

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**SUPPLEMENTAL ANNOUNCEMENT  
DISCLOSABLE TRANSACTION  
ACQUISITION OF THE TARGET COMPANY**

Reference is made to the announcement of Huaxin Cement Co., Ltd. (the “**Company**”) dated 16 December 2024 (the “**Announcement**”) in relation to the disclosable transaction in respect of the sale and purchase of 100% of the shares of Target Company A and 40% of the shares of Target Company B (Collectively as the “**Target Companies**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board would like to provide the shareholders and potential investors of the Company with supplemental information on this disclosable transaction set out below:

**VALUATION**

Given that Target Company A is a mere holding company (with its sole assets being cash and 60% of the shares in Target Company B), the valuation focused on the valuation of Target Company B.

**Valuation Methodologies**

In the Valuation of Target Company B, the Company applied the market approach.

**Market Approach for the Valuation of Target Company B**

In the market approach, a valuation range for the target company is established based on financial benchmark multiples for comparable historical transactions. The EV-to-EBITDA multiple is the benchmark most frequently used in the industry of Target Company B. The reference EBITDA may consider historical and current EBITDA values.

The Company adopted the following criteria for selecting comparable historical transactions, all of which must be met:

- (1) The comparable transactions must be in the building materials industry.

(2) The comparable transactions must be related to assets located in Latin America.

According to the data legally obtained from a third-party by the Company, the EV-to-EBITDA multiples ranged from 5.3 to 9.9 (with some outliers that are significantly higher) for comparable transactions in the past eight years.

### **Enterprise Value (EV)**

Based on the valuation ranges determined by the market valuation approach, and as an outcome of the negotiation, an EV of USD 182.0 million was determined. (The EBITDA of Target Company B for 2023 is USD 27.2 million which corresponds to an EV-to-EBITDA ratio of 6.7 times)

The difference between the valuation of Target Company B and its net assets of US\$ 69.4 million as of December 31, 2023 lies in the consideration of the strong profitability of Target Company B. In 2023, the ROE of Target Company B reached 21.8%, and the company is expected to maintain good profitability in the future with good business prospects. Moreover, the significant verified mineral reserves of 280 million tons support the aforementioned valuation.

### **Due Diligence (DD) and Consideration**

The Company performed a comprehensive DD on Target Companies A and B, including aspects of market, technical (mining and processing), legal, finance, and tax.

- The finance DD was performed by a leading Chinese audit firm and covered the period from 2021 until 30 September 2024.
- The legal DD was performed by a leading Brazilian law firm.
- No significant adverse DD findings were identified which represented a valuation issue in the context of the transaction; certain minor findings were considered as debt-like items in the calculation of the net cash.

Given that the negotiated EV of Target Company B is US\$182.0 million and the combined net cash of Target Company A and Target Company B as of September 30, 2024 is US\$4.6 million, the total Purchase Price for 100% shares of the Target Companies is US\$186.6 million (US\$186.6 million = US\$182.0 million + US\$4.6 million). The Purchase Price is subject to customary adjustments with respect to net cash and working capital levels as at completion as set forth in section *Adjustment and Payment of the Consideration* below.

### **Assessment by the Board**

Based on the industry characteristics, market prospects, and verified mineral reserves of Target Company B, the Board believes that a valuation based on comparable EV/EBITDA multiples is relevant and appropriate and that the historical transactions selected for comparison purposes fulfill the criteria for comparability.

The Board believes that the consideration for the acquisition is fair and reasonable, and is in the interest of the Company and its shareholders.

### **ADJUSTMENT AND PAYMENT OF THE CONSIDERATION**

After the conditions precedent to closing as per the Share Purchase Agreement are fulfilled, the Vendors will provide financial statements of the Target Companies (the "**Initial Statements**")

and will calculate the initial consideration which is based on the combined net cash of the Target Companies according to the Initial Statements and the difference between the working capital of Target Company B as at September 30, 2024 and as per the Initial Statements. Within 10 days of the fulfillment of the conditions precedent, closing will take place and the Company will pay the initial consideration.

No later than 90 days after the closing date, the Purchaser will provide the Vendors with financial statements of the Target Companies as of the closing date (the "Closing Statements"), which will be confirmed by both parties to determine the final consideration. The final consideration will be calculated based on the actual values of the net cash of the Target Companies and the working capital of Target Company B on the closing date, and both parties shall bear the obligation to compensate each other (as applicable) for the difference between the initial consideration and the final consideration according to the following rules:

- If the net cash in the Closing Statements of Target Company A and Target Company B is lower than the net cash in the Initial Statements, the Vendors will pay the difference in cash to the Purchaser.

If the net cash in the Closing Statements of Target Company A and Target Company B on the closing date is higher than the net cash in the Initial Statements, the Purchaser will pay the difference in cash to the Vendors.

- If the working capital in the Closing Statements of Target Company B is lower than the working capital in the Initial Statement, the Vendors will pay the difference in cash to the Purchaser.

If the working capital in the Closing Statements of Target Company B is higher than the working capital amount in the Initial Statement, the Purchaser will pay the difference in cash to the Vendors.

The Company will entrust a professional accounting firm to verify the net cash and working capital amount as at the closing date to determine the final consideration.

#### **SUPPLEMENTAL HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY A**

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

	For the Financial Years Ended 31 December			USD'000
	Audited			For the Nine Months ended 30 September
	2021	2022	2023	Unaudited 2024
Current assets	854	1,024	2,693	181
Non-current assets	44,693	47,711	41,663	39,588
<b>Total assets</b>	<b>45,547</b>	<b>48,735</b>	<b>44,356</b>	<b>39,769</b>
Current liabilities	534	759	2,054	13
<b>Total liabilities</b>	<b>534</b>	<b>759</b>	<b>2,054</b>	<b>13</b>

Note: (1) Non-current assets at the end of 2021 and 2022 include, apart from the 60% Shares of Target Company B, a participation in another company which was divested in November 2023, and Target Company A no longer holds any equity in the divested company.

(2) 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.

## SUPPLEMENTAL HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY B

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

	For the Financial Years Ended 31 December			USD'000
	Audited			For the Nine Months ended 30 September
	2021	2022	2023	Unaudited 2024
Current assets	17,692	24,108	35,628	35,476
Non-current assets	72,195	74,471	82,286	69,739
<b>Total assets</b>	<b>89,887</b>	<b>98,579</b>	<b>117,914</b>	<b>105,215</b>
Current liabilities	7,621	12,328	18,982	11,363
Non-current liabilities	26,314	26,660	29,502	27,881
<b>Total liabilities</b>	<b>33,935</b>	<b>38,988</b>	<b>48,484</b>	<b>39,244</b>

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.

## Business Prospects of Target Company B

Based on the following facts, Target Company B is expected to have good business prospects :

- Strong growth outlook for the construction industry in the Sao Paulo metropolitan area, in all segments of the market: infrastructure, commercial, and residential. The strong growth

outlook for the construction industry translates directly into a strong market outlook for Target Company B.

- Target Company B is the market leader in the Sao Paulo metropolitan area in terms of market share, quality, and service.
- Vast resource basis owned by Target Company B as well as capacity reserves in the processing lines.
- Excellent locations of the operations of Target Company B relevant to the market.
- Identified synergy potentials.
- Stability regarding the development of the local regulatory and taxation environment.

All information as set out in the Announcement remain unchanged and continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

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

Wuhan, Hubei Province, the PRC

6 January 2025

*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*