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安徽海螺水泥股份有限公司

ANHUI CONCH CEMENT COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00914)

## SUPPLEMENTAL ANNOUNCEMENT

### CONNECTED TRANSACTION: ACQUISITION OF 100% EQUITY INTERESTS IN CONCH IT ENGINEERING

Reference is made to the Company's announcement dated 15 December 2023 (the "Announcement") in relation to the connected transaction involving the Acquisition contemplated under the Equity Transfer Agreement. Unless otherwise stated, capitalized terms in this supplemental announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Acquisition Consideration of RMB126.40 million was determined by the Company and Conch Holdings through negotiation on the basis of equality and the principle of fairness with reference to the appraised value of the total equity interest of Conch IT Engineering appraised by the Independent Valuer as at the Valuation Benchmark Date (i.e. 31 July 2023). According to the Valuation Report, as at the Valuation Benchmark Date, the appraised value ("Valuation") of total equity interest of Conch IT Engineering adopting the income approach was RMB126.40 million.

As discounted cash flow method under the income approach was applied in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, the requirements under Rule 14A.68(7) and Rule 14.60A of the Listing Rules are applicable to this supplemental announcement. The Board would like to provide additional information regarding the Valuation.

#### **BASIS OF USING THE INCOME APPROACH**

##### *Background of valuation approaches*

Pursuant to the Valuation Report, the Independent Valuer has considered the applicability of three basic asset valuation approaches, namely, market approach, income approach and asset-based approach. Market approach refers to the approach in which the valuation subject is

compared with comparable companies or transactions to determine the value of the valuation subject with reference to the market value of the comparables. Income approach refers to the approach in which the current value of the expected income of the valuation subject is appraised to determine the value of the valuation subject. Asset-based approach refers to the approach in which the value of assets and liabilities of the valuation subject as at a given valuation date is based and assessed to determine the value of the valuation subject.

Pursuant to the Basic Standards for Asset Valuation (資產評估基本準則) issued by the Ministry of Finance of the PRC, valuation of a given valuation subject shall be conducted under one or more valuation approaches based on factors such as purpose of valuation, type of valuation and information available.

#### *Selection of valuation approaches for Conch IT Engineering*

As disclosed in the Announcement, Conch IT Engineering is principally engaged in software development, technical service, intelligent control system integration, sales of industrial automation control system equipment, information system integration services, information system operation and maintenance services, etc.

#### *Market approach*

Having regard to the principal business engaged by Conch IT Engineering and upon search over domestic capital market and equity transactions, the Independent Valuer had difficulty to obtain sufficient number of cases of equity transactions of companies which are comparable to Conch IT Engineering in terms of industry, stage of development, asset size and operation conditions. Therefore, market approach is not considered as an appropriate valuation approach.

#### *Income approach*

Having regard to the business development and operation status of Conch IT Engineering, the Independent Valuer considered that Conch IT Engineering is at a steady development stage, and has acquired key technologies for its production. It has generally stable management and technical teams, and sales and purchasing channels. Its production technologies are gradually mature. Based on its historical operation records and future business plan and forecasts, it is expected that Conch IT Engineering will continue to operate and develop steadily in the future, and the expected income to be brought about by its overall profitability can be objectively predicted. Therefore, income approach is considered as an appropriate valuation approach.

#### *Asset-based approach*

The Independent Valuer considered that the scope of assets and liabilities provided by Conch IT Engineering as at the Valuation Benchmark Date is clear and can be verified and assessed through financial information, purchase and construction information and on-site inspection. Therefore, asset-based approach is considered as a suitable valuation approach.

### *Adopting the income approach*

As Conch IT Engineering is at a stage of stable development, the Independent Valuer was of the view that the valuation results using the income approach would reflect the value of the total equity interest of Conch IT Engineering as at the Valuation Benchmark Date more comprehensively. Accordingly, the valuation results using the income approach have been adopted as the final valuation as at the Valuation Benchmark Date.

### **ASSUMPTIONS OF THE VALUATION ADOPTING THE INCOME APPROACH**

The principal assumptions (including commercial assumptions), upon which the Valuation is based, are as follows:

#### **(I) General Assumptions**

The Valuation is conducted based on the following general assumptions:

1. Transaction assumption: assumes that all assets being valued are already in the transaction process and that the Independent Valuer has conducted valuation based on the simulated market, including the terms and conditions of the transactions of the assets being valued;
2. Open market assumption: assumes that with respect to the assets being openly traded or to be openly traded in the market, both parties to the assets transaction are on an equal footing and have the opportunity and time to obtain sufficient market information, so as to make rational judgments on the function, use and transaction price of the assets; and
3. Asset going concern assumption: assumes that assets being valued will be continuously used under the conditions which are consistent with their current functions and manner, scale, frequency and environment of use, or will be used on the basis of certain changes thereof, so as to determine the valuation method, parameters and basis accordingly.

#### **(II) Special Assumptions**

The Valuation is conducted based on the following special assumptions:

1. the external economic environment as at the Valuation Benchmark Date will remain constant and that there will be no significant changes in the prevailing macroeconomic conditions of the PRC;
2. there will be no significant changes in the socio-economic environment in which the appraised enterprise (i.e. Conch IT Engineering) operates, as well as in the

- policies on the applicable taxes and tax rates;
3. the future operation and management team of the appraised enterprise will fulfil their duties and continue to maintain the existing manner of operation and management;
  4. the assets being valued will be operated, used and maintained in a normal, reasonable and lawful manner to the extent permitted by foreseeable legal, economic and technical conditions;
  5. the accounting policies to be adopted by the appraised enterprise in future will, in all material aspects, be basically consistent with the accounting policies adopted when preparing the Valuation Report;
  6. the principal business structure, revenue and cost composition, cost control of the future business and operation model of the appraised enterprise in the future operation period will be basically consistent with the appraised enterprise's future plans without relatively significant changes. Gains and losses arising from changes in the conditions of the principal business that may occur in the future due to changes in management, operation strategies and business environment are disregarded;
  7. the basic information and financial information provided by the Company, Conch Holdings and the appraised entity is true, accurate and complete;
  8. the assets being valued were appraised based on their actual quantity as at the Valuation Benchmark Date, and the current market prices of the relevant assets were based on the effective domestic prices in the PRC as at the Valuation Benchmark Date;
  9. the scope of the valuation is limited to those disclosed items as provided by the Company, Conch Holdings and the appraised entity, without taking into account any contingent assets and contingent liabilities that may exist outside such disclosed items;
  10. the cash flow of the appraised entity will be an even inflow and outflow;
  11. there are no other force majeure and unforeseeable factors, etc., which will have a material adverse effect on the appraised enterprise;
  12. Conch IT Engineering will continue to lease the premises which are used for production and office in the future; and
  13. Conch IT Engineering obtained the high and new technology enterprise certification on 18 September 2021 and has been enjoying the preferential 15%

enterprise income tax rate for high and new technology enterprise during the period from 2021 to 2023. Assuming Conch IT Engineering will meet the reporting requirements for high and new technology enterprise after 2023, it will continue to enjoy the preferential tax rate policy of 15% enterprise income tax rate.

## **INPUTS OF THE VALUATION**

According to the Valuation Report, under the methodology adopted for the Valuation, the appraised value of the total equity interest of Conch IT Engineering as at the Valuation Benchmark Date is the *sum* of (A) the value of operating assets; (B) the value of long-term equity investments; and (C) the value of surplus and non-operating assets (liabilities) and *less* (D) the value of interest-bearing debts.

### ***(A) Value of operating assets***

The value of operating assets was projected based on the net cash flow forecast and a discount rate for the Relevant Period (as defined below), as set out below:

#### *Net cash flow forecast*

Based on the analysis of Conch IT Engineering's purpose of operation, product composition, capital composition, operation and management level, market development capability and the external environment and development prospect of the industry in which it operates, the Independent Valuer was of the view that it is highly likely that Conch IT Engineering will continue to operate after year 2028, and thus the forecasted term of operation of Conch IT Engineering is perpetual for the purpose of the Valuation, and the net cash flow forecasts of Conch IT Engineering were prepared for the period from August 2023 to December 2028 ("**Relevant Period**").

The forecasted net cash flows of Conch IT Engineering for the Relevant Period were calculated based on the projections of (i) revenue and cost of operation; (ii) tax and other surcharges; (iii) expense during the period; (iv) non-operating revenue and cost; (v) other gains; and (vi) additional capital.

#### *Discount rate*

The weighted average cost of capital (WACC) model was adopted to determine the discount rate used in the Valuation, which was calculated with reference to debt ratio, equity ratio, cost interest rate of interest-bearing debt after income tax and cost of equity capital of Conch IT Engineering. The discount rate was assessed at 12.10%.

### ***(B) Value of long-term equity investments***

The value of long-term equity investments of Conch IT Engineering consisted of its investments in (i) Anhui Haihui Supply Chain Technology Co., Ltd. (安徽海慧供應鏈科技有限公司), in which Conch IT Engineering is interested in 10% of its equity interest; and (ii) China Carbon (Anhui) Environmental Technology Co., Ltd. (中碳(安徽)環境科技有限公司), in which Conch IT Engineering is interested in 65% of its equity interest.

### ***(C) Value of surplus and non-operating assets (liabilities)***

The value of surplus and non-operating assets (liabilities) as at Valuation Benchmark Date represented the value of certain assets (or liabilities) which were not taken into account in the estimation of the net cash flow forecast and were regarded as surplus or non-operating assets (liabilities).

### ***(D) Value of interest-bearing debts***

As at the Valuation Benchmark Date, the value of interest-bearing debts of Conch IT Engineering was nil.

## **ADJUSTMENTS OF THE VALUATION**

After carrying out the necessary appraisal procedures by the Independent Valuer, including inspection and verification, site visit, market survey and enquiry, assessment and estimation, and based on the valuation methodology as set out in the section headed “Inputs of the Valuation” above, the appraised value of total equity interest of Conch IT Engineering as at the Valuation Benchmark Date using income approach was RMB126.40 million, which is equal to the Acquisition Consideration. Therefore, there is no adjustment to the Valuation when determining the Acquisition Consideration.

## **CONFIRMATIONS**

The Board has confirmed that the profit forecast as set out in the Valuation Report has been made after due and careful enquiry.

KPMG, the reporting accountants of the Company, has reported on the calculations of the discounted future cash flows used in the Valuation Report, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Board as set out in the Valuation Report.

A report from KPMG dated 12 January 2024 and a letter from the Board dated 12 January 2024 are included in Appendix I and Appendix II to this announcement, respectively, for the purpose of Rules 14A.68(7) and 14.60A of the Listing Rules.

## EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice included in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
Anhui Zhonglian Guoxin Assets Valuation Company Limited (安徽中聯國信資產評估有限責任公司)	Independent valuer
KPMG	Certified Public Accountants, Hong Kong

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, each of the Independent Valuer and KPMG is a third party independent of the Group and its connected persons. As at the date of this announcement, each of the Independent Valuer and KPMG:

- (i) has given, and has not withdrawn, its written consent to the issue of this announcement that includes its report, statements, opinions and/or all references to its name and qualification in the form and context in which they are included; and
- (ii) does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group.

By Order of the Board  
**Anhui Conch Cement Company Limited**  
**Zhou Xiaochuan**  
Joint Company Secretary

Wuhu City, Anhui Province, the PRC  
12 January 2024

*As at the date of this announcement, the Board comprises (i) Mr. Yang Jun, Mr. Wang Jianchao, Mr. Li Qunfeng, Mr. Zhou Xiaochuan and Mr. Wu Tiejun as executive Directors; (ii) Mr. Qu Wenzhou, Ms. Ho Shuk Yee, Samantha and Ms. Zhang Yunyan as independent non-executive Directors.*

## **APPENDIX I — REPORT FROM KPMG**

*The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*

### **REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 安徽海螺信息技術工程有限責任公司 ANHUI CONCH INFORMATION TECHNOLOGY ENGINEERING CO., LTD.\***

#### **TO THE BOARD OF DIRECTORS OF 安徽海螺水泥股份有限公司 ANHUI CONCH CEMENT COMPANY LIMITED\***

We refer to the discounted future cash flows on which the business valuation (“the Valuation”) dated 15 September 2023 prepared by 安徽中聯國信資產評估有限責任公司 Anhui Zhonglian Guoxin Assets Valuation Company Limited\* in respect of the appraisal of the fair value of 安徽海螺信息技術工程有限責任公司 Anhui Conch Information Technology Engineering Co., Ltd.\* (“the Target Company”) as at 31 July 2023 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **Directors' Responsibilities**

The directors of 安徽海螺水泥股份有限公司 Anhui Conch Cement Company Limited\* (the “Directors”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*\* For identification purpose only*



## **Reporting Accountants' Responsibilities**

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

## **Basis of Opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

## **Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

## **Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

## **KPMG**

*Certified Public Accountants*

Hong Kong

12 January 2024

## APPENDIX II — LETTER FROM THE BOARD

*The following is the full text of the letter dated 12 January 2024, prepared by the Board for inclusion in this announcement.*

12 January 2024  
The Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place,  
Central,  
Hong Kong

Dear Sirs,

### CONNECTED TRANSACTION – ACQUISITION OF 100% EQUITY INTERESTS IN CONCH IT ENGINEERING

We refer to the (i) the announcements of Anhui Conch Cement Company Limited (“**Company**”) dated 15 December 2023 and 12 January 2024, respectively; and (ii) the asset valuation report (Wan Zhonglian Guoxin Ping Bao Zi [2023] No. 242) (“**Valuation Report**”) dated 15 September 2023 in relation to the valuation (“**Valuation**”) of the total equity interest of Anhui Conch Information Technology Engineering Co., Ltd. (安徽海螺信息技術工程有限責任公司) as at the valuation benchmark date of 31 July 2023 prepared by Anhui Zhonglian Guoxin Assets Valuation Company Limited (安徽中聯國信資產評估有限責任公司) (“**Independent Valuer**”).

As discounted cash flow method under the income approach was applied in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). We have discussed with the Independent Valuer about various aspects including the bases and assumptions upon which the Valuation was prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from KPMG regarding whether the discounted future cash flows, so far as the calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report.

Pursuant to the requirements of Rules 14A.68(7) and 14.60A(3) of the Listing Rules, we are of the opinion that the profit forecast as set out in the Valuation Report prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the board of directors of  
**ANHUI CONCH CEMENT COMPANY LIMITED**  
Zhou Xiaochuan  
Executive Director