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西部水泥

WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
FORMATION OF JOINT VENTURE IN MOZAMBIQUE AND
ACQUISITION OF CONTRIBUTION ASSETS**

The Board is pleased to announce that after trading hours on 20 September 2019, West International (an indirect wholly-owned subsidiary of the Company), CIF-MOZ, Oceanic Star and Guhava entered into the Cooperation Agreement, pursuant to which the Parties agreed to establish the Joint Venture for joint investment and construction of a Cement Production Line in Mozambique.

Pursuant to the Cooperation Agreement, CIF-MOZ, West International, Oceanic Star and Guhava shall make a capital contribution of MZN21 million (approximately RMB2.31 million), MZN60 million (approximately RMB6.60 million), MZN14 million (approximately RMB1.54 million) and MZN5 million (approximately RMB0.55 million), respectively, to the registered capital of the Joint Venture. Further, CIF-MOZ shall contribute the Contribution Assets to the Joint Venture. CIF-MOZ, West International, Oceanic Star and Guhava will hold 21%, 60%, 14% and 5% of equity interests in the Joint Venture, respectively. The Parties agreed that West International shall provide a shareholder's loan to the Joint Venture to fund the construction work of the Cement Production Line.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transaction contemplated under the Cooperation Agreement is more than 5% but less than 25%, the Transaction constitutes discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE COOPERATION AGREEMENT

The Board is pleased to announce that after trading hours on 20 September 2019, West International (an indirect wholly-owned subsidiary of the Company), CIF-MOZ, Oceanic Star and Guhava entered into the Cooperation Agreement. The principal terms of the Cooperation Agreement are set out as follows:

Date

20 September 2019

Parties

- (1) CIF-MOZ;
- (2) West International;
- (3) Oceanic Star; and
- (4) Guhava.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, CIF-MOZ, Oceanic Star and Guhava and their respective ultimate beneficial owners are Independent Third Parties.

Scope of business

The JV Company shall engage in cement production and sales when the construction work of the Cement Production Line in Bela Vista District, Maputo, Mozambique is completed and put into operation.

Conditions Precedent

The Transaction is subject to the fulfillment of the following conditions precedent:

- (1) there is no new or existing legislation or regulation which shall prevent or substantially restrict the fulfillment of the Cooperation Agreement;
- (2) obtaining all necessary approvals, licenses and permits for the Cooperation Agreement and the Transaction pursuant to the laws of Mozambique; and
- (3) obtaining all necessary internal approvals of the Parties as required under the applicable laws and regulations and the articles of association of the Parties hereof in respect of the execution and performance of the Cooperation Agreement and the Transaction.

Capital Contribution

The Joint Venture has a registered capital of MZN100 million (approximately RMB11 million), among which CIF-MOZ, West International, Oceanic Star and Guhava shall contribute MZN21 million (approximately RMB2.31 million), MZN60 million (approximately RMB6.60 million), MZN14 million (approximately RMB1.54 million) and MZN5 million (approximately RMB0.55 million), respectively. The Parties shall pay their respective capital contributions in cash or assets upon establishment of the Joint Venture.

Further, CIF-MOZ shall contribute the Contribution Assets to the Joint Venture. The Contribution Assets comprise assets held by CIF-MOZ in relation to the Cement Production Line, covering land use rights of mines and plant areas, mine prospecting and mining rights, building ownership, completed and partially completed civil work, machinery, equipment, vehicles, and the Historical Debts arisen from the preliminary construction of the Cement Production Line, including costs and fees for construction, equipment, installation works, engineering and logistic services. Details of the Contribution Assets are disclosed below.

CIF-MOZ, West International, Oceanic Star and Guhava will hold 21%, 60%, 14% and 5% of equity interests in the Joint Venture, respectively. Upon completion of the transaction, the Joint Venture will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the Group's consolidated financial statements.

Shareholder's loan

As at the date of this announcement, although a substantial portion of the construction work of the Cement Production Line was completed, the construction work was suspended due to lack of working capital. Pursuant to the Cooperation Agreement, subject to the approval from competent authorities, West International shall provide a shareholder's loan to the Joint Venture to fund the remaining construction work of the Cement Production Line. The amount of the shareholder's loan from West International shall be USD50 million (approximately RMB353.5 million) and it shall be provided in batches as and when needed by the Joint Venture.

The amount of the shareholder's loan was determined after arm's length negotiations between the Parties and with reference to the estimated total capital needed for the completion of the remaining construction work of the Cement Production Line and its operation after considering, among others, the expenses required by the remaining construction work and production. The capital contribution to be made by West International will be funded by internal resources of the Group.

Responsibilities of the Parties

CIF-MOZ shall ensure that the Joint Venture legally holds the Contribution Assets and obtain relevant approvals, permits and licenses for the Joint Venture to commence its operation.

West International shall participate in the remaining construction work of the Cement Production Line and be involved in the selection of service providers and contractors for minor works (ground cleaning, field leveling, fence, geological exploration, water supply, electricity, road construction, etc.). West International shall also design the organizational structure of the Joint Venture and appoint management personnel.

INFORMATION ON THE CONTRIBUTION ASSETS

As at 31 August 2019, the unaudited asset value of the Contribution Assets (excluding the Historical Debts) amounted to USD204.4 million (approximately RMB1,445.1 million) and the book value of the Historical Debts amounted to USD201.8 million (approximately RMB1,426.7 million).

The Contribution Assets had not yet generated any revenue or profit as at the date of this announcement.

Management Structure

The board of directors of the Joint Venture shall comprise three directors, one of whom shall be nominated by CIF-MOZ while two of them shall be nominated by West International. The chairman of the board of directors of the Joint Venture shall be the director nominated by CIF-MOZ.

Dividends

Within the first three years after the Cement Production Line is put into operation, the Parties agreed that no dividends shall be distributed to the Parties and the Joint Venture shall utilize its distributable profits to repay the Historical Debts to the respective creditors and the shareholder's loan to West International. West International will not provide any guarantee to any creditors nor any entity regarding repayment of the Historical Debts.

From the fourth year of operation of the Cement Production Line, the Parties agreed that no less than 70% of the total distributable profits of the Joint Venture (if any) shall be distributed as dividends, and the balance of profits shall be continually used by the Joint Venture to repay any outstanding shareholder's loan owing to West International until paid off in full.

Market Development and Ancillary Services

After commencement of operation of the Cement Production Line, leveraging on its business experience and connections in Mozambique, CIF-MOZ will be responsible for development of sales market for the cement products, handling customs clearance, import formalities regarding equipment and materials, foreign labor visas and quotas, with the government authorities of Mozambique for a service fee. The Joint Venture will enter into service contract(s) with CIF-MOZ or companies designated by CIF-MOZ for the arrangement before the construction work of the Cement Production Line is completed. The Company will comply with the Listing Rules requirements as and when appropriate.

INFORMATION ON THE PARTIES

The Company is principally engaged in investment holding and the Group is principally engaged the production and sale of cement in western part of the PRC. West International is a company incorporated in Hong Kong on 6 September 2019 with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in investment, construction and operation in the cement industry.

CIF-MOZ is a company incorporated in Mozambique on 16 September 2008 with limited liability. It is principally engaged in cement production and sales in Mozambique.

Oceanic Star is a company incorporated in the Republic of Seychelles on 19 August 2019 with limited liability. It is principally engaged in investment holding and it has abundant resources for investments in projects in Africa.

Guhava is a company incorporated in Mozambique on 21 November 2017 with limited liability. It is principally engaged in investment holding and its investments are focused on different sectors, including cement, oil and mining, in Mozambique.

Reasons for and benefits of the Cooperation Agreement

There are 200 trillion cubic feet of the proven reserve of natural gas in Mozambique and a large number of natural gas reserves are found near the offshore area in the northern part of Cabo Delgado Province of Mozambique, mainly in coastal area of the northern Rovuma Basin and the central Mozambique Basin. It is widely expected that Mozambique will ultimately become the fourth or fifth largest natural gas-producing country in the world. When large-scale exploitation is carried out in these gas fields, the economic development of the three northern provinces of Mozambique, especially Cabo Delgado Province, will be largely enhanced. This will in turn drive the market demand for special cement by these natural gas fields. Meanwhile, it will also promote the investment in the infrastructure constructions, resulting in a continuing positive demand for cement.

Considering the of existing supply and demand gap of cement in Mozambique and the aforementioned expected market demand for special cement driven by the development of gas fields in the northern part of Cabo Delgado Province of Mozambique and the central Mozambique Basin, the investment in the construction of a medium-sized NSP cement production line in the south Mozambique can improve the cement market concentration and dominance. This also marks a strategic step of our Group in entering the international special cement market and assists to diversify our geographical investment risk effectively.

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

LISTING RULES IMPLICATIONS

The transactions contemplated under the Cooperation Agreement constitute a formation of Joint Venture and an acquisition of Contribution Assets by the Company as the Joint Venture will be majority owned by the Company.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transaction contemplated under the Cooperation Agreement is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

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| “Board” | the board of Directors; |
| “Cement Production Line” | a new suspension preheater (“NSP”) cement production line with capacity of 5,000 tons per day of clinker and coal-fired power generators upon completion of its construction; |
| “CIF-MOZ” | CIF-MOZ S.A, a company incorporated in Mozambique with limited liability; |
| “Company” | West China Cement Limited (中國西部水泥有限公司), a company incorporated in Jersey with limited liability, the Shares of which are listed on the main board of the Stock Exchange; |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules; |
| “Contribution Assets” | land use rights of mines and existing plant areas, mine prospecting and mining rights, building ownership, all existing assets in the Cement Production Line (including completed and partially completed civil works, machinery, equipment, vehicles) together with the Historical Debts; |
| “Cooperation Agreement” | the cooperation agreement on the joint investment and construction of a Cement Production Line in Bela Vista District, Maputo, Mozambique; |
| “Director(s)” | the director(s) of the Company; |
| “GBP” | British pound sterling, the legal currency of the United Kingdom; |
| “Group” | the Company and its subsidiaries; |
| “Guhava” | Guhava Serviços, S.A., a company incorporated in Mozambique with limited liability; |

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| “Historical Debts” | the historical debts arisen from the preliminary construction of the Cement Production Line, including costs and fees for construction, equipment, installation works, engineering and logistic services; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Third Parties” | person(s) or company(ies) which is/are independent of and not connected with the Company and its connected persons; |
| “Joint Venture” | a joint venture company to be established in Maputo, Mozambique pursuant to the Cooperation Agreement; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “MZN” | Mozambican metical, the lawful currency of Mozambique; |
| “Oceanic Star” | Oceanic Star Ventures Limited, a company incorporated in the Republic of Seychelles with limited liability; |
| “Party” or “Parties” | CIF-MOZ, West International, Oceanic Star and Guhava shall collectively referred to as the “Parties” and individually referred to as the “Party”; |
| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Share(s)” | ordinary share(s) having a par value of GBP0.002 each in the share capital of the Company; |
| “Shareholder(s)” | holder(s) of Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Transaction” | the transactions contemplated under the Cooperation Agreement including the formation of the Joint Venture and the acquisition of the Contribution Assets; |
| “USD” | United States dollars, the lawful currency of the United States of America; |
| “West International” | West International Holding Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Company; |
| “%” | per cent. |

In this announcement, amounts in the MZN and USD have been converted into RMB at the rate of MZN1.00 = RMB0.11 and USD1.00 = RMB7.07 for illustration purpose only, unless otherwise stated. No representation is made that any amounts in MZN or USD could have been or could be converted at that rate or other rate or at all.

By the order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 20 September 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin and Dr. Ma Weiping, the non-executive Directors are Mr. Ma Zhaoyang, Ms. Liu Yan and Mr. Fan Chanhong and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong and Mr. Tam King Ching, Kenny.