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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 TARGET COMPANIES**

THE ACQUISITION

The Board is pleased to announce that on 16 December 2024, the Purchaser, a wholly owned subsidiary of the Group, and the Vendors, Independent Third Parties, entered into a Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 100% of the shares of Target Company A and 40% of the shares of Target Company B. The estimated total purchase price for Target Company A and Target Company B is USD 186.6 million (subject to customary adjustments with respect to net cash and working capital levels as at completion). As of the date of this announcement, Target Company A holds 60% of the shares of Target Company B.

Upon completion of the Acquisition, Target Company A and Target Company B will become wholly-owned subsidiaries of the Company and therefore the financial results of the Target Companies 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 Precedent 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 16 December 2024, the Purchaser, a wholly owned subsidiary of the Group, and the Vendors, Independent Third Parties, entered into a Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 100% of the shares of Target Company A and 40% of the shares of Target Company B. The estimated total purchase price for Target Company A and Target Company B is USD 186.6 million (subject to customary adjustments with respect to net cash and working capital levels as at completion). As of the date of this announcement, Target Company A holds 60% of the shares of Target Company B.

Upon completion of the Acquisition, Target Company A and Target Company B will become wholly-owned subsidiaries of the Company. Therefore, the financial results of the Target Companies will be consolidated into those of the Group.

Key terms of the Share Purchase Agreement

Date

16 December 2024

Parties

- a. Vendors of Vendor Group I: six private individuals and investors
- b. Vendors of Vendor Group II: five private individuals and investors
- c. Purchaser

Targets

The Vendors of Vendor Group I, who are collectively holding 100% of the shares of Target Company A have conditionally agreed to sell 100% of the shares of Target Company A, subject to the terms and conditions of the Share Purchase Agreement. The Purchaser has conditionally agreed to acquire 100% of shares of Target Company A, subject to the terms and conditions of the Share Purchase Agreement. Target Company A is a holding company whose only asset is its 60% shares in Target Company B. Through the acquisition of 100% of the shares of Target Company A, the Purchaser shall acquire indirectly 60% of the shares of Target Company B.

The Vendors of Vendor Group II, who are collectively holding 40% of the shares of Target Company B, have conditionally agreed to sell 40% of the shares of Target Company B, subject to the terms and conditions of the Share Purchase Agreement. The Purchaser has conditionally agreed to acquire 40%

of shares of Target Company B, subject to the terms and conditions of the Share Purchase Agreement.

Target Company B is primarily engaged in aggregate production. Details of the Target Company B are set out in the paragraph headed “Information on the Target Company B” below.

Upon completion of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company. Therefore, their financial results will be consolidated into those of the Group.

Closing

Closing shall be conditional on, among other matters, the following conditions having been fulfilled or waived. The long stop date is agreed to be 16 December 2025.

- a. Clearance of the record filing of the Acquisition with the provincial office of the Ministry of Commerce of Hainan, People’s Republic of China.
- b. Clearance of the record filing of the Acquisition with the Provincial Development and Reform Commission of Hainan, People’s Republic of China.
- c. Filing of the Acquisition at the Provincial Administration of Foreign Exchange of Hainan, People’s Republic of China, or at one authorized bank for registration.

Consideration

Pursuant to the Share Purchase Agreement, the total consideration for the Acquisition of the Target Companies is USD 186.6 million (subject to customary adjustments with respect to net cash and working capital levels as at completion). The payment in respect of 100% shares of Target Company A will be USD 112.0 million (i.e. 60% of USD 186.6 million, subject to customary adjustments with respect to net cash and working capital levels as at completion), and the payment in respect of 40% shares of Target Company B will be USD 74.6 million (i.e. 40% of USD 186.6 million, subject to customary adjustments with respect to net cash and working capital levels as at completion).

Following closing, the final consideration will be calculated based on the actual equity value of the Target Companies as at the closing date (taking into consideration the net cash and working capital levels as at the closing 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 of USD 186.6 million was determined after arm’s length negotiations between the Purchaser and the Vendors after taking into consideration, amongst other items, (a) the business prospects of the Target Company B; (b) the audited financial statements of 2022 and 2023, and the unaudited financial statements of Target Company B as of the end of

September 2024; (c) the Due Diligence investigations performed by the Purchaser on the Target Companies.

In view of the above, the Directors (including independent non-executive Directors) believe that the consideration is fair and reasonable, and the agreement was entered into normal commercial terms or better, and concluded in the overall interests of the Company and shareholders.

Payment Terms

Pursuant to the Share Purchase Agreement, the Purchaser shall pay the provisional purchase price to the Vendors on the closing date. Following closing, an adjustment of the purchase price will be implemented as explained above in the section headed “Consideration”.

The Purchaser shall pay the consideration to the Vendors in cash in Brazilian Reais and the applicable exchange rate of the USD/BRL shall be based on the exchange rate of the day the last condition precedent is fulfilled.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE PURCHASE AGREEMENT

For more than 10 years, overseas expansion - by greenfield developments or acquisitions has been one of the key strategies of the Company. The Company has established a track record in successfully integrating and developing acquired companies, achieving post-acquisition performance improvements of acquired companies, and achieving targeted returns on overseas investments. The benefits of the overseas expansion are two-fold. First, this strategy allows the Company to pursue growth based on its talent base and on the accumulated know-how and abilities with regard to industrial technology and production chain integration. Second, it effectively counter balances the decline in the domestic building material market demand.

Brazil has the largest economy of Latin America and ranks fifth in the world in terms of land area. Its GDP in 2023 amounted to USD 2.2 trillion, ranking ninth globally. Brazil has rich natural resources, a population of 213 million people, a friendly environment for foreign direct investment, and overall a significant potential for economic development. Brazil is the first Latin American country which has established a comprehensive strategic partnership with China.

Target Company B has four quarries with a total capacity of 8.8 million tons of aggregates per year (6.2 million tons of aggregate production in 2023) in the metropolitan areas of Sao Paulo which is the economic center of Brazil. The four quarries have excellent locations relative to their target market of the metropolitan area of Sao Paulo and have significant resources of mineable material.

The Acquisition is an important step in the implementation of the Company's strategy of geographic and business line diversification. It represents a further expansion of the Company in emerging markets and it's a special milestone for the Company to develop the building material market in South America, as it is the first entry by the Company – and by any major Chinese cement producer - into Brazilian building material market. The Company will make full use of its rich and successful experience in integrating and developing acquired companies as well as transferring industrial, technical and management capabilities to further enhance the performance of the target companies to achieve growth in investment returns.

Information of the Parties

The Company and 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 300 subsidiaries which are mainly located in 14 provinces and cities in China and 12 overseas countries including Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Oman, Tanzania, Zambia, South Africa, Malawi, Mozambique, and Zimbabwe, making it a global building materials corporation with integrated development of the entire industry chain in the fields of cement, concrete, aggregates, environmental services, equipment manufacturing and engineering, and new building materials.

Purchaser

Huaxin (Hainan) Investment Co., Ltd.

Huaxin (Hainan) Investment Co., Ltd. is a limited liability company established in China on December 2, 2020 and is a wholly-owned subsidiary of the Company. The legal representative of the company is Mr. Li Yeqing. The registered capital is US\$ 560 million. The registered address is No. 705, Global Trade Window, 15A, Guoxing Avenue, Meilan District, Haikou City, Hainan Province, China. The business scope includes import and export of goods and technology; equity investment; and manufacturing of building materials, etc.

Vendors

The Vendors are the members of Vendor Groups I and II who, directly (Vendor Group II) or indirectly (Vendor Group I), collectively own 100% of the shares of Target Company B.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor are Independent Third Parties who are separate from the Group.

Information of the Target Companies

Target Company A: ITATUBA PARTICIPAÇÕES LTDA.

Target company A is a limited liability company, headquartered in the City of São Paulo, State of São Paulo, at Rua Pedroso de Moraes, No. 240, suite 81, Pinheiros, Postal Code 05420-000, registered with the CNPJ/MF under No. 02.295.473/0001-99. The registered capital is of BRL 18,385,626. Target Company A is a holding company without any operating activities and its only asset is its 60% shareholding in Target Company B.

Target Company B: EMBU S.A. ENGENHARIA E COMÉRCIO.

Target Company B is a corporation, headquartered in the City of São Paulo, State of São Paulo, at Rua Ferreira de Araujo, No. 202, Suites 31, 42 and 61, Pinheiros, Postal Code 05428-000, registered with the CNPJ/MF under No. 61.322.558/0001-88. The registered capital is of BRL 114,292,708. The business scope of the company includes the manufacturing and selling of building materials including aggregates and sands. The company is in possession of 4 aggregate quarries in Sao Paulo.

Historical Financial Information of the Target Companies

1. Target Company A

The table below sets out the audited consolidated financial information of Target Company A according to Brazilian Accounting Standard for the three financial years ended 31 December 2021, 31 December 2022 and 31 December, 2023 and the unaudited financial information for nine months ended 30 September 2024.

	For the Financial Years Ended 31 December			For the Nine Months ended
	Audited	Audited	Audited	30 September
	2021	2022	2023	Unaudited
				2024
Profit Before	2,220	3,168	8,611	7,564
Tax				
Net Profit	2,220	3,168	8,611	7,564

The audited net asset value of the Target Company A by 31 December 2023 is approximately USD 42.30 million.

Note: On December 31, 2021, December 31, 2022, December 31, 2023, and September 30, 2024, the exchange rates of the Brazilian real against the US dollar were 0.17946, 0.18916, 0.20609, and 0.18351 respectively.

2. Target Company B

The table below sets out the audited consolidated financial information of the Target Company B according to Brazilian Accounting Standard for the three financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 and the unaudited financial information for nine months ended 30 September 2024.

		For the Financial Years Ended 31 December			For the Nine Months Ended 30 September
		2021	2022	2023	2024
		Audited	Audited	Audited	Unaudited
Profit	Before	5,593	8,269	25,695	18,957
	Tax				
	Net Profit	3,801	5,156	17,133	12,820

The audited net asset value of the Target Company B by 31 December 2023 is USD 69.43 million.

Note: On December 31, 2021, December 31, 2022, December 31, 2023, and September 30, 2024, the exchange rates of the Brazilian real against the US dollar were 0.17946, 0.18916, 0.20609, and 0.18351 respectively.

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 Precedent 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.

DEFINITIONS

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

“A share(s)”	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
“A shareholder”	Any person who holds one or more A shares
“Board”	The board of Directors

“BRL”	Brazilian Reais, the legal currency of the Federative Republic of Brazil
“China” or “PRC”	The People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Consideration”	The consideration of the Acquisition, being approximately USD186.6 million (subject to adjustment based on net cash and working capital in the financial statements as at completion date)
“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 legal currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which could be amended, supplemented or altered in time or ways
“Purchaser”	The Purchaser in the Share Purchase Agreement, Huaxin (Hainan) Investment Co., Ltd., a limited company registered in China
“RMB”	Renminbi, the legal currency of the PRC
“Shanghai Stock Exchange”	The Stock Exchange of Shanghai Limited
“Share”	The ordinary share(s) of RMB1.00 each in the share capital of the Company, A share and H share included
“Shareholder(s)”	Any person who holds A or H Shares of the Company
“Share Purchase Agreement”	The share purchase agreement concluded between Purchaser and Vendors on 16 December 2024 regarding the acquisition of shares of target companies

"Target Companies"	Collectively refers to Target Company A and Target Company B
"Target Company A"	ITATUBA PARTICIPAÇÕES LTDA., a limited company registered in Brazil
"Target Company B"	EMBU S.A. ENGENHARIA E COMÉRCIO, a limited liability company registered in Brazil
"USD"	U.S. Dollar, the legal currency of the United State of America
"Vendor Group I"	The group consists of six private individuals and investors. Collectively, they hold 100% of the shares in Target Company A, which holds 60% of the shares in Target Company B.
"Vendor Group II"	The group consists of five private individuals and investors who collectively hold 40% of the shares in Target Company B.
"Vendors"	Collectively refers to the Vendors of Vendor Group I and Vendor Group II
"%"	Percentage

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

Wuhan, Hubei Province, the PRC
16 December 2024

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*