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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 IN RELATION TO
CAPITAL INCREASE AGREEMENT AND DEEMED DISPOSAL**

THE CAPITAL INCREASE AGREEMENT

The Board hereby announces that on 7 March 2016, Shanghai Dong Xi, Xi Hua Shanghai and the Target Company entered into the Capital Increase Agreement pursuant to which Shanghai Dong Xi agreed to make a capital contribution of RMB20 million to the Target Company. Approximately RMB7.35 million will be contributed to the registered capital of the Target Company, and the remaining of approximately RMB12.65 million will be contributed to capital reserve of the Target Company. As at the date of this announcement, the Target Company is owned as to 100% by Xi Hua Shanghai. Upon completion of the Capital Increase, the Target Company will be held as to approximately 62.26% by Xi Hua Shanghai and 37.74% by Shanghai Dong Xi respectively. The registered capital of the Target Company will be increased from approximately RMB12.12 million to approximately RMB19.47 million. The Target Company was originally acquired by the Group on 16 February 2015 with the adjusted consideration of RMB30,254,269 according to the announcement dated 13 April 2015. The Target Company will remain as an indirect non wholly-owned subsidiary of the Company after the Capital Increase.

LISTING RULES IMPLICATIONS

As the total equity interest of Xi Hua Shanghai in the Target Company would decrease from 100% to 62.26% upon completion of the Capital Increase, it constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As at the date of this announcement, the Target Company is an indirectly wholly-owned subsidiary of the Company and Mr. Ling is an executive Director. Shanghai Dong Xi is an associate of Mr. Ling under Chapter 14A of the Listing Rules. Accordingly, Shanghai Dong Xi is a connected person of the Company and the Capital Increase constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios in respect of the Capital Increase are more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board hereby announces that on 7 March 2016, Shanghai Dong Xi, Xi Hua Shanghai and the Target Company entered into the Capital Increase Agreement.

THE CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are set out below.

Date: 7 March 2016 (after trading hours)

Parties:

- (i) Shanghai Dong Xi;
- (ii) Xi Hua Shanghai; and
- (iii) Target Company

Subject matter

Pursuant to the Capital Increase Agreement, Shanghai Dong Xi agreed to make a capital contribution of RMB20 million to the Target Company. Approximately RMB7.35 million will be contributed to the registered capital of the Target Company, and the remaining of approximately RMB12.65 million will be contributed to capital reserve of the Target Company.

Shanghai Dong Xi shall make the first 50% of the capital contribution within 5 working days upon signing of the Capital Increase Agreement. The remaining 50% of the capital contribution shall be made within 30 working days upon paying the first 50% of the capital contribution.

As at the date of this announcement, the Target Company is owned as to 100% by Xi Hua Shanghai. Upon completion of the Capital Increase, the Target Company will be held as to approximately 62.26% by Xi Hua Shanghai and 37.74% by Shanghai Dong Xi respectively. The registered capital of the Target Company will be increased from approximately RMB12.12 million to approximately RMB19.47 million. The Target Company was originally acquired by the Group on 16 February 2015 with the consideration of RMB32 million. The Target Company will remain as an indirect non wholly-owned subsidiary of the Company after the Capital Increase.

The amount of capital contribution of RMB20 million, comprising RMB7.35 million to be contributed to registered capital of the Target Company, and the remaining RMB12.65 million to be contributed to the capital reserve of the Target Company, was determined based on arm's length negotiations among the parties to the Capital Increase Agreement with reference to, among other things, the working capital currently available to and the capital requirements for the Target Company.

Board of Directors of the Target Company

Upon completion of the Capital Increase, the board of Directors of the Target Company will comprise 5 directors. Xi Hua Shanghai will have the right to nominate 4 directors, Shanghai Dong Xi will have the right to nominate 1 director. Xi Hua Shanghai also has the right to nominate the chairman who will also be the legal representative of the Target Company.

INFORMATION ON THE PARTIES OF THE CAPITAL INCREASE

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, as at the date of this announcement, Shanghai Dong Xi is wholly owned by Mr. Ling (who is an executive Director), Xi Hua Shanghai is a wholly-owned subsidiary of the Company and the Target Company is an indirectly wholly-owned subsidiary of the Company respectively.

INFORMATION ON THE GROUP AND THE TARGET COMPANY

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

The audited 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 CAPITAL INCREASE

The total capital contribution to be made under the Capital Increase Agreement shall be used for business development and general working capital of the Company. The Company is expected to realize net profit of approximately RMB20 million through this Capital Increase. Shareholders should note that the actual gain from the Capital Increase shall be derived from the relevant figures on the date the Capital Increase is completed and is subject to audit.

No Director has material interest in the Capital Increase. The Directors, including the independent non-executive Directors (other than Mr. Ling who abstained from voting) consider that the terms of the Capital Increase, albeit not in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company and Mr. Ling is an executive Director. Shanghai Dong Xi is an associate of Mr. Ling under Chapter 14A of the Listing Rules. Accordingly, Shanghai Dong Xi is a connected person of the Company and the Capital Increase constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios in respect of the Capital Increase are more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Capital Increase”	the Capital Increase under the Capital Increase Agreement
“Capital Increase Agreement”	the agreement dated 7 March 2016 and entered into between the Shanghai Dong Xi, Xi Hua Shanghai and the Target Company in relation to the Capital Increase

“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
“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
“Mr. Ling”	Mr. Ling Chao (凌超), an executive Director
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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, and Mr. Ling is the sole shareholder of Shanghai Dong Xi
“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
“Xi Hua Shanghai”	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 as at the date of this announcement

“%”

per cent.

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

Hong Kong, 7 March 2016

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Jin Chungen and Mr. Ling Chao as executive Directors, Mr. Tseung Hok Ming as non-executive Directors and Mr. Cao Guoqi, Mr. Cao Kuangyu and Mr. Lee Ho Yiu Thomas as independent non-executive Directors.

** For identification purposes only*