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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)

VOLUNTARY ANNOUNCEMENT
ENTERING INTO
THE INVESTMENT FRAMEWORK AGREEMENT
AND
THE MEMORANDUM OF COOPERATION
IN RELATION TO THE DEVELOPMENT
OF NEW ENERGY COMMERCIAL VEHICLES BUSINESS

This announcement is made by Dongwu Cement International Limited (the “**Company**”) on a voluntary basis.

AGREEMENTS IN RELATION TO THE DEVELOPMENT OF NEW ENERGY COMMERCIAL VEHICLES BUSINESS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that, on 29 July 2022, the Company has entered into an investment framework agreement and a memorandum of cooperation (collectively, the “**Agreements**”) with various parties for the purpose of the development of new energy commercial vehicles business of the Company in the future.

The details of each of the Agreements are as follows:

Investment Framework Agreement

On 29 July 2022, the Company, Baoji Industrial Development Group Co., Ltd* (寶雞市工業發展集團有限公司) (“**Baoji Industrial**”), New Sea Union Technology Group Limited (新海宜科技集團股份有限公司) (“**New Sea Union**”) and Hunan Yuangu Automobile Technology Co., Ltd.* (湖南遠古汽車科技有限公司) (“**Yuangu Automobile**”) have entered into an investment framework agreement (the “**Investment Framework Agreement**”), pursuant to which the Company, Baoji Industrial, New Sea Union and Yuangu Automobile intend to strategically cooperate to establish and invest in a joint venture company (the “**Joint Venture Company**”) for the purpose of vehicle design, technology research and development, supply chain management, sales and other matters of new energy commercial vehicles. It is intended that, under the Investment Framework Agreement, the registered capital of the Joint Venture Company shall be RMB600 million and each of Baoji Industrial, the Company or its related company, New Sea Union and Yuangu Automobile will contribute a total amount of RMB120 million, RMB390 million, RMB60 million and RMB30 million by cash in the Joint Venture Company, representing 20%, 65%, 10% and 5% of the registered capital of the Joint Venture Company, respectively. Capital contribution in the Joint Venture Company by each party will be injected in two instalments. The first instalment of the capital contribution shall not be less than 50% of each party’s respective portion of capital commitment. It is the parties’ intention that the aggregate investment sum shall be, by instalments, RMB3.0 billion and the first phase investment amount of the Joint Venture Company is expected to be RMB1.5 billion.

It is further intended that the Joint Venture Company shall cooperate with Shaanxi Tongjia Automobile Co., Ltd. (陝西通家汽車股份有限公司) (“**Tongjia**”) for the development of new energy commercial vehicles business (the “**Strategic Cooperation**”) and it was agreed by the parties under the Investment Framework Agreement that prior to the establishment of the Joint Venture Company, the Company shall represent the parties to have preliminary negotiations and enter into the Memorandum of Cooperation (as defined below) with Tongjia in relation to the Strategic Cooperation.

Memorandum of Cooperation

Following the execution of the Investment Framework Agreement and after obtaining the authorization from Baoji Industrial, New Sea Union and Yuangu Automobile, on 29 July 2022, the Company has entered into a memorandum of cooperation (the “**Memorandum of Cooperation**”) with Tongjia, pursuant to which Tongjia and the Joint Venture Company intend to establish a strategic partnership to promote the manufacturing quality and economies of scale in the development of new energy commercial vehicles. Tongjia has agreed to use its comprehensive vehicles production lines exclusively for purchase orders from the Joint Venture Company and the Joint Venture Company will be responsible for the brand creation and operation, vehicle design, new technology research and development, global supply chain management and sales of new energy commercial vehicles. The term of the Memorandum of Cooperation shall be five years commencing from the date of signing of the Memorandum of Cooperation, subject to the request from the Joint Venture Company for renewal of another three years. Formal strategic cooperation agreement may be entered into between Tongjia and the Joint Venture Company for finalising the terms of the Strategies Cooperation in accordance with the terms of the Memorandum of Cooperation.

REASONS FOR ENTERING INTO THE AGREEMENTS

As disclosed in the annual report for the year ended 31 December 2021 of the Company, the nature of cement production and its future growth potential is expected to be limited by overcapacity in the industry, limitation in geographical expansion and the tightening of environmental protection policies in the PRC. The Company has been committed to the in-depth exploration in emerging sectors, especially in the new energy and biomedical sector, with an aim to diversify the business of the Group. The Company is of the view that there is an emerging market for new energy commercial vehicles in the People’s Republic of China (the “**PRC**”) and that the majority of the parties to the Agreements has the experience in the investment or operation of the business of new energy vehicles which will allow the Company to tap into the new energy commercial vehicle industry in the PRC in a more effective and efficient manner. Furthermore, the favourable policies promulgated by the PRC government in relation to new energy vehicles, such as the “Development Plan for the New-energy Vehicle Industry (2021-2035)” (《**新能源汽車產業發展規劃(2021-2035年)**》) and government subsidies provided to the purchasers of new energy vehicles and exemption of vehicles purchase tax will further drive the market demand of new energy vehicles in the PRC and will allow the Company to benefit from the transactions contemplated under each of the Agreements, if materialized.

In addition, it was mentioned in the general debate of the 75th United Nations General Assembly (第七十五屆聯合國大會一般性辯論) on 22 September 2020 that the PRC will strive to reach the peak of carbon dioxide emissions by 2030 and strive to achieve carbon neutrality by 2060 by adopting effective policies and measures. On 24 October 2021, the State Council announced the establishment of the “carbon peak action plan by 2030” (2030年前碳達峰行動方案) which covers, among others, the promotion of low carbon transportation, the active application of new and clean energy in transportation, further efforts on promoting new energy vehicles and the gradual reduction of the proportion of fuel vehicles in new vehicles production and sales as well as vehicles ownership. It aims to increase the proportion of vehicles powered by new and clean energy to about 40% in the year by 2030. As such, it can anticipate that more favourable policies would be launched by the government to promote new energy vehicles for achieving low carbon emission. The Board is of the view that the development of new energy commercial vehicles business is in line with the market trend in the PRC and this will enable the Company to ride on the market trend and to capture business opportunities for better returns to its shareholders.

Having considered the above, the Board believes that the transactions contemplated under each of the Agreements, if materialized, are beneficial to the Company in progressing in the core development in the area of new energy commercial vehicle business and are in the interests of the Company and its shareholders as a whole.

INFORMATION OF PARTIES TO THE AGREEMENTS

Baoji Industrial is a wholly state-owned enterprise established in the PRC with limited liability and primarily engaged in industrial investments; the investment, financing, construction, management and operation of industrial park infrastructure facilities and other projects; industrial fund management and operation; land remediation services; logistics industry operation; supply chain management services; property management; business management consulting; engineering consulting and the operation of state-owned assets and capital operation within the scope of government authorization in Baoji, Shaanxi.

New Sea Union (formerly known as Suzhou New Sea Union Telecom Technology Co., Ltd. (蘇州新海宜通信科技股份有限公司)) is a company limited by shares established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002089), and primarily engaged in various industries such as new energy vehicles, lithium batteries, LED chips, quantum communications, optical communications and software industry. New Sea Union commenced investment in new energy commercial vehicle production since 2015 and has ample experience in investment and operation in the new energy vehicle industry. As at the date of this announcement, New Sea Union owns 35.82% of the equity interests in Tongjia.

Yuangu Automobile is a company established in the PRC with limited liability and is a shareholding platform of the core management team of Tongjia.

Tongjia is a company established in the PRC with limited liability, Shaanxi Automobile Holdings Group Limited* (陝西汽車控股集團有限公司) and Baoji High-tech Industrial Development Zone Management Committee* (寶雞高新技術產業開發區管理委員會) are also its investors, and it is a new energy comprehensive vehicle manufacturer and listed with Serial Number 109 in the Catalogue of Announcements of Road Motor Vehicle Manufacturers and Products* (《道路機動車輛生產企業及產品公告目錄》). It has the production qualifications of trucks, electric special passenger vans, other passenger cars and electric passenger cars, with an annual production capacity of 100,000 comprehensive vehicles.

Shareholders and potential investors of the Company should be aware that the terms in relation to the transactions contemplated under each of the Agreements are subject to further negotiations between the parties to each of the Agreements and no formal agreements have been entered into as at the date of this announcement. Accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

If formal agreement(s) are materialized in relation to the transactions contemplated under any of the Agreements, the Company will comply with the relevant and applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules, if necessary.

By order of the Board
Dongwu Cement International Limited
Liu Dong
Chairman

Hong Kong, 29 July 2022

As at the date of this announcement, the Board comprises Mr. Liu Dong and Mr. Wu Junxian as executive Directors; Mr. Tseung Hok Ming, Ms. Xie Yingxia and Mr. Chen Xuanlin as non-executive Directors; and Mr. Cao Kuangyu, Ms. Yu Xiaoying and Mr. Suo Suo as independent non-executive Directors.

* for identification purposes only