

## **Huaxin Cement Co., Ltd.**

### **Announcement on the Progress of the Related Party Transaction on the Acquisition of Holcim's Assets in Nigeria**

To the best of our knowledge, the Board of Directors of the Company and its members confirm that there is no material false or misleading statement or material omission in this announcement and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its content.

#### **I. Brief on the transaction**

On November 29, 2024, the Sixth Meeting of the Eleventh Board of Directors approved the Proposal on the Related Party Transaction on the Acquisition of Holcim's Assets in Nigeria, agreeing to acquire 100% equities of Caricement B.V. (the Target Company A) held by Holderfin B.V., at the consideration of 560.44 million USD in cash (subject to normal downward adjustment based on the leakage terms in the Equity Acquisition Agreement). Following the Associated International Cement Limited (the AICL) transfers 27.77% equities held in the Lafarge Africa Plc (the Ultimate Target Company) to the Davis Peak Holdings Limited (the Target Company B, together with Target Company A as the Target Companies), the wholly-owned subsidiary Huaxin (Hong Kong) International Holdings Ltd will acquire 100% shares of the Target Company B held by Holderfin B.V. (the Transaction) at the consideration of 277.69 million USD in cash (subject to normal downward adjustment based on the leakage terms in the Equity Acquisition Agreement). Details shall refer to the Announcement on the Related Party Transaction on the Acquisition of Holcim's Assets in Nigeria disclosed on December 2, 2024. (2024-029).

#### **II. Progress of the transaction**

After transaction disclosure, the Company has engaged Ernst & Young Hua Ming Certified Public Accountants LLP (Special General Partnership) to conduct an audit of the Target Companies' proforma consolidated financial statements for the most recent fiscal year and period. Ernst & Young presented the Ernst & Young Hua Ming (2025) Special No. 70009578\_C01 audit report. For a comprehensive understanding of the audit report, please refer to the "Caricement B.V. Consolidated Financial Statements Audit Report For the Year Ended 2023 and Nine Months Ended September 30 2024" disclosed on the same day via the Shanghai Stock Exchange's official website. (Pro forma consolidated financial statements)

According to the proforma consolidated financial statements, the Target Companies have prepared the audited proforma consolidated financial statements for the latest fiscal year and period in accordance with the applicable Chinese Enterprise Accounting Standards to reflect the financial status and identifiable net assets in book value of the Target Companies. The main financial indicators are as followed:

Unit: RMB

Item	2023/2023.12.31	Jan-Sep 2024/2024.9.30
Operating Income	4,441,987,484	2,392,393,331
Profit before tax	794,831,700	392,971,347
Net Profit	504,108,310	238,383,740
Other comprehensive income after tax	-3,192,750,591	-1,564,754,999
Total Comprehensive Income	-2,688,642,281	-1,326,371,259
Total Assets	6,739,058,129	3,546,163,813
Total Liabilities	2,254,451,171	1,515,032,680
Shareholders' equity	4,484,606,958	2,031,131,133

Remark:

The significant changes in the proforma consolidated financial statements from January to September in 2024 or the end of September are due to: the foreign exchange rate of Nigeria Naira to RMB dropped significantly during the reporting period.

### III. Details of the proforma consolidated financial statements

#### (I) Basis for the preparation of the proforma consolidated financial statements

The Company hereby advises investors to note that the proforma consolidated financial statements for the year 2023 and the nine-month period ended September 30, 2024, prepared to better reflect the overall financial position related to the target companies and the book identifiable net assets, are based on the historical accounting records and have been compiled in accordance with the preparation basis set forth in Note 2 to the Proforma Consolidated Financial Statements, and the material accounting policies and estimates consistent with those of the Company as described in Note 3.

Details of this special preparation basis include:

1. To better reflect the overall financial situation of the Target Companies, it is assumed that the Target Company B was established at the beginning of the earliest period presented in the proforma consolidated financial statements (i.e., January 1, 2023), and acquired 27.77% of the equity in the Ultimate Target Company from AICL. Given that AICL, Target Company B, and Target Company A are all ultimately controlled by Holcim Group, it is assumed that Target Company A holds and controls 100% equity interest in Target Company B, thereby the Target Company A, as the parent company, holds 100% equities of Target Company B and 83.81% equities of the Ultimate Target Company. Accordingly, the consolidation scope of the proforma

consolidated financial statements includes Target Company A, Target Company B, and the Ultimate Target Company, thereby encompassing all entities subject to this transaction.

2. Based on the historical equity evolution of the relevant companies, to better reflect the identifiable net assets in book value of the Target Companies, it is assumed that the business combination date of Target Company A's acquisition of the Ultimate Target Company under common control is deemed to be the beginning of the earliest reporting period presented in the proforma consolidated financial statements (i.e., January 1, 2023); the excess of the investment cost incurred by Target Company A in acquiring the Ultimate Target Company over the Ultimate Target Company's book net assets as of January 1, 2023 shall be fully offset against the capital premium within Target Company A's capital surplus; any unabsorbed portion of such excess shall be adjusted against retained earnings.

3. The Target Company A held other subsidiaries and joint ventures irrelevant to the transaction during the reporting period. Prior to September 30, 2024, Target Company A had fully divested these non-transaction-related subsidiaries and associates. To better reflect the financial position related to the acquisition targets, the proforma consolidated financial statements assume that the divestments of such subsidiaries and associates were deemed to have been completed as of the beginning of the earliest reporting period presented (i.e., January 1, 2023). Profit distributions from the divested entities during the reporting period were deemed to have been declared and settled as of January 1, 2023; Consequently, throughout the reporting period: No profit/loss adjustments on long-term equity investments in associates were recognized by Target Company A; No impairment provisions for such investments were recorded; Relevant financial statement line items have been retrospectively adjusted to reflect these assumptions.

Details of the basis for the special preparation of the proforma consolidated financial statements can be referred to in Note 2.

## (II) Net of tax of other comprehensive income

Other comprehensive income of the proforma consolidated financial statements is converted from foreign currency statements. The exchange rate of Nigeria Naira against RMB dropped significantly in the reporting period (the central parity rate: on January 1, 2023 is 1 Nigeria Naira = 0.015499352 RMB, on December 31, 2023, 1 Nigeria Naira= 0.007902277 RMB, on September 30, 2024, 1 Nigeria Naira = 0.004374538 RMB). Therefore, the financial statements in RMB present significant loss after tax in Other Comprehensive Income.

The significant fluctuation in the exchange rate of Nigeria Naira is attributed to the monetary policy reform implemented by the Central Bank of Nigeria from June 2023 to March 2024, which lifted the foreign exchange control and substantial depreciation of Naira. The Naira remained stable after the reform on the exchange rate after March 2024. Since January 2025, the average exchange rate of Naira against US dollar has appreciated about 5.2% compared to the average rate in the second half of 2024. It is expected that the exchange rate of Naira will remain stable in the short to medium term.

The Ultimate Target Company is the oldest cement enterprise in Nigeria, with quality resources and a favourable location. The EBITDA in 2023 (Earnings Before Interest, Taxes, Depreciation, and Amortization) was 155 million US dollars and 106 million US dollars for the first three quarters of 2024 (calculated by the average exchange rate

published by Nigeria Central Bank). The EBITDA for the whole year of 2024 of the Ultimate Target Company is expected to remain stable compared to the previous year. Despite significant depreciation of Naira, the result remained stable, demonstrating strong resilience against local currency volatility. (EBITDA of the Ultimate Target Company for 2022, 2023 and the first three quarters of 2024 are 109.6 billion Naira, 129.3 billion Naira and 148.4 billion Naira. And the first three quarters of 2024 are 36.7 billion Naira, 53.7 billion Naira and 58 billion Naira respectively, showing strong upward momentum.

Given prospective cement market, large population (228 million) and rapid population growth, we expect that the Ultimate Target Company may bring robust investment return for the company. In addition, the company intends to take advantage of the location of Ashaka Plant and Mfamosing plant of the Ultimate Target Company to export cement to neighbouring countries to get stable foreign currency, so as to guarantee the foreign currency for the cash dividend distribution of the Ultimate Target Company.

### **III. Reasons of not applying hyperinflation accounting adjustments under applicable enterprise accounting standards for the conversion of foreign currency**

Based on the FINANCIAL REPORTING COUNCIL OF NIGERIA' S POSITION ON IAS 29-FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES published by Nigeria Financial Reporting Council on January 22, 2025, the company analysed the "Definition of the Hyperinflation Economy" set out in the Chapter 19-Foreign currency conversion in the Enterprise Accounting Standards Guideline Compilation, and concluded that:

- (1) Nigeria has seen a cumulative inflation rate of 110.9% over the past three years, which is indicative of hyperinflation;
- (2) In an effort to curb inflation, the Central Bank of Nigeria has been raising interest rates. However, wages and prices in the country are not always linked to the price index;
- (3) The public in the country generally regard the Nigerian Naira as the measure of currency value, rather than any other foreign currency;
- (4) The public in the country continue to transact in Naira and invest in assets denominated in Naira. There is currently no widespread evidence to suggest that the public in the country have a tendency to store wealth in non-monetary assets or more stable foreign currencies;
- (5) Existing evidence indicates that the pricing mechanism for credit sales transactions in the country does not incorporate inflation adjustments.

Above all, Nigeria does not qualify the features other than (1). The management of the company believed it is not yet in the state of hyperinflation. The proforma consolidated financial statements do not apply the translation of financial statements of foreign operations in a hyperinflationary economy under the enterprise accounting standards. The accountants have issued a special audit report on these pro-forma consolidated financial statements. For details of the specific audit report, please refer to the "Caricement B.V. Audited Pro-Forma Consolidated Financial Statements for the Year Ended 2023 and the Nine-Month Period Ended September 30, 2024" disclosed on the same day on the website of the Shanghai Stock Exchange.

Based on the audit work performed by the accountants in expressing an audit opinion on the overall pro-forma consolidated financial statements, the accountants believe that the analysis and conclusions of the management regarding the non-application of the translation provisions for hyperinflation under the enterprise accounting standards to these pro-forma consolidated financial statements are in compliance with the relevant provisions of the enterprise accounting standards in all material respects.

#### **IV. Risk Warning**

This transaction still needs to be submitted to the company's shareholders' meeting for deliberation and approval before it can be implemented, and the related shareholders will abstain from voting.

This transaction also requires the approval of the National Development and Reform Commission and the Ministry of Commerce, the completion of foreign exchange registration with the State Administration of Foreign Exchange in China, and the approval of the Nigerian Federal Competition and Consumer Protection Commission.

The company will promptly fulfil its information disclosure obligations according to the progress of this transaction. Investors are kindly requested to invest rationally and pay attention to investment risks.

#### **IV. Risk warning**

It is herewith announced.

Board of Directors of Huaxin Cement Co., Ltd  
28 February, 2025