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西部水泥

WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

**SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
ACQUISITION OF DIRECT AND INDIRECT EQUITY INTERESTS
IN NATIONAL CEMENT SHARE COMPANY**

Reference is made to the announcement of West China Cement Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 7 September 2021 (the “**Announcement**”) in relation to a discloseable transaction relating to the acquisition of direct and indirect equity interests in NCSC. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated. This announcement is made to provide supplemental information in relation to the Transactions.

BASIS OF CONSIDERATION

As stated in the Announcement, the consideration under each of the Share Purchase Agreements and the Share Subscription Agreement was determined after arm’s length negotiations between the relevant parties with reference to the net asset value of NCSC as at 30 June 2020 and the Group’s assessment of the future prospect of NCSC.

Upon completion of the transactions under the Share Purchase Agreements, the Group has acquired approximately 23.99% shareholding interest in NCSC. Pursuant to the Share Subscription Agreement, the Group will be entitled to subscribe for further shares in NCSC in tranches, leading to the Group to ultimately acquiring a 61.9% shareholding interest in NCSC. Upon acquiring a controlling interest in NCSC, which is currently expected to take place by early 2022, the Group plans to gradually take over the management and operations of NCSC. By leveraging on the management and technical improvement capabilities of the Group on the current production facilities of NCSC, the annual production capacity of cement of NCSC is expected to increase from 1.2 million tons and reach 1.5 million tons by around mid-2022. Further, NCSC plans to construct the new clinker production line after receipt by NCSC of the proceeds from the Group’s further investment in NCSC under the Share Subscription Agreement. Construction of such new clinker production line is currently

expected to be completed and commence production by 2023 and by then, the annual production capacity of NCSC is expected to increase by an additional 5 million tons. The Group and the ultimate beneficial owners of NCSC have determined and agreed on the valuation of NCSC based on the mutually accepted projection of profit of NCSC having taken into account, among others, (i) the expected increase in production capacity of NCSC from 1.2 million tons to 6.5 million tons; (ii) the estimated average selling price of cement in the local market; and (iii) the costs of sale.

In addition, based on market intel obtained by the Company locally, and taking into account of the Group's experience in operating in other comparable markets of Africa, the estimated construction costs of a new cement production plant with similar existing annual production capacity as that of NCSC of 1.2 million tons in Ethiopia currently would amount to approximately from US\$170 million to US\$200 million. In view of the above, the Directors considered that acquiring a controlling interest in NCSC would be more cost-effective method to tap into the cement industry in Ethiopia compared to constructing a new cement production plant in Ethiopia.

INFORMATION OF COUNTERPARTIES TO THE TRANSACTIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the identities of the counterparties to the Transactions are set out below:

Mr. Ato Buzuayehu Tadele, the chairman of NCSC and an Ethiopian national, is the only significant ultimate beneficial owner who owns 93.9% of shareholding interests in East African Mining Corporation PLC and 88% shareholding interests in East Africa Group (Ethiopia) PLC, who are all existing shareholders of NCSC.

SIG Africa Cement Partners, L.P. and Schulze Global Ethiopia Growth and Transformation Fund I L.P. are both private investment firms which were founded and managed by Mr. Gabriel Schulze. These investment firms focused on the world's most dynamic frontier markets. Schulze Global was the pioneer of private equity investing in Ethiopia having raised the first country-focused private equity fund in 2013 and has had a local team operating since 2008. The firm has made growth equity investments in Ethiopia across a variety of industries including food-processing, construction, pharmaceuticals, coffee, education, and dairy.

As stated in the Announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the above parties are third parties who are independent of, and not connected with, the Company or any of its connected persons within the meaning of the Listing Rules.

By the order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 18 October 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin and Dr. Ma Weiping, the non-executive Directors are Mr. Ma Zhaoyang, Mr. Fan Changhong and Mr. Shi Guanglei, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Tam King Ching, Kenny and Mr. Zhu Dong.