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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)

**CONNECTED TRANSACTION ACQUISITION OF 18%
EQUITY INTERESTS OF DONGFANG KANGTAN**

THE ACQUISITION

The Board hereby announces that on 4 April 2018, Suzhou Dongwu, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Suzhou Dongwu agreed to acquire and the Vendor agreed to sell its 18% equity interests in Dongfang Kangtan at a cash consideration of RMB9,000,000. Dongfang Kangtan is principally engaged in the solar power and electric heating, and application of grapheme and carbon fiber for heating generation and transmission; the manufacture of floor, under-floor heating and far infrared products; technology transfer and cooperation on intellectual property as well as other operations.

As at the date of this announcement, the Vendor holds 68% equity interests of Dongfang Kangtan. Upon the completion of the transaction, Suzhou Dongwu and the Vendor hold 18% and 50% equity interests of Dongfang Kangtan, respectively. Mr. Wu Yufan and Mr. Zhang Yongzhong, the Independent Third Parties, hold 25% and 7% equity interests of Dongfang Kangtan, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Tseung is a connected person of the Company and holds 70% equity interests of the Vendor. Pursuant to Rule 14A.12 of the Listing Rules, as the Vendor is an associate of Mr. Tseung, the Vendor is accordingly also considered as a connected person. As such, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the one or more applicable percentage ratio(s) is/are above 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempted from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 4 April 2018, Suzhou Dongwu, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Suzhou Dongwu agreed to acquire and the Vendor agreed to sell its 18% equity interests in Dongfang Kangtan at a cash consideration of RMB9,000,000. Dongfang Kangtan is principally engaged in the solar power and electric heating, and application of grapheme and carbon fiber for heating generation and transmission; the manufacture of floor, under-floor heating and far infrared products; technology transfer and cooperation on intellectual property as well as other operations.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date

4 April 2018

Parties

- (i) Vendor: Orient Hengxin
- (ii) Purchaser: Suzhou Dongwu

INTEREST TO BE ACQUIRED

According to the Equity Transfer Agreement, Suzhou Dongwu agreed to acquire, and the Vendor agreed to sell its 18% equity interests in Dongfang Kangtan at a cash consideration of RMB9,000,000. As at the date of this announcement, the registered capital of Dongfang Kangtan is RMB50,000,000.

As at the date of this announcement, the Vendor holds 68% equity interests of Dongfang Kangtan. Upon the completion of the transaction, Suzhou Dongwu and the Vendor hold 18% and 50% equity interests of Dongfang Kangtan, respectively. Mr. Wu Yufan and Mr. Zhang Yongzhong, the Independent Third Parties, hold 25% and 7% equity interests of Dongfang Kangtan, respectively.

CONSIDERATION

The consideration of the Acquisition is RMB9,000,000. The price of this equity transfer is calculated on the basis of the 18% registered capital of the Target Company amounting to RMB9,000,000 actually held by the Vendor and charged at fair price of RMB9,000,000. Suzhou Dongwu will not conduct audit on the net asset of Dongfang Kangtan. The Consideration of the Acquisition will be funded by the internal resources of the Group.

RIGHTS ENTITLED TO AND OBLIGATIONS UNDERTAKEN BY THE VENDOR

The Vendor shall enjoy the rights and assume the obligation under the PRC Company Law, Articles of Association, amendments to the Articles of Association of the Target Company that related to the Acquisition and relevant laws and regulations. Upon the completion of the transaction, the Vendor will cease to enjoy the rights attaching to the transferred equity interests, and be released from the obligation required by the transferred equity interests. However, it shall still have the contribution obligation to make capital injection to the subscribed but not fully paid capital under the equity of the Target Company. The Vendor shall, according to the amended Articles of Association at that time and relevant resolution passed on general meeting, to fully fulfill the contribution obligation to Dongfang Kangtan in a timely manner.

INFORMATION ON DONGFANG KANGTAN

Dongfang Kangtan is a company incorporated under the laws of the PRC with limited liability. As at the date of this announcement, the further information of Dongfang Kangtan is set out as follows:

(a) Corporate Information

Name: Suzhou Dongfang Kangtan New Energy Technology Company Limited 蘇州東方康碳新能源科技有限公司 (“Dongfang Kangtan”)

Date of Incorporation: 28 October 2016

Place of incorporation: the PRC

Scope of Business: solar power and electric heating, and application of grapheme and carbon fiber for heating generation and transmission; the manufacture of floor, under-floor heating and far infrared products; technology transfer and cooperation on intellectual property as well as other operations

Registered Capital: RMB50,000,000

(b) Financial Information

The financial information of the Target Company for the year ended 31 December 2017 is set out below:

	For the year ended 31 December 2017 RMB
Turnover	2,802,400
Net loss before tax	5,560,000
Net loss after tax	5,560,000
Net asset	10,183,000

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Tseung is a connected person of the Company and holds 70% equity interests of the Vendor. Pursuant to Rule14A.12 of the Listing Rules, as the Vendor is an associate of Mr. Tseung, the Vendor is accordingly also considered as connected person. As such, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the one or more applicable percentage ratio(s) is/are above 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempted from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR THE ACQUISITION

Dongfang Kangtan produced a geothermal module that has been recognized as environmentally-friendly high-tech product. Such product uses filament carbon fiber as heating element and metal with high thermal conductivity as carrier, and hence could transmit heat uniformly and effectively. It also could be handily and easily installed and repaired, and fits our investment direction towards environmental protection sector.

Meanwhile, as Dongfang Kangtan and Suzhou Dongwu are both companies in construction industry, it is believed that such acquisition could generate synergy effect in respect of industry chain.

Therefore, the Directors including independent non-executive Directors (excluding Mr. Tseung who has abstain from voting at the Board meeting due to his material interest in this transaction) are of the view that the Acquisition is in the best interests of the Company, and the terms of the Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Shareholders as a whole.

GENERAL INFORMATION

The Group mainly engages in the manufacture and sale of cement and clinker.

The business scope of the Vendor includes industrial investment, asset management and domestic trade.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of 18% equity interests of Dongfang Kangtan pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of directors of the Company
“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, the shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	the consideration by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement
“Directors”	directors of the Company
“Dongfang Kangtan” or “Target Company”	Suzhou Dongfang Kangtan New Energy Technology Company Limited 蘇州東方康碳新能源科技有限公司, a company incorporated in the PRC with limited liability on 28 October 2016
“Equity Transfer Agreement”	the equity transfer agreement dated 4 April 2018 entered into between Suzhou Dongwu (as purchaser) and Orient Hengxin (as vendor) in relation to transfer 18% equity interests of Dongfang Kangtan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 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

“Mr. Tseung”	Mr. Tseung Hok Ming, a non-executive Director and the controlling Shareholder who indirectly holds 53.89% equity interests of the Company and holds 70% equity interests of the Vendor
“Orient Hengxin” or “Vendor”	Orient Hengxin Capital Holdings Limited, a company incorporated in the PRC with limited liability and is owned as to 70% by Mr. Tseung
“Percentage Ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Purchaser” or “Suzhou Dongwu”	Suzhou Dongwu Cement Co., Ltd. 蘇州東吳水泥有限公司, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Remenbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 4 April 2018

As at the date this announcement, the Board comprises Ms. Xie Yingxia, Mr. Ling Chao, Mr. Peng Cheng, Mr. Chan Ka Wing and Mr. Wang Jun as executive Directors; Mr. Tseung Hok Ming as non-executive Director; and Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.