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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)

DISCLOSEABLE TRANSACTION
ENTERING INTO THE TRUST AGREEMENT

TRUST AGREEMENT

On 26 December 2022, Suzhou Dongwu entered into the Trust Agreement with National Trust, pursuant to which Suzhou Dongwu will pay to National Trust the Trust Funds in the total amount of RMB200,000,000. National Trust will be responsible for managing and utilizing the Trust Assets to generate investment returns for Suzhou Dongwu.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the transactions under the Trust Agreement are more than 5% but lower than 25%, the Trust Agreement therefore constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 December 2022, Suzhou Dongwu entered into the Trust Agreement with National Trust, pursuant to which Suzhou Dongwu will pay to National Trust the Trust Funds in the total amount of RMB200,000,000. National Trust will be responsible for managing and utilizing the Trust Assets to generate investment returns for Suzhou Dongwu.

PRINCIPAL TERMS OF THE TRUST AGREEMENT

The following are the principal terms of the Trust Agreement:

Date

26 December 2022

Parties

- (1) Suzhou Dongwu, as the settlor and the beneficiary; and
- (2) National Trust, as the trustee

Size of Trust Funds

The total amount of Trust Funds under the Trust Agreement is RMB200,000,000, and the first payment of Trust Funds (not less than RMB10,000,000) shall be transferred to the Designated Trust Account by Suzhou Dongwu within 30 business days after the execution of the Trust Agreement, and the remaining Trust Funds shall be transferred to the Designated Trust Account within 24 months after the execution of the Trust Agreement.

The total amount of Trust Funds shall be funded by internal resources of the Group.

Term

The Trust Agreement shall become effective upon the execution of the Trust Agreement by both Suzhou Dongwu and National Trust. The Trust Agreement has no fixed term. The expected duration of each trust period under the Trust Agreement is determined based on the term of the investment target contained in the written instructions issued by Suzhou Dongwu. The Trust Agreement and each trust period may be terminated early upon mutual agreement between Suzhou Dongwu and National Trust or upon the occurrence of certain events, including but not limited to: the Trust Assets are transformed into cash; the existence of the Trust under the Trust Agreement is contrary to its purpose; the usage of funds or the source or purpose of funds of the Trust Assets is in violation of the relevant laws and regulations; or early termination is necessary due to force majeure or the requirements of laws and regulations.

Purpose of the Trust Agreement

National Trust is responsible for managing and utilizing the Trust Assets to generate investment returns for Suzhou Dongwu. National Trust will invest the Trust Funds into the following targets:

- (1) Liquidity assets: mainly including cash, money market funds, demand deposits, call deposits, large-denomination transferable certificates of deposit, etc;
- (2) Financial investment products/quasi-financial investment products: asset management products, creditor's rights/income rights held by local asset management companies, creditor's rights/income rights held by industrial and commercial enterprises and other products in which investment is permitted by regulatory authorities;
- (3) Products in which investment is permitted by regulatory authorities, such as perpetual bonds investment and equity investment of non-listed companies; and
- (4) Trust industry security funds,

provided that the counterparties shall not be real estate development enterprises or local government financing vehicles. The underlying assets shall not involve illegal or restricted uses such as investment in land reserves and real estate development, shall not involve multi-level nesting, and shall not involve violations of the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions and the relevant regulations.

National Trust may invest the remaining idle funds (if any) in other legitimate purposes designated and agreed in writing by Suzhou Dongwu.

Trust income and distribution

The Trust Agreement does not set a fixed or reference rate of return. The trust benefits under the Trust Agreement are all retained by Suzhou Dongwu as the beneficiary, and the trust benefits available to Suzhou Dongwu are limited to the balance of the Trust Assets in cash after deducting various payable expenses (including taxes) and other liabilities.

Within 3 working days after the termination of each trust period under the Trust Agreement, National Trust will distribute the Trust Assets in cash. If there is any Trust Assets in non-cash form, National Trust will distribute the Trust Assets in its existing state to Suzhou Dongwu, and the term (for each trust period) of the trust arrangement will be automatically extended.

In principle, the trust benefits will not be distributed within the term of the Trust Agreement. If the investment target under the trust is realized or the fund is recovered within the term of the Trust Agreement, National Trust will distribute it to Suzhou Dongwu after deducting the taxes payable, other trust fees and liabilities within 5 working days after receiving the realized or recovered Trust Assets. If the recovered capital involves the recovery of the principal, National Trust will deduct the recovered principal from the Trust Funds accordingly.

Trust remuneration

Every year National Trust will charge Suzhou Dongwu in one lump sum a fixed trust remuneration for that year, which shall be calculated as the amount of each payment of the Trust Funds multiplied by the remuneration rate. The fixed trust remuneration rate is (i) 0.48% per annum within one year from the effective date of each trust period; and (ii) 0.5% per annum since the expiry date of one year from the effective date of each trust period. An amount equivalent to 0.02% of the Trust Funds (expected to be not more than RMB50,000) will be used to pay expenses such as legal fees and travel fees and its remaining balance (if any) as at the date of the termination of the trust will belong to National Trust as variable trust remuneration.

INFORMATION ON THE PARTIES

National Trust is a financial institution established in the PRC and a licensed trust financial institution under the regulation of the China Banking and Insurance Regulatory Commission, specializing in trust business and financial advisory services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, National Trust and its ultimate beneficial owners are Independent Third Parties.

The Group is mainly engaged in (1) the manufacture and sales of cement and clinker and (2) the research and development of innovative medicines and therapy for cancers and autoimmune diseases, and the commercialization of which.

REASONS AND BENEFITS FOR ENTERING INTO THE TRUST AGREEMENT

The terms of the Trust Agreement are determined by Suzhou Dongwu and National Trust after arm's length negotiations and with reference to recent market conditions. The Group is currently in possession of certain idle cash resources and the transactions under the Trust Agreement are carried out on the condition that it will not prejudice the Group's operating funds or principal business operations. As part of the Group's treasury management activities and after taking into consideration the terms of the Trust Agreement, the associated risks and the background and experience of National Trust, the Board is of the view that entering into the Trust Agreement will enable the Group to expand its revenue sources and to seek for better returns by making good use of the Group's idle cash resources with commensurate risks.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Trust Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the transactions under the Trust Agreement are more than 5% but lower than 25%, the Trust Agreement therefore constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Dongwu Cement International Limited, a company incorporated in the Cayman Islands whose issued Shares are listed and traded on the Stock Exchange (stock code: 695)
“Designated Trust Account”	the designated bank account opened and maintained by National Trust for the trust funds, payment of relevant trust fees and distribution of trust benefits under the Trust Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“National Trust”	National Trust Co., Ltd.* (國民信託有限公司), a non-banking financial institution established in the PRC
“PRC or China”	The People’s Republic of China, which only for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“RMB or Renminbi”	Renminbi, the lawful currency of the PRC

“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“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 company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Trust Agreement”	The trust agreement entered into between Suzhou Dongwu and National Trust on 26 December 2022
“Trust Assets”	the sum of the Trust Funds and all assets and profits and losses resulting from managing and utilizing the Trust Funds by National Trust under the Trust Agreement
“Trust Funds”	the funds paid by Suzhou Dongwu to National Trust according to the Trust Agreement, in the total amount of RMB200,000,000
“Working Day(s)”	a day which is not a public holiday or a legal holiday in the PRC
“%”	per cent.

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

Hong Kong, 27 December 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 and Ms. Xie Yingxia as non-executive Directors; and Mr. Cao Kuangyu, Ms. Yu Xiaoying and Mr. Suo Suo as independent non-executive Directors.

* *For identification purpose only*