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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
ESTABLISHMENT OF THE JV COMPANY

JOINT VENTURE AGREEMENT

The Board announces that on 1 March 2017, Suzhou Dongwu, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Dongfang Jiujiu, pursuant to which the Parties agreed to establish the JV Company with a registered capital of RMB50,000,000. Upon the completion of the Joint Venture Agreement, the JV Company will be owned as to 48% and 52% by Suzhou Dongwu and Dongfang Jiujiu respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Dongfang Jiujiu is a company held as to 100% by Mr. Tseung, the non-executive Director and the controlling Shareholder indirectly holding approximately 53.89% of the shares of the Company. Accordingly, Dongfang Jiujiu is a connected person of the Company and the entering into of the Joint Venture Agreement with the connected person for the establishment of the JV Company also constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the entering into of the Joint Venture Agreement is less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board of Dongwu Cement International Limited announces that, on 1 March 2017, Suzhou Dongwu and Dongfang Jiujiu entered into the Joint Venture Agreement, pursuant to which the Parties agreed to establish the JV Company in the PRC.

JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are set out below:

Date: 1 March 2017

Parties: Suzhou Dongwu (a wholly-owned subsidiary of the Company); and Dongfang Jiujiu (a connected person of the Company)

PURPOSE, SCOPE AND SCALE OF BUSINESS OF THE JV COMPANY

Business purpose: Utilizing the 2,500 tons/day cement kiln of Suzhou Dongwu to co-process solid waste in response to the national industry policy and the demand for transformation of cement industry.

Business Scope: Co-processing urban sludge, organic waste and industrial solid waste by using cement kilns as well as collecting, storing and disposing of soil for soil remediation. Researching, developing and comprehensively utilizing environmental technologies and environmental equipment.

Business Scale: Disposing of 50,000 tons of industrial solid waste per year.

REGISTERED CAPITAL AND CAPITAL CONTRIBUTION

The total registered capital of the JV Company is RMB50,000,000, which shall be paid in cash by the Parties after obtaining the business licence and on or before 31 December 2018, as follows. The capital contribution shall be fully paid on a pro rata basis.

	Capital contribution (RMB)	(%)
Suzhou Dongwu	24,000,000	48
Dongfang Jiujiu	<u>26,000,000</u>	<u>52</u>
Total	<u><u>50,000,000</u></u>	<u><u>100</u></u>

The parties shall share profits, risks and losses according to their respective ratio of capital contribution in the registered capital.

The increase, transfer or otherwise dispose of the registered capital shall be passed at the general meetings and reported to the original approval authorities for registration.

The capital contribution made by the Parties to the JV Company is arrived at upon arm's length negotiation between the Parties after taking into account the working capital and other funding demand of the JV Company. The capital contribution made by the Company to the JV Company is intended to be financed by the internal resources of the Group, bank loan facilities and/or other fund raising activities.

TRANSFER OF THE EQUITY INTEREST IN THE JV COMPANY

Transfer of all or part of the equity interest in the JV Company by Suzhou Dongwu or Dongfang Jiujiu to third party(ies) shall require the approval of the other shareholder of the JV Company, which shall have the right of first refusal to purchase the transfer shares. The conditions of equity transfer offered to the third party(ies) by shareholders of the JV Company shall not be more favorable than those offered to the other shareholder of the JV Company.

STRUCTURE OF THE MANAGEMENT

The JV Company has one executive director and one supervisor, they shall be elected at the general meetings, with a term of office of three years. Upon expiry of the term of office, the executive director and the supervisor are eligible for re-election.

The JV Company shall adopt the general manager responsibility system under the leadership of the general meeting. The JV Company shall have a general manager, who shall be recommended by Suzhou Dongwu with a term of office of 4 years. The duties of the general manager are to execute the resolutions of the general meetings, organize and guide the operation management of the JV Company. The general manager and deputy general manager shall be appointed and removed by the Shareholders at general meetings of the JV Company whereas the managers of various departments shall be appointed by the general manager. If the general manager and deputy general manager commit serious misconduct or fraudulent acts, they can be removed at any time as resolved by the shareholders at general meetings.

The finance director shall be delegated by Dongfang Jiujiu.

OTHER TERMS

The JV Company can commence operation as a legal person after the business licence being obtained with an operation term of 40 years. At the expiry of the operation term, the Joint Venture Agreement shall be automatically terminated. If the parties to the JV Company agree to extend its operation term, an extension application shall be made to the original approval authorities six months before the

expiration of the operation term. In case of the expiry or early termination of the joint venture, the liquidation of the JV Company shall be conducted in accordance with the laws. Any liquidated properties shall be distributed between the parties to the JV Company in proportion of their investments.

INFORMATION ON THE COMPANY AND DONGFANG JIUJIU

The Group is a cement and clinker producer in Wujiang, Suzhou, Jiangsu Province.

Dongfang Jiujiu is a company established in the PRC with limited liability and a connected person of the Company. The business scope of Dongfang Jiujiu involves apparel production, sales of textile and chemical fibers, asset management, and the import and export business of its own and the agent commodities and technologies (excluding the commodities and technologies that are operated by the designated enterprises or that are banned for import and export in the PRC. Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities).

REASONS FOR AND BENEFITS OF THE JOINT VENTURE AGREEMENT

Through the participation in the project of co-processing of solid waste in cement kilns, the Company can resolve the solid waste disposal problems in local areas. This will open timely and effective shortcuts to deal with local environmental contingencies, which will be conducive to the enhancement of the solid waste disposal capability in Suzhou city and the surrounding areas, thus realizing the terminal treatment in the goal of “reduction, resource utilization, non-hazardous”. Moreover, this will positively contribute to the improvement of the ecological environment and economic development in the local areas, bringing sound economic benefits and social benefits.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. As Mr. Tseung is the non-executive Director, the controlling Shareholder indirectly holding approximately 53.89% of the shares of the Company and Dongfang Jiujiu is also a company held as to 100% by him, Mr. Tseung has voluntarily abstained from voting at the Board meeting for approval of the transaction. Save as Mr. Tseung, none of the Directors has a material interest in the entering into of the Joint Venture Agreement and the transactions contemplated thereunder or was required to abstain from voting on the relevant resolutions at the Board meeting.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Dongfang Jiujiu is a company held as to 100% by Mr. Tseung, the non-executive Director and the controlling Shareholder indirectly holding approximately 53.89% of the shares of the Company. Accordingly, Dongfang Jiujiu is a connected person of the Company and the entering into of the Joint Venture Agreement with Dongfang Jiujiu for the establishment of the JV Company also constitutes a connected transaction on the part of the Company under Chapter

14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the entering into of the Joint Venture Agreement is less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) 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:

“Board”	the board of directors of the Company
“Company”	Dongwu Cement International Limited 東吳水泥國際有限公司
“Director(s)”	the director(s) of the Company
“Dongfang Jiujiu”	Suzhou Dongfang Jiujiu Industry Co., Ltd. 蘇州東方九久實業有限公司, a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement entered into between Suzhou Dongwu and Dongfang Jiujiu on 1 March 2017
“JV Company”	Suzhou Dongtong Environment and Technology Company Limited 蘇州東通環保科技有限公司 (final name as approved by the relevant company registration authorities in the PRC), a limited company to be established according to the Joint Venture Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tseung”	Mr. Tseung Hok Ming, the non-executive Director and the controlling Shareholder indirectly holding approximately 53.89% of the shares of the Company, and Dongfang Jiujiu is also a company held as to 100% by him
“Parties”	parties to the Joint Venture Agreement, being Suzhou Dongwu and Dongfang Jiujiu, and “Party” shall mean any of them

“PRC”	the People’s Republic of China, for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Dongwu”	Suzhou Dongwu Cement Co., Ltd. 蘇州東吳水泥有限公司, a wholly-owned subsidiary of the Company and a company established in the PRC with limited liability
“%”	per cent.

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

Hong Kong, 1 March 2017

As at the date of this announcement, the Board comprises Ms. Xie Yingxia, Mr. Ling Chao, Mr. Peng Cheng, Mr. Wong Hin Shek 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.