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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF MAJORITY EQUITY INTERESTS IN CIMENTERIE DE LUKALA SA

Sole Financial Advisor to the Company



**Standard Chartered Bank
(Hong Kong) Limited**

THE TRANSACTIONS

On 27 January 2025, WIH Cement, an indirect wholly-owned subsidiary of the Company, entered into the HM SPA with the HM Sellers, HM AG and the Company, pursuant to which WIH Cement conditionally agreed to acquire, and the HM Sellers have conditionally agreed to sell, 1,574,904 shares of CILU (representing 91.02% of its issued share capital) for a consideration of USD3,700,069 (equivalent to approximately HKD28,860,538), subject to customary closing adjustments.

On the same day, WIH Cement entered into the Intra-Group Transfer Agreement with the Company, HM AG and Scancem International, pursuant to which HM AG and Scancem International, conditionally agreed to assign the Intra-Group Repayment Claims to WIH Cement, for a consideration of USD115,950,000 (equivalent to approximately

HKD904,410,000), subject to agreed closing adjustments.

LISTING RULES IMPLICATIONS

Since certain of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Transactions exceed 5% but all of the applicable ratios are less than 25% for the Company, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Closing of the Transactions are conditional upon the satisfaction or, if applicable, waiver of the conditions precedent under the HM SPA and Intra-Group Transfer Agreement. As the Transactions may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

On 27 January 2025, WIH Cement, an indirect wholly-owned subsidiary of the Company, entered into the HM SPA with the HM Sellers, HM AG and the Company, pursuant to which WIH Cement conditionally agreed to acquire, and the HM Sellers have conditionally agreed to sell, 1,574,904 shares of CILU (representing 91.02% of its issued share capital) for a consideration of USD3,700,069 (equivalent to approximately HKD28,860,538), subject to customary closing adjustments.

On the same day, WIH Cement entered into the Intra-Group Transfer Agreement with the Company, HM AG and Scancem International, pursuant to which HM AG and Scancem International, conditionally agreed to assign the Intra-Group Repayment Claims to WIH Cement, for a consideration of USD115,950,000 (equivalent to approximately HKD904,410,000), subject to agreed closing adjustments.

The maximum consideration of the Transactions payable by the Group amount to USD119,650,069 (equivalent to approximately HKD933,270,538), subject to closing adjustments referred to above and interests on deferred payment arrangements described below.

CILU operates an integrated cement plant in Lukala, DRC, Africa. Subject to additional capital expenditure investment and technical modifications being implemented after closing, it is expected that CILU will have a designed cement production capacity of 1.2 million tons per year. The Board considers the Transactions will expand the Group's cement development and presence in DRC and Africa through acquiring these operations.

A. HM SPA

The principal terms of the HM SPA are summarised below:

Date

27 January 2025

Parties

- (i) WIH Cement (as purchaser)
- (ii) HM Sellers (as seller)
- (iii) HM AG (as guarantor of HM Sellers)
- (iv) The Company (as guarantor of WIH Cement)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, all of HM Sellers, HM AG and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter

Pursuant to the HM SPA, WIH Cement conditionally agreed to acquire, and the HM Sellers have conditionally agreed to sell, 1,574,904 shares of CILU (representing 91.02% of its issued share capital). Pursuant to the HM SPA, WIH Cement has the right to designate another entity as the transferee of up to 497,762 shares of CILU (representing approximately 28.7665% of its issued share capital).

Consideration

The consideration for the 1,574,904 shares of CILU is USD3,700,069 (payable in cash), subject to customary closing adjustments for cash, debt and net working capital of CILU (the "**HM Share Purchase Price**").

The consideration was arrived at after arm's length negotiations between WIH Cement, HM Sellers, HM AG and the Company with reference to (i) the reasons and benefits of the Transactions as stated under the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTIONS" below; (ii) the valuation methodology and input as described in the section headed "VALUATION OF CILU" below; and (iii) the allocation of the total consideration for the Intra-Group Repayment Claims and the CILU shares under the HM SPA and IFC SPA.

WIH Cement will finance the consideration by internal resources and/or bank borrowings.

Payment terms

On HM SPA Closing Date, WIH Cement shall pay to HM AG the estimated HM Share Purchase Price reflecting HM AG's estimate of the customary closing adjustments, which will be subject to true-up.

Conditions precedent

Closing of the HM SPA is subject to and conditional upon the following conditions

precedent being satisfied (or, where applicable, waived unilaterally by WIH Cement as to conditions (B), (C), (E) and (F), or jointly by HM AG and WIH Cement as to conditions (A) and (D)):

- (A) approval of the transaction by competition authorities, waiver of the authorities' jurisdiction or waiver or lapse of the prohibition to complete such transaction;
- (B) no material adverse change has occurred and no circumstance has arisen which would result in a material adverse change;
- (C) certain of CILU's operating licenses of permanent quarries in DRC being in force and effect on HM SPA Closing Date and there is no written order, written objection, written indication, written judgment of any authority explicitly threatening or clearly presenting the prospect of revocation of any of those licenses;
- (D) no order, objection, indication, judgment of any authority has been issued prior to closing which prevents or deems illegal the closing of the HM SPA and/or the sale and transfer of the Intra-Group Repayment Claims under the Intra-Group Transfer Agreement;
- (E) no breach of any fundamental warranty and no circumstance has arisen which would result in a breach of a fundamental warranty; and
- (F) the IFC SPA has, if not signed prior to or on the HM SPA Signing Date, been (i) approved by HM AG, (ii) entered into with IFC, and (iii) the IFC SPA's closing is only dependent on the payment of the purchase price under the IFC SPA and the closing of the HM SPA and all other conditions to the IFC SPA having been fulfilled or waived.

For the avoidance of doubt, the IFC SPA has not been entered into as at the date of this announcement.

Guarantees

Pursuant to the terms of the HM SPA, HM AG has agreed to guarantee the obligations of HM Sellers under the HM SPA, and the Company has agreed to guarantee the obligations of WIH Cement under the HM SPA and the Intra-Group Transfer Agreement.

Closing

Closing of the HM SPA shall take place on HM SPA Closing Date. Upon closing of the HM SPA (which is expected to take place on the same date as the closing of the IFC SPA pursuant to the terms of the HM SPA), CILU is expected to become a non-wholly-owned subsidiary of WIH Cement, and its financial results will be consolidated to the accounts of the Company.

B. INTRA-GROUP TRANSFER AGREEMENT

The principal terms of the Intra-Group Transfer Agreement are summarised below:

Date

27 January 2025

Parties

- (i) HM AG
- (ii) Scancem International
- (iii) WIH Cement
- (iv) The Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, all of HM AG, Scancem International and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter

Pursuant to the Intra-Group Transfer Agreement, WIH Cement conditionally agreed to acquire, and HM AG and Scancem International, as the case may be, conditionally agreed to assign the Intra-Group Repayment Claims relating to CILU to WIH Cement.

Consideration

The consideration for the assignment of the Intra-Group Repayment Claims amounts to USD115,950,000 (equivalent to approximately HKD904,410,000), which is subject to agreed closing adjustments ("**Intra-Group Transfer Agreement Closing Adjustment**"), including to deduct the total amount by which the purchase price per CILU share under the IFC SPA exceeds the purchase price per CILU share under the estimated HM Share Purchase Price (or vice versa, in which case it will be an addition) multiplied by the number of CILU shares being sold by IFC (collectively, the "**Intra-Group Repayment Amount**").

The consideration was arrived at after arm's length negotiations between the Company, WIH Cement, HM AG and Scancem International with reference to (i) the nature and amount the Intra-Group Repayment Claims; (ii) the valuation methodology and input as described in the section headed "VALUATION OF CILU" below; and (iii) the allocation of the total consideration for the Intra-Group Repayment Claims and the CILU shares under the HM SPA and IFC SPA.

WIH Cement will finance the consideration by internal resources and/or bank borrowings.

Payment terms

WIH Cement shall pay to HM AG the Intra-Group Repayment Amount by way of payment of the following amounts in cash at the payment dates specified below:

<u>No.</u>	<u>Payment date</u>	<u>Payment amount (USD)</u>
1.	On or around HM SPA Signing Date	3,000,000 (as down-payment)
2.	HM SPA Closing Date	72,950,000, subject to the Intra-Group Transfer Agreement Closing Adjustment
3.	On or before the date which is three months following the HM SPA Closing Date	15,000,000
4.	On or before the date that falls on the sixth month of the HM SPA Closing Date	5,000,000
5.	On or before the date that falls on the ninth month of the HM SPA Closing Date	5,000,000
6.	On or before the date that falls on the twelfth month of the HM SPA Closing Date	5,000,000
7.	On or before the date that falls on the fifteenth month of the HM SPA Closing Date	5,000,000
8.	On or before the date that falls on the eighteenth month of the HM SPA Closing Date	5,000,000

Payments to be made after HM SPA Closing Date (i.e. being the deferred payments no. 3 to 8 listed above) will be subject to interest at the rate of 8.3% per annum, which starts to accrue from HM SPA Closing Date to the actual payment date of each of those payments.

Conditions Precedent

The sale and transfer of the Intra-Group Repayment Claims is subject to, among other things, the condition precedent of the closing of the HM SPA taking place.

Guarantee

The Company has agreed to guarantee the payment obligations of WIH Cement under the Intra-Group Transfer Agreement.

INFORMATION ON CILU

CILU is a company incorporated and registered in DRC, primarily engaged in the operation of an integrated cement plant in Lukala, DRC and the manufacture and distribution of cement, cement clinker and limestone powder. The plant operated by CILU has considerable limestone reserves nearby. In 2019, CILU completed its kiln upgrade to assist its control of ongoing maintenance costs for maintaining good conditions of the plant. With over 100 years of experience and strong brand recognition, CILU is one of the top players in the cement market of DRC.

The financial information prepared in accordance with the generally accepted accounting principles under the laws of DRC for the latest two financial years ended 31 December 2022 and 2023 is set out below. The financial information for the financial year ended 31 December 2024 is not available as at the date of this announcement.

	Financial year ended 31 December 2022 (CDF)	Financial year ended 31 December 2023 (CDF)
	<i>Audited</i>	<i>Audited</i>
Net profit before taxation	-12,895,138,765	-34,350,615,106
Net profit after taxation	-13,628,216,890	-36,125,182,245
Net asset value	32,830,168,469	45,963,600,674

VALUATION OF CILU

Valuation Methodology

In determining the valuation of CILU, the Company considered the income approach, market approach and cost approach, and was of the view that (i) cost approach was not appropriate as it did not properly reflect the economic benefits of ownership of CILU's business; and (ii) income approach was also inappropriate as the underlying assumptions of financial forecast involved uncertainties. Having considered the nature of CILU's business, the limitation of the income approach and the availability of comparable transactions in the market, the Board considered the market approach to be more appropriate than other valuation approaches.

Market Approach

In the market approach, a valuation range for CILU is established based on financial benchmark multiples for comparable historical transactions. According to broker research reports published by various financial institutions available to the Company and its advisers, the EV-

to-EBITDA and EV-to-Capacity multiples are the benchmarks most frequently used in the cement industry. Therefore, the Group has chosen these benchmarks to calculate CILU's valuation. The reference EBITDA may consider both historical and current EBITDA values.

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

- (1) the target of the comparable transactions must be an integrated cement manufacturing plant;
- (2) the target of the comparable transactions must be located in Africa; and
- (3) the transaction must have taken place in the past five years.

According to the data available to the Company, historical transactions which fulfil the criteria above were identified. Based on those comparable transactions, the applied EV-to-EBITDA multiples ranged from 7.5 to 9.1 times and applied EV-to-Capacity ranged from USD100 to USD140 per ton of cement capacity per year.

Enterprise Value (EV)

Based on the valuation ranges determined by the market valuation approach as referred to above, and as an outcome of arms-length negotiations, an EV of USD 120.0 million (close to the maximum consideration of USD119,650,069 disclosed above) was determined. The 2023 EBITDA and designed cement production capacity of CILU is USD 14.7 million and 1.2 million tons per year (on the basis described in the "INTRODUCTION" section in this announcement), respectively, which correspond to an EV-to-EBITDA multiple of 8.2 times and an EV-to-Capacity multiple of USD 100 per ton of cement capacity per year.

Assessment by the Board

Based on the industry characteristics and market information referred to above, the Board believes that a valuation of CILU based on comparable EV-to-EBITDA and EV-to-Capacity multiples is appropriate, and that the historical transactions referred to above selected for comparison purposes fulfill the criteria for comparability. Accordingly, the Board believes that the Transactions for the acquisition are fair and reasonable, and are in the interest of the Company and its shareholders.

INFORMATION ON THE PARTIES UNDER THE TRANSACTIONS

WIH Cement is a company incorporated and registered in Mauritius and is a wholly-owned subsidiary of the Company. The Group is primarily engaged in the manufacture and sales of cement and cement products.

The HM Sellers are companies incorporated and registered in Sweden, primarily engaged as holding companies. Scancem International is a Norwegian general partnership with shared liability. They are each an indirectly wholly-owned subsidiary of HM AG, a company incorporated in Germany and whose shares are listed in Deutscher Aktien Index and whose group is primarily engaged in the production and distribution of cement and aggregates, for the production of concrete.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is primarily engaged in the manufacture and sales of cement and cement products.

Having considered the infrastructure investment and population growth in DRC, the Group is optimistic about the future growth potential of cement in DRC market in the long run. The Group plans to acquire CILU's modern integrated cement plant in DRC which is currently one of the top players in the cement market in DRC. The Board believes that this will expand the Group's regional advantage in the national cement industry in DRC. Upon closing of the Transactions, the Group will acquire a controlling interest in CILU. Leveraging on the technology, management and cost advantages of the Group, and on the expected high demand of cement in DRC, the Group believes that the Transactions will enable the Group to lay the foundation and seize the potential opportunities in the cement industry in DRC.

The terms of each of the HM SPA and the Intra-Group Transfer Agreement have been arrived at after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of each of the HM SPA, the Intra-Group Transfer Agreement and the Transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Company's shareholders as a whole.

LISTING RULES IMPLICATIONS

Since certain of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Transactions exceed 5% and all of the applicable ratios are less than 25% for the Company, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Standard Chartered Bank (Hong Kong) Limited acted as sole financial advisor to the Company in this Transaction.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Heidelberg, Germany, Hong Kong, PRC, and/or DRC) on which banks are open for business
“CDF”	the Congolese franc, the legal currency of DRC

“CILU”	Cimenterie de Lukala SA, a limited liability company incorporated in DRC under the laws of DRC
“Company”	West China Cement Limited (stock code: 2233), a company incorporated in Jersey under the Companies (Jersey) Law 1991 and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Directors”	director(s) of the Company
“DRC”	Democratic Republic of Congo
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“Enterprise Value”	the value of an enterprise, on a cash-free and debt-free basis, assuming a normalized level of working capital
“Group”	collectively, the Company and its subsidiaries
“HM AG”	Heidelberg Materials AG (ISIN: DE006047004), a company incorporated in Germany and whose shares are listed for trading on the Prime Standard stock market segment of the Frankfurt stock exchange and in the German benchmark index DAX.
“HM Sellers”	SCAH 1, SCAH 2, SCAH 3, SCAH 4
“HM Share Purchase Price”	has the meaning set out in the section headed “A. HM SPA - Consideration” above
“HM SPA”	the share purchase agreement dated 27 January 2025 entered into between WIH Cement, the HM Sellers, HM AG and the Company, for the sale and purchase of 1,574,904 shares of CILU, representing 91.02% of its issued share capital
“HM SPA Closing Date”	the date which is: (a) the last Business Day of the month in which the last condition precedent is fulfilled or waived; (b) where the last condition precedent has been fulfilled or duly waived during the last 6 Business Days of a month, the last Business Day of the following month, or (c) another date as mutually agreed by HM

AG and WIH Cement, and no earlier than 30 June 2025

“HM SPA Signing Date”	the date the HM SPA was signed, being 27 January 2025
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFC”	International Finance Corporation, a member of the World Bank Group
“IFC SPA”	the share purchase agreement proposed to be entered into between WIH Cement and IFC for the sale and purchase of 134,105 shares of CILU held by IFC, representing 7.75% of its issued share capital of CILU
“Intra-Group Agreements”	the agreements which relate to CILU’s outstanding liabilities vis-à-vis (i) HM AG based on a loan facility, (ii) HM AG based on a service agreement by which HM AG provides to CILU certain services, and (iii) Scancem International on the basis of long dated operation payables (the underlying claims of all such outstanding liabilities of CILU owed to HM AG or its affiliates)
“Intra-Group Repayment Claims”	CILU’s outstanding liabilities under the Intra-Group Agreements
“Intra-Group Transfer Agreement”	the agreement dated 27 January 2025 entered into by the Company, WIH Cement, HM AG, CILU and Scancem International for the sale and transfer of the Intra-Group Repayment Claims to WIH Cement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Scancem International”	Scancem International DA, a Norwegian general partnership with shared liability and an indirect wholly-owned subsidiary of HM

AG

“SCAH 1”	Scancem Central Africa Holding 1 AB, a company incorporated in Sweden with limited liability and an indirect wholly-owned subsidiary of HM AG
“SCAH 2”	Scancem Central Africa Holding 2 AB, a company incorporated in Sweden with limited liability and an indirect wholly-owned subsidiary of HM AG
“SCAH 3”	Scancem Central Africa Holding 3 AB, a company incorporated in Sweden with limited liability and an indirect wholly-owned subsidiary of HM AG
“SCAH 4”	Scancem Central Africa Holding 4 AB, a company incorporated in Sweden with limited liability and an indirect wholly-owned subsidiary of HM AG
“Transactions”	the transactions contemplated under the HM SPA and the Intra-Group Transfer Agreement
“WIH Cement”	WIH Cement Developing Co., Limited, a company incorporated in Mauritius with limited liability and is wholly-owned by the Company

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

Hong Kong, 27 January 2025

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Cao Jianshun, Ms. Wang Rui and Mr. Chu Yufeng, the non-executive Directors are Mr. Ma Zhaoyang, Mr. Fan Zhan and Mr. Wang Zhixin, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong, Mr. Tam King Ching, Kenny and Mr. Feng Tao.

Note: The conversion of USD amounts into HKD amounts or vice versa has been made at the exchange rate of USD1.00 to HKD7.80 for illustrative purposes only. For illustrative purposes only, for the past 6 months, the average exchange rate of USD to CDF is USD1.00 to CDF2,950.00 and the average exchange rate of HKD to CDF is HKD1.00 to CDF366.04.