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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 IN RELATION TO
THE ACQUISITION OF SHARES OF THE TARGET COMPANY
AND
CAPITAL INJECTION TO THE TARGET COMPANY**

Reference is made to the announcement of the Company dated 24 February 2023 in relation to a framework agreement (“**Framework Agreement**”) with Ganzhou Chengzheng Rare Earth New Material Co., Ltd.* (贛州誠正稀土新材料股份有限公司) (“**Target Company**”) for the purpose of the development of rare earth and rare earth permanent magnets businesses.

ACQUISITION OF SHARES AND CAPITAL INJECTION IN TARGET COMPANY

The Board announces that on 9 June 2023 (after trading hours), the Investor, a wholly-owned subsidiary of the Company has entered into the Share Acquisition and Capital Injection Agreement, with, among others, the Target Shareholders, (1) to acquire 25% of equity interest of the Target Company from Jiangxi Starlight at a consideration of RMB40 million (equivalent to approximately HK\$44.01 million) and (2) to inject RMB160 million (equivalent to approximately HK\$176 million) into the Target Company. After the Capital Injection, the registered capital of the Target Company will increase by RMB56 million (equivalent to approximately HK\$61.62 million) and RMB104 million (equivalent to approximately HK\$114 million) will be credited as reserved capital of the Target Company.

Upon Completion, the Group will hold 62.5% of the equity interest of the Target Company and the financial results of the Target Company will be consolidated with those of the Group.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios exceed 5% but less than 25%, the transactions contemplated under the Share Acquisition and Capital Injection Agreement constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to fulfillment of the Conditions as set out in the section headed “Conditions Precedent of the Share Acquisition and Capital Injection Agreement” of this announcement. As the Transactions may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

THE SHARE ACQUISITION AND CAPITAL INJECTION AGREEMENT

Summarised below are the principal terms of the Share Acquisition and Capital Injection Agreement:

Date

9 June 2023

Parties

- (1) the Investor;
- (2) the Target Company;
- (3) the Target Shareholders; and
- (4) Mr. Lai.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Mr. Lai, the Target Shareholders and the Target Company and its ultimate beneficial owner(s) are third parties independent from the Company and its connected persons.

Share Acquisition

Jiangxi Starlight intends to sell, and the Investor intends to acquire 25% of equity interest of the Target Company at a consideration of RMB40 million (equivalent to approximately HK\$44.01 million).

Capital Injection

The Investor has agreed to inject RMB160 million (equivalent to approximately HK\$176 million) into the Target Company. After the Capital Injection, the registered capital of the Target Company will increase by RMB56 million (equivalent to approximately HK\$61.62 million) and RMB104 million (equivalent to approximately HK\$114 million) will be credited as capital reserve of the Target Company. Upon Completion, the Investor, Jiangxi Starlight and Ms. Wang will each hold 62.5%, 32.5% and 5% of the equity interest of the Target Company respectively.

The proceeds of the Capital Injection shall be utilized for the Target Company's daily working capital and other purposes as considered and approved by the general meeting and/or the board of the Target Company in accordance with the Share Acquisition and Capital Injection Agreement, the articles of association of the Target Company and the laws and regulations of the PRC.

Considerations

On Completion, the Investor will transfer RMB20 million (equivalent to HK\$22 million) to Jiangxi Starlight as initial payment for the Share Acquisition and inject RMB80 million (equivalent to HK\$88.03 million) into the Target Company. The Investor will pay the remaining consideration for the Share Acquisition in the amount of RMB20 million (equivalent to HK\$22 million) before 31 December 2023. The remaining Capital Injection in the amount of RMB80 million (equivalent to HK\$88.03 million) shall be injected by instalments in accordance with the operation needs of the Target Group.

The considerations of the Share Acquisition and the Capital Injection were determined after arm's length negotiation between the relevant parties, with reference to the valuation of the equity value of the Target Company as at 31 December 2022 of RMB134 million (equivalent to approximately HK\$147 million) as determined by an independent valuer using the replacement cost approach, the proportion of equity interest in the Target Company to be acquired by the Investor and the capital amount to be paid up by the Investor. The considerations of the Share Acquisition and the Capital Injection will be satisfied by the internal resources of the Group, bank facilities and/or other external financing, as the Group considers appropriate.

Conditions Precedent of the Share Acquisition and Capital Injection Agreement

The Completion shall be subject to the fulfilment or, where applicable, waiver of, certain conditions, including but not limited to:

- (1) completion of the Restructuring;
- (2) the Target Company has obtained all necessary approvals, consents and waivers (if any) from government authorities, third parties, and regulatory authorities;
- (3) the Target Company has completed internal procedures and obtained all relevant internal approvals;
- (4) applicable laws have been complied with, and the business licenses or other qualifications and certificates have been obtained by the Target Group without any restrictions for respective members of the Target Group to continue or conduct business activities effectively;
- (5) there is no material adverse change in assets, taxation, financial positions, legal compliance, government regulation, operation management, business or prospects of respective members of the Target Group, nor any event or action that may cause any of the above material adverse change;
- (6) there is no breach of the guarantees, representations and undertakings by the Target Shareholders, Mr. Lai and the Target Company;
- (7) the articles of association of the Target Company have been amended and duly signed in accordance with the Share Acquisition and Capital Injection Agreement;
- (8) the Target Group shall not dispose any of its principal assets or incur any material liabilities and shall not distribute any profit without prior consent from the Investor;
- (9) the Investor has completed the due diligence of the Target Group, and any major issues identified have been resolved in a manner that the Investor is reasonably satisfied with;
and

- (10) all key personnel of the Target Company have signed (i) employment contract with an employment term of not less than five years and (ii) confirmation letter to confirm that they are not in breach of any prior obligations.

The Investor shall have the right to waive any of the Conditions. Any Condition(s) waived shall not be deemed to be a waiver of the relevant obligations, the Target Group, Target Shareholders and Mr. Lai shall facilitate the fulfillment thereof as soon as possible within the time limit required by the Investor. If the Conditions have not been satisfied (or waived by the Investor) on or before 15 July 2023, the Investor shall have the right to terminate the Share Acquisition and Capital Injection Agreement or designate another completion date no later than 15 August 2023. If all conditions precedent remained unfulfilled (or waived by the Investor) on the postponed completion date, the Investor shall have the right to terminate the Share Acquisition and Capital Injection Agreement and parties shall be restored of their original positions.

Completion

Completion shall take place on the fulfillment date of the conditions precedent or within 30 days after waiver of the conditions precedent by the Investor. Upon Completion, the Investor will hold 62.5% of equity interest of the Target Company. As such, the Target Company will become a subsidiary of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

Post-Completion obligations

Each of the Target Shareholders and Mr. Lai made certain undertakings, among others, to ensure that, during the period in which they directly or indirectly hold the equity interests/shares of the Target Company and/or its subsidiaries and/or hold a position in the Target Company and/or its subsidiaries and within two years after ceasing to hold such equity interests/shares or positions, they and their respective affiliates shall not engage in any business which compete with the principal business of the Target Company without the prior written consent of the Investor.

After Completion, the Target Group and Mr. Lai shall be responsible to repay all existing loans of the Target Group.

After Completion, if any existing shareholder of the Target Company intends to directly or indirectly transfer its equity interest in the Target Company to any party other than the Investor, such transfer shall be subject to the consent of the Investor and the Investor shall have a pre-emptive right to acquire such equity interest.

Post-Completion corporate governance matters

The board of directors of the Target Company shall comprise of three members, among which, the Investor shall appoint two directors and the Target Shareholders shall appoint one director. The board of directors of the Target Company shall have a chairman, who shall be appointed by the Investor. Directors shall be appointed for a term of three years each and shall be eligible for re-appointment upon completion of their term. The board of directors of the Target Company shall hold at least two meetings per year. Each director may cast one vote in passing board resolutions. Resolutions must at least be passed by ordinary resolutions.

The supervisory board of the Target Company shall comprise of three members, among which the Investor shall appoint two members and the employees of the Target Company can elect one representative to be a member of the supervisory committee.

The general manager and the chief financial officer of the Target Company shall be nominated by the Investor. The general manager shall also be the legal representative of the Target Company.

For reserved matters such as amending the articles of association of the Target Company, altering registered capital of the Target Company, or merging, dissolving and liquidating the Target Company, they are subject to approval by at least two-thirds of the voting rights held by shareholders of the Target Company attending the general meeting. Other matters are subject to approval by one half of the voting rights held by shareholders of the Target Company attending the general meeting.

INFORMATION ON THE PARTIES

Investor

Orient Chengzheng Rare Earth Technology (Ganzhou) Co. Ltd.* (東方誠正稀土科技(贛州)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company. The principal business of the Investor is investment holding and project management.

Jiangxi Starlight

Jiangxi Starlight Enterprise Management Consulting Co. Ltd.* (江西星耀企業管理諮詢有限公司) (“**Jiangxi Starlight**”), a company established in the PRC and holds 90% shares in the Target Company immediately prior to the Completion. Jiangxi Starlight is ultimately controlled by Mr. Lai and Ms. Wang. Its principal business is enterprise management consulting and business information advisory.

Mr. Lai

Mr. Lai Chengming* (賴誠明) is natural person and a PRC resident.

Target Company

The Target Company is a company limited by shares established in the PRC. As of the date of this announcement, the Target Company is held as to 90% by Jiangxi Starlight and 10% by Ms. Wang.

The Target Company is principally engaged in the business of rare earth calcination, R&D, production and sales of rare earth permanent magnetic materials and other application products, electroplating and trading of rare earth product, etc. The Target Group is also engaged in business of electroplating and processing as well as R&D, production and sales of rare earth permanent magnetic generators. The Target Company is a high-tech enterprise of Jiangxi and has a provincial-level academician workstation.

Set out below is a summary of the unaudited financial information of the Target Company for the two financial years ended 31 December 2021 and 31 December 2022 respectively prepared under the PRC GAAP:

	For the year ended 31 December 2021 (RMB million)	For the year ended 31 December 2022 (RMB million)
Net loss before taxation	(5.33)	(5.72)
Net loss after taxation	(5.33)	(5.72)

The unaudited net asset value of the Target Company as of 30 April 2023 was approximately RMB100 million (equivalent to approximately HK\$110 million). The assets of the Target Company are mainly raw materials for the production of rare earth, semi-products and products of rare earth, patents, land and production plant for business.

Ms. Wang

Ms. Wang is natural person and a PRC resident.

REASONS FOR ENTERING INTO THE TRANSACTIONS

As disclosed in the February 2023 Announcement and annual report for the year ended 31 December 2022 of the Company, the Company shall continue to actively explore the investment opportunities in the emerging industries, especially in the field of new energy and biopharmaceutical. Rare earth permanent magnet materials have been widely used in emerging and rapidly growing new energy and energy conservation industries in the PRC, such as new energy vehicles, energy-saving industrial generators and wind power generation.

In 2021, the PRC government issued the Working Guidance for Carbon Dioxide Peak and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》), which stipulates the priorities of developing clean energy and energy conservation industries; the Ministry of Industry and Information Technology, Ministry of Science and Technology, and Ministry of Natural Resources of PRC released the “**14th Five-Year**” Raw Material Industry Development Plan (《「十四五」原材料工業發展規劃》), aiming to strengthen rare earth enterprise groups, cultivate small and medium-sized rare earth enterprises and strengthen the connection between upstream and downstream of the rare earth industry. The Company is of the view that with the current market trend for the use of clean energy and favourable policies, the market demand for rare earth, rare earth permanent magnetic materials and rare earth permanent magnetic generators in the PRC will significantly increase.

The Target Company has the technologies and established experience in areas such as rare earth exploration and mining, production of rare earth permanent magnetic materials and rare earth permanent magnet motors, which will allow the Company to tap into the rare earth and rare earth permanent magnets businesses in a more effective and efficient manner. The Directors believe that the terms of the Transactions are fair and reasonable and in the interests of the Company and the shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios exceed 5% but less than 25%, the Transactions constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to fulfillment of the Conditions as set out in the section headed “Conditions Precedent of the Share Acquisition and Capital Injection Agreement” of this announcement. As the Transactions may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

“Capital Injection”	the injection of RMB160 million into the Target Company by the Investor in accordance with the Share Acquisition and Capital Injection Agreement
“Company”	Dongwu Cement International Limited (東吳水泥國際有限公司), a company incorporated in the Cayman Islands whose issued Shares are listed and traded on the Stock Exchange (stock code: 695), with a principal business in production and sale of cement and clinker
“Completion”	completion of the Share Acquisition and Capital Injection Agreement
“Conditions”	the conditions precedent set out in the Share Acquisition and Capital Injection Agreement
“February 2023 Announcement”	the announcement published by the Company on 24 February 2023 in relation to the Framework Agreement
“Framework Agreement”	a framework agreement entered into on 24 February 2023 between the Company and the Target Company for the purpose of the development of rare earth and rare earth permanent magnets businesses
“GAAP”	Generally Accepted Accounting Principles
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investor”	Orient Chengzheng Rare Earth Technology (Ganzhou) Co. Ltd.* (東方誠正稀土科技(贛州)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Jiangxi Starlight”	Jiangxi Starlight Enterprise Management Consulting Co.* (江西星耀企業管理諮詢有限公司), a company established in the PRC and holds 90% shares in the Target Company immediately prior to the completion of the Transactions and is ultimately controlled by Mr. Lai and Ms. Wang and its principle business is enterprise management consulting and business information advisory
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lai”	Mr. Lai Chengming* (賴誠明), a natural person and a PRC resident, one of the ultimate controllers of the Jiangxi Starlight and a third-party independent of and not connected with the Company and its connected persons
“Ms. Wang”	Ms. Wang Xiujia* (王秀姣), a natural person and a PRC resident, one of the ultimate controllers of Jiangxi Starlight and a third-party independent of and not connected with the Company and its connected persons
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China)
“Restructuring”	prior to the Transactions, the Target Company has acquired Ganzhou Ruixing Plating Processing Factory* (贛州市瑞興電鍍加工廠), an electroplating processing factory located in Ganzhou via a newly incorporated entity and obtained all qualifications and licences required for the operation of electroplating processing factory
“RMB”	Renminbi, the lawful currency of the PRC

“Share Acquisition”	the purchase of 25% equity interest of the Target Company by the Investor
“Share Acquisition and Capital Injection Agreement”	an agreement entered into by the Investor, the Target Shareholders and Mr. Lai, under which the Investor is (1) to acquire 25% of equity interest of the Target Company and (2) to inject RMB160 million (equivalent to HK\$176 million) into the Target Company
“Target Company”	Ganzhou Chengzheng Rare Earth New Material Co., Ltd.* (贛州誠正稀土新材料股份有限公司), a company limited by shares established in the PRC and primarily engaged in business of rare earth calcination, R&D, production and sales of rare earth permanent magnetic materials and other application products, and trading of rare earth product, etc.
“Target Group”	the Target Company and its subsidiaries
“Target Shareholders”	Ms. Wang and Jiangxi Starlight
“Transactions”	The Capital Injection and the Share Acquisition under the Share Acquisition and Capital Injection Agreement
“%”	per cent

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

Hong Kong, 9 June 2023

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*