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**HUAXIN CEMENT CO., LTD.\***

**華新水泥股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 6655)**

**DISCLOSABLE TRANSACTION  
ACQUISITION OF THE TARGET COMPANY**

**THE ACQUISITION**

The Board is pleased to announce that on 27 June 2023, the Purchaser, a wholly owned subsidiary of the Group, and the Vendor, an Independent Third Party, entered into a Share Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell 100% of the issued shares of the Target Company with an estimated purchase price of USD 231.6 million based on an Enterprise Value of USD 265.0 million. Post completion, the purchase price shall be adjusted to consider the net cash and working capital levels as at completion.

Upon completion of the acquisition, the Target Company will become an indirectly-owned subsidiary of the Company and therefore the financial results of the Target Company will be consolidated into those of the Group.

**LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the acquisition exceeds 5% but all the percentage ratios are less than 25% (see Article 14.07 of the Listing Rules for the definition), the acquisition constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but exempt from the requirement of obtaining shareholders' approval under Chapter 14 of the Listing Rules.

**The acquisition will only be completed subject to the fulfillment of the Conditions stated in the Share Purchase Agreement; the acquisition may or may not proceed. Therefore, the shareholders of the Company and potential investors should be cautious when investing in the securities of the Group.**

## **Introduction**

The Board is pleased to announce that on 27 June 2023, the Purchaser, a wholly-owned subsidiary of the Group, and the Vendor, an Independent Third Party, entered into a Share Purchase Agreement pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell 100% of issued shares of the Target Company with an estimated purchase price of USD 231.6 million based on an Enterprise Value of USD 265.0 million. Post completion, the estimated purchase price shall be adjusted to consider the net cash and working capital levels as at completion. Upon completion of the acquisition, the Target Company will become an indirectly-owned subsidiary of the Company and therefore the financial results of the Target Company will be consolidated into those of the Group.

## **Key terms of the Share Purchase Agreement**

### **Date**

27 June 2023

### **Parties**

- (a) the Purchaser, a wholly-owned subsidiary of the Group; and
- (b) the Vendor, an Independent Third Party.

### **Subject matter**

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell 100% of the issued shares of the Target Company, subject to the terms and conditions of the Share Purchase Agreement.

The Target Company is primarily engaged in cement production in South Africa and Mozambique. Details of the Target Company are set out in the paragraph headed “Information on the Target Company” below.

As of the date of this announcement, the Vendor owns 100% of the total issued shares of the Target Company. Upon completion of the acquisition, the Target Company will become an indirectly-owned subsidiary of the Company and therefore the financial results of the Target Company will be consolidated into those of the Group.

### **Completion**

Completion is subject to certain conditions including regulatory approvals and filings in South Africa, Mozambique and in China. The longstop date is agreed to be 30 June 2024.

### **Consideration**

Pursuant to the Share Purchase Agreement, the initial consideration payable at completion shall be USD 231.6 million which corresponds to 100% of the equity value of the Target Company as at 31 December 2022 (“Provisional Purchase Price”).

Following completion, the final consideration will be calculated based on the actual equity value of the Target Company as at the completion date (taking into consideration cash, debt, and working capital movements as at the completion date). The Parties will compensate each other for any difference between the initial and the final consideration.

### **Basis of the Consideration**

The Provisional Purchase Price of the acquisition was determined after arm's length negotiations between the Purchaser and the Vendor after taking into consideration, amongst other items, (a) the net present value of the future cash flows of the Target Company (including the business prospects of the Target Company), (b) the audited financial statements of 2021 and the unaudited financial statements of 2022, (c) the Due Diligence performed by the Purchaser on the Target Company, and (d) EBITDA multiples of comparable transactions and replacement cost per ton of cement production capacity.

In view of the above, the Directors (including independent non-executive Directors) believe that the valuation is fair and reasonable, and the agreement is concluded in the overall interests of the Company and shareholders.

### **Payment terms**

According to the SPA, the Purchaser shall pay the Provisional Purchase Price to the Vendor on the completion date. Following completion, an adjustment of the Provisional Purchase Price will be implemented as explained above in the section headed "Consideration".

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE PURCHASE AGREEMENT**

The Company is one of the first cement enterprises in China's building materials industry to expand into the global market. The envisaged acquisition of the Target Company is a further important step towards the international expansion of the Company and gaining a foothold in emerging markets. After investing in Tanzania, Zambia, and Malawi, it would be another major milestone for the Company in accelerating its development in Africa. The project will play a positive and effective role in promoting the growth of the local economies in South Africa and Mozambique, creating local employment, and nurturing local talent, in addition to further strengthening the regional market leadership of the Target Company and fostering the development of its employees.

The Company has proven its ability to identify and realize synergies as well as to improve the performance of acquired businesses. After completion, the acquisition will bring considerable economic benefits to the Company due to the positive market outlook of South Africa and Mozambique, the synergies identified and the potential for optimization..

## **INFORMATION ON THE PARTIES**

### **The Company and the Group**

The Company is a joint stock company incorporated in the People's Republic of China. Its A shares and H shares are listed and traded on the main board of the Shanghai Stock Exchange and the Hong Kong

Stock Exchange respectively. The Group has nearly 290 subsidiaries which are mainly located across 14 provinces and cities in China and 9 overseas countries including Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia, Malawi, and Oman.

The business of the Group includes work in the fields of cement, concrete, aggregates, waste management, equipment manufacturing and engineering, and new building materials.

### **Purchaser**

The Purchaser, Huaxin (Hong Kong) International Holdings Limited, a limited liability company registered in China, is a wholly-owned subsidiary of the Company, and was registered in Hong Kong on September 17, 2012. The registered capital of the company is HKD196,426,448. The registered address is 402 Jardine House, 1 Connaught Place, Central, Central District, Hong Kong. The business scope of the company includes investment, engineering, trading and environmental protection.

It acts as the Group's overseas investment platform in Hong Kong, and undertakes the functions of international procurement, international trade, regional management headquarters, research and development center, technology and management business consulting services.

### **Vendor**

The seller, INTERCEMENT TRADING INVERSIONES, S.A.U., is a wholly-owned subsidiary of the Brazilian InterCement Group. It is a limited liability company registered under the laws of Spain, with its registered address at Centro Spankor, Edificio Albia I C/ San Vicente 8 - 6<sup>a</sup>Planta, Departamento 8, Despacho 11 48001, Bilbao. The seller currently holds 100% of the shares in the target company, which is the subject of the sale under the Share Purchase Agreement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and InterCement as the ultimate beneficial owner of the Vendor are Independent Third Parties.

### **INFORMATION ON THE TARGET COMPANY**

The Target Company is Natal Portland Cement Company (Pty) Ltd., a cement manufacturer registered in South Africa, with business operations in both South Africa and Mozambique.

The South African business unit includes two cement plants at Simuma and Durban, and a slag grinding station at Newcastle, making it the largest cement producer in the KwaZulu-Natal province of South Africa, the second largest regional market in the country. Its main products include cement, concrete, and aggregates, with a cement production capacity of approximately 1.8 million tons per year.

The Mozambique business unit consists of five cement plants located in the capital region (Maputo), Beira in the central region, and Nacala in the northern region, making it the sole nationwide player in the country. It has a cement production capacity of approximately 3.3 million tons per year.

### **Financial information on the Target Company**

Set out below is the audited financial information of the Target Company for the year ended 31 December 2020, and 31 December 2021 and 31 December 2022, prepared in accordance with generally accepted accounting principles of the International Financial Reporting Standards:

Unit: USD'000

	For financial year ended 31 December		
	2020	2021	2022
Profit before tax	15,667	29,584	16,028
Profit after tax	11,228	21,220	11,930

The audited net assets of the Target Company as at 31 December 2022 were USD 324.9 million.

### LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the acquisition exceeds 5% but all the percentage ratios are less than 25% (See Article 14.07 of the Listing Rules for the definition), the acquisition constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but exempt from the requirement of obtaining shareholders' approval under Chapter 14 of the Listing Rules.

**The acquisition will only be completed subject to the fulfillment of the Conditions stated in the Share Purchase Agreement. Therefore, the shareholders of the Company and potential investors should be cautious when investing in the securities of the Company.**

### DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“A share”	The Company issued ordinary shares with a par value of RMB 1.00 per share in China, listed on the Shanghai Stock Exchange and traded in RMB
“Board”	the board of Directors
“Company”	Huaxin Cement Co., Ltd. (stock code: 6655), a limited liability company incorporated in China, whose H shares and A shares are listed on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H share”	The Company issued overseas listed foreign shares with a par value of RMB 1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“HKD”	Hong Kong Dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who/which is (are) independent of the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Vendor and the Purchaser
“Purchaser”	Huaxin (Hong Kong) International Holdings Limited
“Vendor”	INTERCEMENT TRADING INVERSIONES, S.A.U., a wholly owned company of Brazil InterCement Group, holding 100% share of the Target Company
“Target Company”	Natal Portland Cement Company (Pty) Ltd., a company registered in South Africa with the business of cement manufacturing
“Share Purchase Agreement” or “SPA”	the Share Purchase Agreement entered into between the Purchaser and the Vendor on 27 June 2023 in respect of the acquisition
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shanghai Stock Exchange”	The Stock Exchange of Shanghai Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan
South Africa	Republic of South Africa
Mozambique	Republic of Mozambique
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	USD, the lawful currency of the United States of America
“%”	Percent

By Order of the Board  
**Huaxin Cement Co., Ltd.**  
**Xu Yongmo**  
Chairman

Wuhan, Hubei Province, the PRC

27 June 2023

*As of the date of this announcement, the Board of Directors of the Company comprises Mr. Li Yeqing (President) and Mr. Liu Fengshan (Vice President), as executive Directors; Mr. Xu Yongmo (Chairman), Mr. Martin Kriegner, Mr. Lo Chi Kong and Ms. Tan Then Hwee, as non-executive Directors; Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong, as independent non-executive Directors.*

*\* For identification purpose only*