier-3 professional contractor qualification for environmental engineering, the Target Company is principally engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services.

The unaudited financial information of the Target Company for the two financial years ended 31 December 2013 and 31 December 2014 are as follows:

	For the year ended	
	31 December	31 December
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	13,896	41,212
Net profits before taxation	(2,277)	282
Net profits after taxation	(2,277)	248
Net assets value	6,496	14,593

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a cement and clinker producer. The Directors believe that the acquisition of the Target Company, which is principally engaged in organic wastewater treatment, sludge treatment and disposal, comprehensive treatment of urban organic waste and other integrated environment services, if materialized, will generate synergy with the existing operations and diversify business income streams of the Group.

Taking into account of the above, the Directors are of the view that the Acquisition is in the interests of the Company and the terms of the Acquisition Agreement are fair and reasonable and on normal commercial terms and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreement constitute a discloseable transaction of

the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Sale Shares under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 16 February 2015 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“Adjusted Consideration”	RMB 22 million + Valid Net Assets Value
“Base Date”	30 September 2014
“Company”	Dongwu Cement International Limited東吳水泥國際有限公司, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main Board of the Stock Exchange
“Consideration”	RMB32 million (subject to adjustments as detailed in the subparagraph headed “Adjustments for the Consideration of the Acquisition”)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules

“Listing Rules”	The Rules governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Purchaser”	熙華(上海)投資管理有限公司 Xi Hua Shanghai Investment Management Company Limited*, a company incorporated in PRC, and a wholly owned subsidiary of the Company
“RMB”	Remenbi, the lawful currency of the PRC
“Sale Equity Interest”	the entire equity interest of the Target Company
“Shanghai Dong Xi”	上海東熙投資發展有限公司 Shanghai Dong Xi Investment Development Company Limited*, a company incorporated in PRC
“Shanghai Yue Quan”	上海悅荃實業有限公司 Shanghai Yue Quan Industrial Company Limited*, a company incorporated in PRC
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	上海百菲特環保科技有限公司 Shanghai Biofit Environmental Technology Co., Ltd., a company incorporated in PRC with limited liability on 5 July 2011
“Valid Net Assets Value”	the total assets – total liabilities – intangible assets – assets with devaluation risk – liabilities confirmed but not included in the financial information as of the Base Date as stated in the Acquisition Agreement
“Vendors”	Shanghai Dong Xi; Shanghai Yue Quan; and Yu Jian Zhong
“%”	per cent.

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of HK\$1 = RMB0.8. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

By Order of the Board
Dongwu Cement International Limited
Xie Yingxia
Chairman

Hong Kong, 16 February 2015

As at the date of this announcement, the Board comprises 2 executive Directors, namely Ms. Xie Yingxia and Mr. Jin Chungun, 2 non-executive Directors, namely Mr. Tseung Hok Ming and Mr. Yang Bin and 3 independent non-executive Directors, namely Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas

* *For identification purposes only*