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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 13 March 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 59.58% of the issued shares of the Target Company with an estimated purchase price of USD 193.1 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 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 13 March 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 59.58% of issued shares of the Target Company with an estimated purchase price of USD 193.1 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.

Key terms of the Share Purchase Agreement

Date

13 March 2023

Parties

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

Subject matter

The Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell 59.58% 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 Oman. Details of the Target Company are set out in the paragraph headed “Information on the Target Company” below.

According to the Takeover and Acquisition Regulation issued by the Oman Capital Market Authority, the completion of the acquisition will trigger the obligation to make an offer to the remaining shareholders of the Target Company which will result in the Company owning a maximum shareholding in the Target Company of 75%.

As of the date of this announcement, the Vendor owns 59.58% 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 Oman and in China. The longstop date is agreed to be June 1, 2023.

Consideration

Pursuant to the Share Purchase Agreement, the initial consideration payable at completion shall be USD 193.1 million which corresponds to 59.58% of the equity value of the Target Company as at 31 December 2022.

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) as well as the dividends for 2022 that will be approved at the Annual General Meeting of the Target Company on 23 March 2023. The Parties will compensate each other for any difference between the initial and the final consideration.

According to the Takeover and Acquisition Regulation issued by the Oman Capital Market Authority, the completion of the acquisition will trigger the obligation to make an offer to the remaining shareholders based on the price per share of the final consideration. If the shares offered by the minority shareholders would result in the Company's shareholding in the Target Company to exceed 75%, the acceptance of individual offers of minority shareholders will be reduced pro rata so that the Company's shareholding in the Target Company does not exceed 75%.

Basis of the Consideration

The initial consideration of the acquisition was determined after arm's length negotiations between the Purchaser and the Vendor after taking into consideration, amongst others, (a) the net present value of the future cash flows of the Target Company (including the business prospects of the Target Company and the identified synergies and optimization potential), (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

A cash down payment of 15% of the initial consideration has been paid to an escrow account at signing of the SPA and the remaining 85% shall be paid in cash at completion of the acquisition. At completion, the down payment will be released from the escrow account to the Vendor in accordance with the escrow agreement, entered into on the same day as the Share Purchase Agreement. Following completion an adjustment of the 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 develop a 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. The acquisition will be the first entry into the Middle Eastern market by the Company or even by a Chinese cement enterprise.

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, the synergies identified and the optimization potential.

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. As of the date of this announcement, approximately 41.46% of the issued share capital of the Company is indirectly held by Holcim Ltd. The Group has nearly 290 subsidiaries which are mainly located in 14 provinces and cities in China and 8 overseas countries including Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi, making it a global building materials corporation with integrated development of the entire industry chain in the fields of cement, concrete, aggregates, environmental protection, 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 Vendor is a wholly-owned subsidiary of the OIA, the sovereign wealth fund of the Sultanate of Oman with assets exceeding USD40 billion. The Vendor holds 59.58% of the issued shares of the Target Company which are 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 OIA as the ultimate beneficial owner of the Vendor are Independent Third Parties.

INFORMATION ON THE TARGET COMPANY

The Target Company is a leading cement manufacturer registered in Oman and is listed on the Muscat Stock Exchange in Oman. The Target Company was established in 1983 and its main business is the production and sale of cement. It has a clinker production capacity of 2.6 million tons/year and a cement production capacity of 3.6 million tons/year. The Target Company is located in the capital region of Oman and is the only integrated cement producer in the northern part of Oman.

Financial information on the Target Company

Set out below is the audited financial information of the Target Company for the year ended 31 December 2019, 31 December 2020 and 31 December 2021, prepared in accordance with generally accepted accounting principles of the International Accounting Standards:

Unit: USD'000

	For financial year ended December 31		
	2019	2020	2021
Profit before tax	12,178.1	16,755.0	13,465.7
Profit after tax	10,423.1	13,461.0	11,549.6

The audited net assets of the Target Company as at 31 December 2021 were USD385 million. As at September 30, 2022, based on the unaudited financial accounts of the Target Company, the net assets of the Target Company (unaudited) were USD388 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 precedent 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
“Oman”	the Sultanate of Oman
“OIA”	Oman Investment Authority
“Parties”	the Vendor and the Purchaser
“Purchaser”	Huaxin (Hong Kong) International Holdings Limited
“Vendor”	Investment Authority SPC, the wholly-owned subsidiary of Oman Investment Authority, which directly holds 59.58% of the issued shares of the Target Company
“Target Company”	Oman Cement Company SAOG, a cement manufacturer registered in Oman and listed on the Muscat Stock Exchange in Oman
“Share Purchase Agreement” or “SPA”	the Share Purchase Agreement entered into between the Purchaser and the Vendor on 13 March 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
“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

13 March 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*