

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
DISPOSAL OF 62.26% EQUITY INTEREST IN A SUBSIDIARY**

THE SALE AND PURCHASE AGREEMENT

The Board hereby announces that on 16 December 2019, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Sales Equity of the Target Company at a total consideration of RMB22 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 5% and less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements.

The Board hereby announces that on 16 December 2019, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the Sales Equity of the Target Company at a total consideration of RMB22 million.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date: 16 December 2019 (after trading hours)

- Parties:
- (i) The Vendor; and
 - (ii) The Purchaser

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons in accordance with the Listing Rules.

Subject Matter and Assets to be Disposed of

The Vendor will sell the Sale Equity, being 62.26% equity interest in the Target Company, to the Purchaser.

Prior to the Disposal, the Vendor holds 62.26% equity interest in the Target Company, and the Purchaser does not hold any equity interest in the Target Company. Immediately following completion of the Disposal, the Vendor will cease to hold any equity interest in the Target Company and the Purchaser will hold 62.26% equity interest in the Target Company. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company. The remaining 37.74% equity interest in the Target Company is and will continue to be held by Shanghai Dongxi Investment Development Company Limited, a company controlled by Mr. Ling Chao, one of the executive Directors of the Company, before and after the Disposal.

Total Consideration and the Basis of Determining the Consideration

The total consideration for the Disposal is RMB22 million. The total consideration of the Disposal will be payable in cash in the following manner:

- a. the first installment of RMB11 million will be payable within 10 working days after signing of the Sale and Purchase Agreement, and the Vendor should procure and assist the Target Company to complete the business registration procedures relating to the transfer of equity interest under the Sale and Purchase Agreement within 10 days from the date of payment of the abovementioned upfront payment by the Purchaser; and
- b. the remaining balance of the total consideration of RMB11 million will be payable within 10 working days upon the completion of the registration procedures relating to the transfer of equity interest.

The total consideration was determined after arm's length negotiations on the normal commercial terms between the Purchaser and the Vendor, taking account of the assets valuation report of the Target Company and its liabilities as at 31 October 2019, which was also the valuation date of the Disposal under the Sale and Purchase Agreement. The valuation was conducted by an independent third party valuer by way of asset-based approach. The net book value of the Target Company's assets was RMB22 million.

Closing

The interests and obligations in the Target Company arising from the Sale Equity prior to the valuation date of the Disposal should be vested in the Vendor, while the interests and obligations in the Target Company arising from the Sale Equity after the valuation date should be vested in the Purchaser. The date of payment of the first installment of the consideration (i.e. RMB11 million) pursuant to the Sale and Purchase Agreement shall be the Closing Date, while on such day the Vendor should assign its control of the management of the Target Company to the Purchaser, which includes the followings:

- a. the Purchaser shall reappoint new director(s), supervisor(s) and financial officer(s) of the Target Company;
- b. The Vendor shall proceed the handover work with the Purchaser in relation to the handover of seals, certificates and approvals, financial documents, bank accounts (and to examine the deposits), contract documents and constructions in process.

The rights on decision-making, management and personnel as well as any other rights entitled by the original shareholders' meeting, the board of the directors, the board of supervisors and the general manager of the Target Company should be all suspended from the Closing Date. The resolutions, decisions, instructions and arrangements that already made but pending for execution or on the course of execution should not be executed or proceeded until being approved by the shareholders meeting, the board of the directors, the board of supervisors, the general manager and other senior management that newly established or elected or appointed by the Purchaser after obtaining the control of management.

INFORMATION ON THE GROUP AND THE TARGET COMPANY

The Group mainly engages in the manufacture and sale of cement and clinker. 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 and its subsidiaries are principally engaged in organic wastewater treatment, sludge treatment, comprehensive treatment of urban organic waste and other integrated environment services.

The audited/unaudited financial information of the Target Company for the two financial years ended 31 December 2017 and 31 December 2018 and ten months ended 31 October 2019 are as follows:

	For the year ended 31 December 2017 RMB'000 (audited)	For the year ended 31 December 2018 RMB'000 (audited)	For the ten months ended 31 October 2019 RMB'000 (unaudited)
Profits/(losses) before taxation and extraordinary items	(3,958)	7,378	(20,134)
Profits/(losses) after taxation and extraordinary items	(3,958)	5,090	(20,134)

The unaudited net asset value and total assets of the Target Company are approximately RMB34.75 million and RMB78.5 million as at 31 October 2019, respectively .

The unaudited total liability of the Target Company is RMB43.75 million as at 31 October 2019.

INFORMATION ON THE PURCHASER

The Purchaser is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

Based on the operating experience in the prior years, the Board is of the view that the Target Company has not obtained substantial progress, and is no longer in line with the Company's future development plans.

The Group intends to apply the net proceeds of approximately RMB22 million from the Disposal to continue to find suitable project(s) for investment and for general working capital.

Based on the above, the Board is of the view that the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 5% and less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Closing day”	the date of paying the first installment of the consideration of RMB11 million by the Purchaser to the Vendor
“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
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Equity to Purchaser by the Vendor to the Purchaser pursuant to the terms of Sale and Purchase Agreement
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Purchaser”	Mr. Huang Jihong, a third party independent of the Company and its connected persons
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 16 December 2019 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Equity”	an aggregate of 62.26% equity interest in the Target Company owned by the Vendor
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Biofit Environmental Technology Co., Ltd.* (上海百菲特環保科技有限公司), a limited liability company incorporated in the PRC, and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Vendor”	Xihua Shanghai Investment Management Co., Ltd.* (熙華(上海)投資管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

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

Hong Kong, 16 December 2019

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Ling Chao, Mr. Chan Ka Wing, Mr. Wang Jun and Mr. Liu Dong 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.

* For identification purpose only