Stock Codes: 600801

Unit: RMB

Item	2023/2023.12.31	Jan-Sep 2024/2024.9.30

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 after5TBimple10( )-123(5JETI

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

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