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## **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 ACQUISITION OF SCHWENK NAMIBIA**

The Board is pleased to announce that after trading hours on 3 January 2020, the Company (as purchaser) and Schwenk Zement (as seller) entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to acquire from Schwenk Zement (1) the Target Shares and (2) the Shareholder's Loan in respect of Schwenk Namibia for an aggregate consideration of approximately US\$104,410,774.8 (comprising of (A) the Share Purchase Price and (B) the Loan Purchase Price).

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 Sale and Purchase 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 SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that after trading hours on 3 January 2020, the Company and Schwenk Zement entered into the Sale and Purchase Agreement. The principal terms of the Sale and Purchase Agreement are set out as follows:

##### **Date**

3 January 2020

## **Parties**

- (1) the Company (as purchaser); and
- (2) Schwenk Zement (as seller).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Schwenk Zement and its ultimate beneficial owners are Independent Third Parties.

## **Subject matter**

On and subject to the terms and conditions of the Sale and Purchase Agreement, Schwenk Zement agrees to sell and assign (in respect of the Shareholder's Loan) and the Company agrees to acquire all interests, rights and/or obligations in respect of the Target Shares and the Shareholder's Loan at the Closing Date, the details of which are as follows:

- (1) Target Shares: All issued share capital of Schwenk Namibia, comprising of 1,530,000 cumulative redeemable preference shares having a par value of NAD0.01 each and 100 ordinary shares having a par value of NAD1.00 each (with economic effect as of 1 July 2019); and
- (2) Shareholder's Loan: Shareholder's loans granted by Schwenk Zement to Schwenk Namibia in the amount as of the Closing Date. The outstanding amount of the Shareholder's Loan (including accrued interest) as of 30 June 2019 was NAD1,186,027,000 (equivalent to US\$83,852,109).

## **Consideration**

The aggregate consideration of the transaction is approximately US\$104,410,774.8 and will be allocated as follows:

- (1) Share Purchase Price of approximately US\$19,341,515.8 will be payable for the purchase of the Target Shares; and
- (2) Loan Purchase Price of approximately US\$85,069,259 will be payable for the purchase of the Shareholder's Loan and assignment of the same to the Company.

The consideration of the transaction was determined on normal commercial terms between the Parties after arm's length negotiations. The Share Purchase Price was determined with reference to, among others, audited asset value and excess cash of Schwenk Namibia as of 31 December 2018, historic financial performance of Schwenk Namibia, the outstanding book value of the Shareholder's Loan as at the Closing Date and the production capacity of the cement plant as part of Schwenk Namibia's asset. The Loan Purchase Price was determined based on the outstanding book value of the Shareholder's Loan as of 31 December 2018 after adjusting for payments received or to be received by Schwenk Namibia (from its subsidiaries) which will be used to repay the Shareholder's Loan before the Closing Date.

The consideration of the transaction will be settled in cash and paid in full by the Company to Schwenk Zement at the Closing Date. The payment of the consideration will be funded by internal resources of the Group. If the Company is in default of payment of the Share Purchase Price and/or the Loan Purchase Price, a default interest in an amount of 9% p.a. shall be payable to Schwenk Zement in addition to other rights Schwenk Zement may have.

### **Conditions Precedent**

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

- (1) the sale of the Target Shares and the Shareholder's Loan is expressly approved, or are deemed to have been approved by any competent competition authority, or such authority has confirmed that it does not need to be notified of the transaction or the transaction does not fulfil the conditions of being prohibited under applicable competition laws; and
- (2) Ohorongo has fully repaid the loan granted by the First National Bank of Namibia Limited and such loan is terminated accordingly (collectively, the "**Closing Conditions**").

The Closing Date will take place ten days after the above Closing Conditions are satisfied. If the Closing Conditions are not satisfied by 31 March 2020, the Company agrees to pay Schwenk Zement an amount equal to 10% of the total amount of the Share Purchase Price and the Loan Purchase Price (the "**Contingent Payment**"), unless the Company can prove that the non-fulfillment of the Closing Condition (1) above is due to a decision of the respective competent authority which is beyond the Company's control and influence.

### **Guarantees of Schwenk Zement**

Under the Sale and Purchase Agreement, Schwenk Zement has given guarantees (the "**Guarantees**") in favour of the Company relating to, among others, the due incorporation of Schwenk Namibia, title to and validity of the Target Shares and the Shareholder's Loan which are the subject of the Transaction, solvency of Schwenk Namibia and its subsidiaries and certain other matters in relation to Schwenk Namibia and its subsidiaries.

The Company may recover from Schwenk Zement if one or more of the Guarantees is not true and correct as of the date of signing the Sale and Purchase Agreement, subject to certain limitations as provided in the Sale and Purchase Agreement.

### **Termination**

In case the Closing Conditions are not satisfied on or before 31 March 2020, the Sale and Purchase Agreement shall be automatically terminated and none of the Parties shall have further obligations under the Sale and Purchase Agreement, save for (1) the Company's obligation to pay the Contingent Payment (if applicable) and (2) the Parties' compliance with the customary confidentiality obligations.

However, the Sale and Purchase Agreement may be extended based on the Parties' mutual consent (and the respective Party's decision shall be made at its sole discretion), provided that the continuation of the Sale and Purchase Agreement shall not affect the Company's obligation to pay the Contingent payment (if applicable).

## INFORMATION ON VALUE OF SCHWENK NAMIBIA

As at 30 June 2019, the unaudited total asset value of Schwenk Namibia amounted to approximately US\$178,451,254 and the book value of the Shareholder's Loan amounted to approximately NAD1,186,027,000 (equivalent to approximately US\$83,852,109).

The net profit of Schwenk Namibia for the six months ended 30 June 2019 and the two financial years ended 31 December 2017 and 2018 is as follows<sup>1</sup>:

	<b>For the six months ended 30 June 2019<sup>2</sup> (unaudited)</b>	<b>For the year ended 31 December 2018<sup>2</sup> (audited)</b>	<b>For the year ended 31 December 2017<sup>2</sup> (audited)</b>
<b>Consolidated net profit (before taxation and extraordinary items)</b>	NAD20,108,000 (equivalent to US\$1,421,636)	NAD5,914,000 (equivalent to US\$418,120)	NAD229,506,000 (equivalent to US\$16,226,074)
<b>Consolidated net profit/(loss) (after taxation and extraordinary items)</b>	NAD20,108,000 (equivalent to US\$1,421,636)	NAD(26,891,000) (equivalent to US\$(1,901,194))	NAD169,441,000 (equivalent to US\$11,979,479)

### Notes:

1. Full year financial information of Schwenk Namibia for the year ended 31 December 2019 is not available as of the date of this announcement.
2. The financial information of Schwenk Namibia is prepared in accordance with International Financial Reporting Standards.

## INFORMATION OF 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.

Schwenk Zement is a company incorporated under the laws of Germany and is principally engaged in the business of production and supply of cement, special building materials, concrete, sand and gravel and construction consulting services through its subsidiaries.

Schwenk Namibia is a company incorporated under the laws of Namibia. It is an investment holding company and is principally engaged in the production of cement in Namibia through its subsidiaries, including Ohorongo. It is a wholly-owned subsidiary of Schwenk Zement.

Ohorongo is a company incorporated under the laws of Namibia and is principally engaged in the production of cement in Namibia and is approximately 69.83% legally and beneficially owned by Schwenk Namibia as of the date of the Sale and Purchase Agreement. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the remaining shareholders of Ohorongo are Independent Third Parties.

### **Reasons for and benefits of the Transaction**

Currently, Namibia's development has been restricted as there is an urgent need for its railway facilities to be improved while the highways are overwhelmed and the sea freight and land transportation fail to support each other. Therefore, highways, railways, sea freight and air freight have been listed as prioritised areas for development, and thus Namibia has increased its inputs towards infrastructure constructions such as railways and airports in recent years. In view of the fact that Namibia is currently under a steady growth in infrastructure construction and housing market, it is expected that the demand for cement will also continue to grow.

Currently, Namibia has only two cement production companies, one of which is Schwenk Namibia Group. The major market for this acquisition of the cement plant owned by Schwenk Namibia Group is the major cities in northern Namibia. In addition, the cement plant is approximately 540 kilometers away from Walvis Bay (the largest port in Namibia). In the future, the cement can be exported sustainably to Botswana, Zimbabwe, Zambia and other neighboring countries.

In view of the existing supply and demand situation of cement in Namibia and the market demand for cement driven by the aforementioned infrastructure constructions to be developed vigorously in the future, the investment in and the acquisition of Namibia cement production line will be able to improve our Group's profitability in the cement business. This also marks a strategic step of our Group in entering the international 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 Sale and Purchase Agreement are on normal commercial terms and fair and reasonable and the Sale and Purchase Agreement and the Transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

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 Sale and Purchase 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:

“Board”	the board of Directors;
“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;
“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;
“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;
“Listing Rules”	the rules Governing the Listing of Securities on the Stock Exchange;
“Loan Purchase Price”	has the meaning given to it in the section “Consideration” of this announcement;
“Ohorongong”	Ohorongong Cement (Pty) Limited, a company incorporated under the laws of Namibia under registration number 2003/762;
“Party” or “Parties”	the Company and Schwenk Zement shall collectively referred to as the “Parties” and individually referred to as the “Party”;
“PRC”	the People’s Republic of China;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 January 2020 entered into between the Company and Schwenk Zement in respect of the Transaction;

“Schwenk Namibia”	SCHWENK Namibia (Pty) Limited, a company incorporated under the laws of Namibia under registration number 2007/251;
“Schwenk Namibia Group”	Schwenk Namibia and its subsidiaries, including Ohorongo;
“Schwenk Zement”	SCHWENK Zement International GmbH & Co. KG, a company incorporated under the laws of Germany and registered with the commercial register of the local court of Ulm under the registration number HRA 720547;
“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);
“Shareholder’s Loan”	shareholder’s loan granted by Schwenk Zement to Schwenk Namibia;
“Share Purchase Price”	has the meaning given to it in the section “Consideration” of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong;
“Target Shares”	issued share capital of Schwenk Namibia, comprising of 1,530,000 cumulative redeemable preference shares having a par value of NAD0.01 each and 100 ordinary shares having a par value of NAD1.00 each;
“Transaction”	the transactions contemplated under the Sale and Purchase Agreement including the sale and purchase of the Target Shares and the Shareholder’s Loan (and its assignment);
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent

*In this announcement, amounts in the NAD have been converted into US\$ at the rate of NAD1.00 = US\$0.0707 for illustration purpose only, unless otherwise stated. No representation is made that any amounts in NAD or US\$ 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, 3 January 2020

*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 Changhong and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong and Mr. Tam King Ching, Kenny.*