

**TO SHAREHOLDERS OF CHILANGA CEMENT PLC
(Formerly Lafarge Zambia Plc)**

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

- The definitions and interpretation commencing on page 7 of this Circular apply throughout this Circular, including this cover page (unless specifically defined where used or the context indicates a contrary intention).
- If you are in any doubt as to the action you should take, please consult your broker, banker, legal adviser, accountant or other professional advisors.



Incorporated in the Republic of Zambia, Company registration number: **120080000304**

Share Code: CHILANGA CEMENT
("Chilanga Cement" or the "Company")

CIRCULAR TO SHAREHOLDERS

regarding

- A mandatory offer from Huaxin (Hainan) Investment Co., Limited ("**Huaxin**") to the minority shareholders in Chilanga Cement to purchase the ordinary shares of Chilanga Cement at a price of K 13.38; and

incorporating

- a summary of the valuation report on Chilanga Cement conducted and prepared by the Independent Financial Adviser; and
- the opinion of the Independent Financial Adviser as to whether the offer by Huaxin is, or is not, fair and reasonable

Sponsoring Broker:

Stockbrokers Zambia



Independent Financial Adviser:

EY Advisory Services Limited Zambia



Legal Adviser:

Corpus Legal Practitioners



Transfer Agent:

ShareTrack Zambia



Date of Issue: 12 May 2022

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CORPORATE INFORMATION**Company Secretary and Registered Office**

Mrs Chibuye Mbesuma Ngulube
Farm No 1880
Kafue Road
Lusaka

Sponsoring Broker

Stockbrokers Zambia Limited
32 Lubu Road Long Acres
P.O. Box 38956 Lusaka

Independent Financial Adviser

EY Advisory Services Limited Zambia
EY Place Plot 354437
Alick Nkata Road
Lusaka

Legal Adviser

Corpus Legal Practitioners
Piziya Office Park
Stand No. 2374,
Thabo Mbeki Road
Lusaka

Transfer Secretary

ShareTrack Zambia
Spectrum House
Stand 10, Great East Road
Jesmondine
Lusaka

ACTION REQUIRED BY SHAREHOLDERS

The definitions commencing on page (7) of this Circular apply to this section.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the actions required by shareholders.

If you have disposed of all your Chilanga Cement Shares, then this Circular should be forwarded to the broker, banker or agent through whom you disposed of such Chilanga Cement Shares except that this Circular should not be forwarded or transmitted by you to any person in any territory other than Zambia, unless the Circular can lawfully be distributed to such person or in such territory.

Chilanga Cement does not accept responsibility and will not be held liable for any act of, or omission by, any Custodian or Broker, including, without limitation, any failure on the part of the Custodian or Broker or any registered holder of Chilanga Cement Shares to notify the holder of any beneficial interest in those Chilanga Cement Shares of the Offer as set out in the Offer Document and this Circular.

THE OFFER BY HUAXIN TO CHILANGA CEMENT SHAREHOLDERS

Shareholders of Chilanga Cement are referred to the separate Offering Document to Chilanga Cement Shareholders sent to them by Huaxin (the “**Offer Document**”) stating the details of the mandatory offer (“**Mandatory Offer**” or the “**Offer**”) that Huaxin has made to the Chilanga Cement shareholders in compliance with the Securities Act.

In terms of that Offer as set out in the separate Offer Document, the options available to Chilanga Cement Shareholders are the following:

- to accept the Offer in respect of all your shares;
- to accept the Offer in respect of part of your shares; or
- to reject the Offer.

If you wish to reject the Offer, you do not need to take any further action.

If you wish to accept the Offer, you must do so in the manner prescribed in the Offer Document.

IMPORTANT LEGAL NOTES

Disclaimer

Chilanga Cement accepts responsibility for the information contained in this Circular, has taken all reasonable care to ensure that this Circular is true and correct in all material respects, does not contain any untrue statement of a material fact, is not misleading and does not omit to state any material fact, the result of which would make the statements, opinions and intentions herein, in the context in which they are made, misleading in any material respect.

SBZ, the Sponsoring Broker, and Corpus Legal Practitioners, the Legal Advisor, have not separately verified the information contained in this Circular. Accordingly, no representation, warranty or undertaking, express or implied is made and no responsibility is accepted by the Sponsoring Broker and the Legal Advisor as to the accuracy or completeness of the information contained in this Circular or any other information provided by Chilanga Cement. The Sponsoring Broker and the Legal Advisor do not accept any liability in relation to the information contained in this Circular or any other information provided by Chilanga Cement in connection with the Offer. The statements made in this paragraph are without prejudice to the responsibilities of Chilanga Cement.

No person has been authorised by Chilanga Cement to give any information or to make any representation not contained in or not consistent with this Circular and, if given or made, such information or representation must not be relied upon as having been authorised by Chilanga Cement or the Sponsoring Broker and the Legal Advisor. Neither the delivery of this Circular nor any subscription made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Chilanga Cement since the date hereof, or that any other financial statement or other information supplied in connection with the Circular is correct at any time subsequent to the date indicated in the document containing the same.

Forward-looking Statements

This Circular includes certain “forward-looking statements”. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation those concerning: Chilanga Cement’s strategy; expected or future financial results, growth prospects and outlook of Chilanga Cement’s operations, individually or in the aggregate; outlook for the industry; Zambian economy; Chilanga Cement’s liquidity and financial position. These forward-looking statements are not based on historical facts, but rather reflect Chilanga Cement’s current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential”, “will”, “will likely result”, “will continue” or similar words and phrases. Similarly, statements that describe Chilanga Cement’s objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Chilanga Cement’s actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although Chilanga Cement believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Chilanga Cement Shareholders should review carefully all information included in this Circular. The forward-looking statements included in this Circular are made only as of the Last Practicable Date. The delivery of this Circular does not at any time imply that the information contained herein is correct at any time subsequent to the Last Practicable Date or that any other information supplied in connection with this Circular is correct as of any time subsequent to the date indicated in the document containing the same.

Chilanga Cement undertakes no obligation to update (whether publicly or otherwise) or to release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of unanticipated events. All forward-looking statements in this Circular and all subsequent written and oral forward-looking statements attributable to Chilanga Cement or any person acting on its behalf have not been reviewed and reported on by Chilanga Cement’s auditors.

SALIENT DATES AND TIMES

Shareholders must refer to and take note of the “Important Dates and Times” Section of the Offer Document

Firm Intention Announcement released on LuSE SENS	Friday, 04 March 2022
Firm Intention Announcement published in the press	Monday, 07 March 2022
Record Date: Share Register record to be used for posting the Circular	Monday, 09 May 2022
Circular posted to Chilanga Cement Shareholders	Thursday, 12 May 2022
Notice of posting of this Circular released on LuSE SENS	Thursday, 12 May 2022
Offer to Chilanga Cement Shareholders opens at 08:00	Thursday, 12 May 2022
Last day to trade in Chilanga Cement shares in order to be eligible to participate in the Mandatory Offer	Tuesday, 07 June 2022
Shares trade “ex” the Offer	Wednesday, 08 June 2022
Offer to Chilanga Cement Shareholders closes at 17:00	Monday, 13 June 2022
Record date: to determine which shareholders may participate in the Mandatory Offer Trade	Monday, 13 June 2022
Last day for receipt of postal acceptances, postmarked on or before Monday, 13 June 2022 to be received by 17:00	Friday, 17 June 2022
Date on which share transfers will be traded on the LuSE (T+0)	Monday, 20 June 2022
Settlement Date (T+3)	Thursday, 23 June 2022
Payment made to shareholders by their respective LuSE member brokers	Thursday, 23 June 2022
Results of the Offer released on LuSE SENS	Monday, 27 June 2022
Results of the Offer published in the press	Tuesday, 28 June 2022

Notes:

- 1. The above dates and times are based on information contained in the Offer Document. The above dates and times are subject to amendment at the discretion of the Offeror, which discretion includes the ability to extend the Closing Date of the Offer, subject to the prior written approval of the LuSE and the SEC being obtained, any change will be released on the LuSE SENS and will be published in the Zambian press.*
- 2. The abovementioned dates and times are Zambian dates and times. All references to days are to Business Days.*
- 3. Payment of the Offer Price will be made within 10 Business Days of the Closing of the Offer.*
- 4. Although the salient dates and times are subject to change, such statement may not be regarded as consent or dispensation for any change to the time period which may be required in terms of the Takeovers and Mergers Rules, where applicable, and any such consent or dispensation must be specifically applied for and approved by the LuSE and the SEC*

DEFINITIONS AND INTERPRETATIONS

The following definitions apply throughout this Circular unless otherwise stated or the context requires otherwise. In this Circular, unless otherwise indicated, the words or phrases in the left-hand column bear the meaning stipulated in the right-hand column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or unincorporated and vice versa) and words in the masculine shall import both the feminine and neuter.

“Acceptance”	Acceptance of the Offer by a Minority Shareholder, subject to the terms and conditions of the Offer;
“Board”	the Board of Directors of Chilanga Cement;
“Broker”	any person registered as a broking member (equities) in terms of the Rules of the LuSE made in accordance with the provisions of the Securities Act;
“Business Day”	any day of the week, excluding Saturdays, Sundays and all official Zambian public holidays;
“Cautionary Announcement”	the announcement published on LuSE SENS by Chilanga Cement on 11 June 2021;
“Chilanga Cement” or “Company”	Chilanga Cement Plc, a public company incorporated in accordance with the laws of Zambia and listed on the LuSE with company registration number 120080000304 ;
“Chilanga Cement Shareholders”	registered holders of Chilanga Cement Shares;
“Chilanga Cement Shares”	ordinary shares in the capital of Chilanga Cement with a par value of ZMW 1.00;
“Circular”	this circular to Chilanga Cement Shareholders dated 12 May 2022 regarding the Offer from Huaxin;
“Closing Date”	the date on which the Offer closes for acceptance by Chilanga Cement Shareholders, in accordance with the terms of the Offer;
“Companies Act”	the Companies Act No. 10 of 2017 of the Laws of Zambia;
“Directors” or “Board”	The Board of Directors of Chilanga Cement;
“Form of Acceptance”	the form of acceptance and authority relating to the Offer for use by Chilanga Cement Shareholders as set out in the Offer Document dated [23 March 2022] which has been sent by the Offeror, to Chilanga Cement Shareholders;
“GRZ”	Government of the Republic of Zambia;
“Huaxin”	Huaxin (Hainan) Investment Co., Limited, a company incorporated in the Peoples Republic of China under registration number 91460100MATRLUB81;
“Holcim”	Lafarge Holcim Group, holding company for Pan African Cement Limited and Financière Lafarge;
“Independent Financial Advisor”	the independent financial adviser to the Select Committee of the Board with respect to the Offer, being EY Advisory Services Limited;

“Last Practicable Date”	Wednesday, 11 May 2022, being the last practicable date prior to the finalisation of this Circular;
“Legal Advisor”	the legal advisor to the SCB with respect to the Offer, being Corpus Legal Practitioners;
“LuSE”	the Lusaka Securities Exchange Plc, a company incorporated in Zambia with registration number 120120030495 and licensed to operate a stock exchange under the Securities Act;
“LuSE CSD”	The LuSE Central Shares Depository Limited, a company incorporated in Zambia with registration number 119960036617, whose functions are to serve as custodian of the LuSE tradable securities and to hold such securities in electronic form in its central depository on behalf of the beneficial owners and to provide clearing and settlement services to the LuSE;
“LuSE SENS”	the stock exchange news service of the LuSE;
“Mandatory Offer” or the “Offer”	the cash offer by the Offeror to acquire any of the Chilanga Cement Ordinary Shares described in the Offer Document on the terms and subject to the Conditions to set out in the Offer Document and in the Form of Acceptance and where the context so arises, any subsequent revision, variation, extension or renewal thereof;
“Offer Price”	the price of ZMW 13.38 per Chilanga Cement Share as set out in the Offer Document;
“Offer Document”	the formal Offer Document sent by the Offeror to the Chilanga Cement Shareholders in accordance with the Takeovers and Mergers Rules;
“Offer Period”	the period of time the Offer is open to the Minority Shareholders, being from 08:00 hours Thursday 12 May 2022 to 17:00 Hours Monday, 13 June 2022;
“Offeror”	Huaxin (Hainan) Investment Co., Limited;
“Record Date 1”	the last date on which a Minority Shareholder must be registered to be in receipt of the offer document in the Offer being 17:00 hours Monday 09 May 2022;
“Record Date 2”	The date to determine which shareholders may participate in the Mandatory Offer Trade being Monday, 13 June 2022;
“SBZ” or “Sponsoring Broker”	Stockbrokers Zambia Limited, a company incorporated in Zambia (registration number 120030052224), a member of the LuSE and licensed by the Securities and Exchange Commission as a dealer and sponsoring broker to the Company;
“SEC”	the Securities and Exchange Commission Zambia, a statutory body established under the Securities Act;
“Securities Act” or “The Act”	The Securities Act No. 41 of 2016 of the laws of Zambia;
“Settlement Date”	The date when settlement of the Offer Price takes place in accordance with Section 7 (“Settlement”) of this Circular;
“Select Committee of the Board”	A committee of the board of directors not truly independent, established in compliance with Rule 9(6) of the Takeover and Mergers Rules to discharge the duties of the Board with regard to the Offer comprising the following

Directors of the Company; Mr. Muna Hantuba (Chairman), Mr. Mwelwa Chibesakunda, Dr. Frank Munthali, and Mr. Mark O'Donnell;

"Takeovers and Mergers Rules" The Securities (Takeovers and Mergers) Rules, subsidiary to the Securities Act and issued as Statutory Instrument No. 170 of 1993;

"Transaction" the transaction contemplated by the Offer as described in the Offer Document;

"Transfer Secretary" ShareTrack Zambia;

"USD" the lawful currency of the United States of America;

"Zambia" the Republic of Zambia;

"ZMW" The lawful currency of the Republic of Zambia;

1. LETTER FROM THE SELECT COMMITTEE OF THE BOARD

Select Committee of Board

Mr. Muna Hantuba (Chairman)

Mr. Mwelwa Chibesakunda

Mr. Mark O'Donnell

Dr Frank Munthali

11 May 2022

To: All shareholders of Chilanga Cement Plc

Dear Shareholders,

OFFER BY HUAXIN (HAINAN) INVESTMENT CO., LIMITED TO MINORITY SHAREHOLDERS OF CHILANGA CEMENT PLC

BACKGROUND

Shareholders are referred to the Cautionary Announcement first issued by Chilanga Cement on 11 June 2021, on SENS, and the Further Cautionary Announcement issued on 30 November 2021; and the Announcement of the Terms of the Mandatory Offer by Huaxin to the Minority Shareholders of Chilanga Cement issued on Friday, 04 March 2022 (together the "**Announcements**")

All the Announcements were issued in compliance with the provisions of the Takeovers and Mergers Rules subsidiary to the Securities Act.

In the Announcements, Chilanga Cement Shareholders were informed that Huaxin had entered into a Share Sale and Purchase Agreement with Pan African Cement Limited and Financière Lafarge Cement SAS, in respect of the sale and purchase of their 50.1% and 24.9% respectively of the issued share capital (the "Shares") of Chilanga Cement which transaction was completed on 30 November 2021 (the "**Transaction**") subject to post-completion price adjustment exercise.

Furthermore, on Friday, 04 March 2022, Chilanga Cement Shareholders were advised that the Board received formal notification from Huaxin of its intention to make a Mandatory Offer to the Minority Shareholders of Chilanga Cement (the "**Offer**") in compliance with section XVI, Rule 13(1) of the Takeovers and Mergers Rules subsidiary to the Securities Act.

In compliance with Rule 56, section XVI of the Takeovers and Mergers Rules issued pursuant to the Securities Act, Huaxin has prepared an Offer Document setting out details of the Offer and incorporating a Form of Acceptance. This Offer Document dated **12 May 2022** has been sent to all Chilanga Cement shareholders alongside this Circular document.

DIRECTORS OF CHILANGA CEMENT

As per shareholder disclosure requirements pertaining to the Offer, the Board of Directors of Chilanga Cement as at the Last Practicable Date was as follows:

CHILANGA CEMENT BOARD OF DIRECTORS	
NAME	DESIGNATION
Mr. Muna Hantuba	Board Chairperson
Mr. Mwelwa Chibesakunda	Non-Executive Director
Dr. Frank Munthali	Non-Executive Director
Mr. Mark O'Donnell	Non-Executive Director
Mr. Chai Jianping	Executive Director

Mrs. Chibuye Ngulube	Board Secretary
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DIRECTORS' INTEREST IN CHILANGA CEMENT

As at the Last Practicable Date, the interest of Directors in the Company's shares as recorded in the Shareholders' Register were as follows:

Name	Number of Ordinary Shares	Holding (%)
Mr Mwelwa Chibesakunda	1500	0.0007
Dr Frank Munthali	2203	0.001
Mr Muna Hantuba	3445	0.002

SELECT COMMITTEE OF THE BOARD

Four of the Directors of the Company were nominated to the Board by Holcim which may give rise to a potential conflict of interest when evaluating the Offer leaving one director to represent the minority shareholders. As a result, the board could not form an independent committee of the board in compliance with Rule 5(3), Section II of the Third Schedule of the Takeovers and Mergers Rules. Accordingly, in compliance with Rule 9(6), Section II of the Third Schedule of the Takeovers and Mergers Rules, the Board appointed a Select Committee of the Board ("SCB") comprising the following Directors:

- Mr. Muna Hantuba;
- Mr. Mwelwa Chibesakunda;
- Mr. Mark O'Donnell; and
- Dr. Frank Munthali.

THE ROLE OF THE SELECT COMMITTEE OF THE BOARD

In light of the above and in order to comply with Rule 9 of Section II of the Third Schedule of the Takeovers and Mergers Rules, the role of the Select Committee of the Board was limited to the general oversight of the Mandatory Offer process including the review of the Opinion of the Independent Financial Advisor. Accordingly, the responsibility for representing the interest of the minority shareholders resided in the Independent Financial Advisor whose views and recommendation are outlined in Section 4 of this Circular.

THE OFFEROR

Huaxin, based in China, is a wholly-owned subsidiary of Huaxin Cement Co. Limited ("**Huaxin Cement**") an entity listed on the Shanghai Stock Exchange in China. As of December 31, 2020, Huaxin Cement is present in 13 provinces in China and 6 countries abroad with almost 250 subsidiaries and branches. The total asset value of Huaxin Cement amounts to over 43 billion CNY (approximately USD 6.6 billion) and has sales of over 29 billion CNY (approximately USD 4.4 billion). Huaxin Cement employs approximately 16,860 persons globally.

Huaxin Cement is a leading player in the manufacturing and marketing of cement products in China. Founded in 1907, Huaxin Cement today has a cement production capacity of 115 million tonnes/year, aggregate production capacity of 55 million tonnes/year and a ready-mix concrete capacity of up to 27 million cubic meters/year. Huaxin Cement is ranked in China's top 500 manufacturing companies and is also listed as a Fortune China 500 company.

ANALYSIS OF THE OFFER

Pursuant to the Takeovers and Mergers Rules, the Board contracted an Independent Financial Advisor to analyse the Offer and advise the minority shareholders and the Board as to whether the Offer is, or is not, fair and reasonable, and the reasons for those conclusions. The Independent Financial Advisor's report is included in Annex A.

BOARD RECOMMENDATION

Some directors of Chilanga have a relationship with Huaxin and Holcim which may affect their determination of the Offer. For this reason, the Board appointed the SCB to discharge the responsibilities of the Board with regard to the Offer but not make a recommendation. The views of the independent financial advisor are outlined in section 4 of this Circular "Independent Financial Advisor's View of the Offer".

ACTIONS TO BE TAKEN BY SHAREHOLDERS

The options open to shareholders and the actions they must take, depending on the option selected, are included in section 5 of this Circular, "Actions to be taken by shareholders."

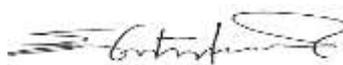
In this regard, we would like to emphasise several points.

- Most importantly, shareholders are free to choose what they would like to do with regard to their shares in Chilanga;
- Having reviewed this Circular and the Offering Document from Huaxin, each shareholder, at his or her sole discretion, is free to sell some or all of the shares he or she owns, or simply to retain all of his or her shares;
- No shareholder is in any way being compelled to sell some or all of his or her shares;
- Each shareholder must make his or her own decision based on the options explained in section 6 of this Circular; and
- Any shareholder having questions should contact his or her broker or the Sponsoring Broker, or seek advice from his or her banker, attorney, accountant or other professional advisors.

Yours faithfully,

Select Committee of the Board

Dated at Lusaka this 11 day of May 2022



Mr. Muna Hantuba

NAME

SIGNATURE

Mr. Mwelwa Chibesakunda

NAME

SIGNATURE

Mr. Mark O'Donnell

NAME

SIGNATURE

Dr. Frank Munthali

NAME

SIGNATURE

2. THE OFFER

This section of the Circular provides a summary of the Offer made by Huaxin, through the Board of Chilanga Cement, to the minority shareholders of Chilanga Cement.

2.1 Terms of the Offer

Huaxin is offering to buy the 50,013,468 (25.0%) shares of Chilanga Cement which it does not currently own at a price per share of K13.38 to be settled at the close of the Offer Period.

At their sole discretion, shareholders registered as members as at the date of the Offer may choose to sell some, all or none of the shares they own in Chilanga Cement.

The Offer is merely an opportunity for minority shareholders to indicate their preference and decide on the Offer given that there has been a change in control of Chilanga Cement.

2.2 Conditions of the Offer

There are no Conditions applicable to the Offer, nor are there any other arrangements in relation to the shares of Huaxin or Chilanga Cement which are material to the Offer.

3. ANALYSIS OF THE OFFER

In order to comply with the provisions of Rule 5(1), Section II of the Third Schedule of the Takeovers and Mergers Rules, the Board retained an Independent Financial Adviser to advise the Board as to whether the Offer is, or is not, fair and reasonable and to render its reasons for this advice. Annexure A at the end of this document provides the report on the Offer prepared by the Independent Financial Adviser, EY Advisory Services Limited, the conclusion of which is that the Offer is, in their opinion, fair and reasonable.

4. INDEPENDENT FINANCIAL ADVISER'S VIEW OF THE OFFER

Pursuant to the provisions of Rule 5(2) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, 1993 an Independent Committee of the Board (if one is constituted) has a responsibility to provide its recommendations to the independent shareholders regarding the acceptance of the Offer. In view of the fact that there is no Independent Committee of the Board, and in accordance with our responsibility under Rule 9(7) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, 1993, we, EY Advisory Services Limited in our capacity as Independent Financial Advisers to Chilanga Cement Plc believe that the Offer is both fair and reasonable. Our views are based on and are subject to the information and qualifications set out in our detailed fairness opinion addressed to the Board of Chilanga Cement Plc, a copy of which is included in this Circular. We assume no responsibility whatsoever for other contents of this Circular.

Notwithstanding the above opinion, it is up to each shareholder to decide whether or not to sell some or all of the shares he or she owns in Chilanga Cement Plc or to retain all of his or her shares after taking into account all relevant factors and market-related considerations including the price of the Ordinary Shares on the Lusaka Securities Exchange. In short, no minority shareholder is being forced to sell some or all of the shares he or she owns in Chilanga Cement Plc.

Yours sincerely,



Patrick Mawire

For and on behalf of **EY Advisory Services Limited**

Signed at Lusaka this 09 day of May 2022

5. ACTIONS TO BE TAKEN BY SHAREHOLDERS

The Minority Shareholders have several options available to them. Depending on the option selected, there may or may not be actions that a Minority Shareholder will have to undertake. These are described in detail below:

5.1 A MINORITY SHAREHOLDER MAY DO NOTHING

A Minority Shareholder may choose to do nothing. Taking no action will confirm that a Minority Shareholder does not wish to sell any of the Ordinary Shares he/ she currently owns. In this case, a Minority Shareholder will simply retain his or her existing Ordinary Shares in the Company, subject to the Companies Act and the LuSE Listing Rules.

5.2 A MINORITY SHAREHOLDER MAY SELL A PORTION OF HIS/HER ORDINARY SHARES IN THE COMPANY

As part of the Mandatory Offer being made by Huaxin under the Takeovers and Mergers Rules, a Minority Shareholder may elect to sell a portion of the Ordinary Shares he or she currently owns to Huaxin. If a Minority Shareholder elects to take this option, he or she should contact their broker or the Sponsoring Broker and tender

the Ordinary Shares he or she wishes to sell at the Offer Price of ZMW 13.38 per share by completing the Form of Acceptance. This tender of Ordinary Shares by Minority Shareholders wishing to sell only a portion of their Ordinary Shares in the Company must be completed, in writing, during the Offer Period as indicated in the timetable on page 5 of this Circular and will be conducted as a normal trade over the LuSE on the trade date at the close of the Offer Period.

Unless otherwise advised by an announcement in the press, offers to sell Ordinary Shares by the Minority Shareholders must be received no later than 17:00 hours on the Closing Date of the Offer Period, namely, Monday, 13 June 2022. Postal acceptances postmarked on or before the above date must be received no later than 17:00 hours on Friday, 17 June 2022. Any changes in these dates will be communicated to Minority Shareholders via an announcement on SENS and in the daily Zambian press, which will appear on consecutive days in at least two Zambian national newspapers.

5.3 A MINORITY SHAREHOLDER MAY SELL ALL OF HIS/ HER ORDINARY SHARES IN THE COMPANY

As part of the Offer being made by Huaxin, and as required under the Takeovers and Mergers Rules, a Minority Shareholder may elect to sell all of the Ordinary Shares he/she currently owns to Huaxin. If a Minority Shareholder elects this option, he/she should contact their broker or the Sponsoring Broker and tender the Ordinary Shares he/she wishes to sell at the Offer Price by completing the Form of Acceptance attached to the Offer Document. This tender of Ordinary Shares by Minority Shareholders wishing to sell all of their Ordinary Shares in the Company must be completed, in writing, during the Offer Period as indicated in the timetable on page 5 of this Circular and will be conducted as a normal trade over the LuSE on the trade date at close of the Offer Period.

Unless otherwise advised by an announcement in the press, offers to sell Ordinary Shares by the Minority Shareholders must be received in writing not later than 17:00 hours on the Closing Date of the Offer Period, namely, Monday, 13 June 2022. Postal acceptances postmarked on or before the above date must be received no later than 17:00 hours on Friday, 17 June 2022. Any changes in these dates will be communicated to Minority Shareholders via an announcement on SENS and in the Zambian daily press, which will appear on consecutive days in at least two Zambian national newspapers.

5.4 NOTE FOR SHAREHOLDERS HOLDING ORDINARY SHARE CERTIFICATES

The trading, clearing and settlement arrangements at the LuSE are based on the LuSE CSD system which does not use share certificates. Accordingly, those Shareholders holding physical share certificates and intending to participate in the Offer are advised to deposit the share certificates evidencing their Ordinary Shares into the LuSE CSD prior to accepting the Offer by contacting any one of the member broking firms of the LuSE.

5.5 ACCEPTANCES ARE IRREVOCABLE

All valid acceptances of the Offer received by your broker on or prior to the Closing Date shall be irrevocable.

5.6 TRANSACTION RECEIPTS

The Company or your broker or the Sponsoring Broker will issue no receipts for Forms of Acceptance, surrender and transfer other than stamping the same in the receipt portion of the application form, if tendered in person, unless specifically requested to do so, in writing, by the Minority Shareholder in question.

5.7 ACCEPTANCES OF THE MANDATORY OFFER BY NOMINEE COMPANIES AND REPRESENTATIVE

Such nominee companies and custody accounts may submit in aggregate or in respect of each Minority Shareholder represented, acceptances of the Offer by recognized nominee companies. Any such representative accepting the Offer warrants that it is duly authorized to do so.

5.8 NO AMENDMENT OR VARIATION OF THE MANDATORY OFFER

No amendment or variation of the Offer shall be valid unless made in writing and signed by Huaxin after the necessary regulatory approvals.

5.9 TREATMENT OF INCOMPLETE FORMS OF ACCEPTANCE

Huaxin reserves the right, at its discretion, to:

- a. Treat as invalid, Forms of Acceptance, that are incomplete or illegible; and
- b. Require proof of the authority of the person signing the Form of Acceptance, surrender and transfer where such proof has not yet been lodged with or recorded by the broker.

5.10 GENERAL

The Minority Shareholders may accept the Offer in respect of all or part of their Ordinary Shares. Minority Shareholders who do not wish to accept the Offer **need not** take any further action and will be deemed to have declined the Offer. The Minority Shareholders who accept the Offer to sell their Ordinary Shares will be responsible for any taxes or costs, including brokerage, LuSE, LuSE CSD and SEC trade commission fees that may be levied on such sale. Neither Huaxin nor Chilanga Cement shall be responsible or liable for any tax liability of any Minority Shareholder on the Ordinary Shares acquired under the Offer from such Minority Shareholder.

6. SETTLEMENT

Settlement of the Offer Price to the Minority Shareholders will take place in accordance with the normal arrangements for trades conducted on the LuSE. Payment of the Offer Price by Huaxin to the Minority Shareholders for the Ordinary Shares acquired shall be made in accordance with the normal LuSE Trading Procedures.

On the first business day following the last day for the receipt of postal acceptances all Ordinary Shares that have been tendered by Minority Shareholders will be traded over the LuSE. Settlement will occur thereafter on T + 3 in accordance with prevailing LuSE Trading Procedures. On T + 3, Minority Shareholders who have tendered Ordinary Shares in the Offer may collect the payment to which they are entitled from their respective LuSE member broker.

Shareholders are reminded to provide their up-to-date bank account details and forwarding addresses to the Transfer Secretary in order to facilitate efficient and expedient payment. In the event that your details have changed, kindly complete a Shareholder Account Detail Form and return it to the Transfer Secretary. The Shareholder Account Detail Form can be collected from the Transfer Secretary's offices, details are as provided below:

Transfer Secretary: ShareTrack Zambia
Address: Spectrum House, Stand No. 10 Jesmondine, Great East Road, P. O Box 37283
Tell: +260 211 374 791/92/93
Email: sharetrack@scs.co.zm
Website: www.sharetrackzambia.com

Thereafter, and unless instructed by a Minority Shareholder, all payments not collected shall, at the Minority Shareholder's risk, be sent to the address of the Minority Shareholder recorded in the Register.

Minority Shareholders wishing to participate in the Offer and tender some or all of their Ordinary Shares should complete the Form of Acceptance attached to the Offer Document and submit it to their LuSE member broker, or the Sponsoring Broker.

Acceptance of the Offer may have an effect on an individual Minority Shareholder's tax position. Minority Shareholders are advised to consult their professional advisors about their personal tax positions.

7. OTHER INFORMATION PERTINENT TO THE OFFER

7.1 CHILANGA CEMENT LISTING ON THE LUSE

The Listing Rules of the LuSE stipulate that, unless otherwise agreed with the Board of the LuSE, twenty-five percent (25%) of each class of equity shares of a company must be held by the public in order for a company to qualify for a full listing on the LuSE. In the event that the percentage of Chilanga Cement shares held by the public falls below this threshold, as a result of this Offer, the Board of the LuSE will take the matter under consideration. Chilanga Cement, would in any case, continue to qualify to have its shares traded on the second tier- i.e. quoted but not listed tier- of the market. That said, shareholders must be advised that a smaller number of shares held by the public could reduce the liquidity and restrict trading in Chilanga Cement shares.

7.2 SALE BY HUAXIN OF PURCHASED SHARES TO ZAMBIAN INSTITUTIONAL INVESTORS

Huaxin has intimated to Government of the Republic of Zambia its willingness to support the growth and development of the Zambian capital market and specifically maintain the listing of Chilanga Cement on the LuSE, subject to compliance with the existing regulations and laws of Zambia.

Accordingly, Huaxin has approached several Zambian institutional investors to seek their support in regard to the desire by Huaxin to maintain the listing of Chilanga Cement on the LuSE with the full free float of 25 %. To maintain the full free float of 25 % shareholding on the LuSE market, the Zambian institutional investors, willing to participate and support the full free float of 25 %, have been requested to buy back all the shares that Huaxin would have acquired from minorities under the mandatory offer exercise.

The sell-down by Huaxin and the immediate purchase of those shares by participating Zambian institutional investors would be done at the same price as the mandatory offer, namely K 13.38 and effected as a “*back-to-back*” arrangement on the settlement date of the mandatory offer Thursday, 23 June 2022.

There is no guarantee expressed or implied that all the shares acquired by Huaxin in the Mandatory Offer process will in turn be bought from Huaxin by the Zambian institutional investors under the *back-to-back* arrangement.

7.3 FINANCIAL ASSURANCE

The SCB of Chilanga Cement believes that Huaxin has the financial capacity to complete the Offer as described in this Circular.

7.4 COSTS OF THE OFFER

The total estimated costs of the Offer incurred by Chilanga Cement amount to about ZMW 1,233,314.50 which includes payments to the various advisors and other third-party service providers. Brokerage and LuSE commissions are the responsibility of the buyer and sellers of shares in the Offer.

DETAILS	ZMW
Sponsoring Broker	263,404.69
Independent Financial Advisor	505,531.25
Legal Advisors	273,000.00
Printing, Posting and Public Relations	104,000.00
Transfer Agent Fees	48,212.50

SEC Scrutiny Fees	16,666.80
LuSE Scrutiny Fees	22,500.00
Total	1,233,314.50

7.5 TAX IMPLICATIONS OF THE OFFER

There are no capital gains or property transfer tax on the sale of listed securities in Zambia. Proceeds from the sale of Chilanga Cement shares, however, may be taxed in the hands of the recipient. Shareholders who sell some or all of their shares in this offer, therefore, may wish to consult with their accountant, tax advisor or other professional advisors on any tax liability.

8. EXPERTS' CONSENT

SBZ, Corpus, and EY Advisory Services Limited have given, and not withdrawn, their consents to the issue of this Circular with the inclusion of their names and report(s) in the forms and contexts in which they appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Chilanga Cement at Farm No 1808, Kafue Road, Chilanga, or at the office of the Sponsoring Broker, from 08.00hrs to 17.00hrs Monday through Friday during the Offer Period:

- 1.1 The Articles of Association of Chilanga Cement;
- 1.2 The audited financial statements of Chilanga Cement for each of the past three financial years up to 31 December 2021;
- 1.3 The report of the Independent Financial Advisor on the Offer;
- 1.4 A signed copy of this Circular;
- 1.5 A signed copy of the Offer Document; and
- 1.6 The consent of all the appointed advisors of Chilanga Cement.

ANNEXURE A – REPORT OF THE INDEPENDENT FINANCIAL ADVISER ON THE OFFER FROM HUAXIN TO THE MINORITY SHAREHOLDERS OF CHILANGA CEMENT

22 March 2022

Reliance Restricted

The Board of Directors
Chilanga Cement Plc
Plot 1880 Kafue Road
Lusaka
Zambia

The Board of Directors

Independent Financial Adviser’s Fairness Opinion on Huaxin (Hainan) Investment Co., Ltd’s Mandatory Offer to Chilanga Cement Plc Minority Shareholders”;

Introduction

We understand that majority shareholders Financière Lafarge SAS and Pan African Cement Ltd sold 75% shareholding in Chilanga Cement Plc (“Chilanga”) representing 150 026 436 shares to Huaxin (Hainan) Investment Co., Ltd. (Huaxin) via trades conducted on the Lusaka Stock Exchange (LuSE”) at a price of ZMW 13.16 per share and the purchase consideration was subject to a post-completion price adjustment. After the adjustment exercise, the final price stands at ZMW13.38 per share.

Accordingly, Huaxin has informed the Board of Chilanga Cement of its intention to undertake the Offer being a cash offer to all minority shareholders of Chilanga Cement, representing a 25.00% shareholding in the Company, at a price per share of ZMW 13.38 to be settled at the close of the Offer period “Proposed Transaction”). The Offer Price is the same price at which Huaxin acquired its majority interest in Chilanga Cement post the price adjustments aforementioned.

This letter is prepared for the purpose of compliance with the Lusaka Securities Exchange (“LuSE”) Harmonised Listing Requirements (the “Listing Requirements”) and the Third Schedule of the Securities Rules (Takeovers and Mergers), Statutory Instrument No. 170 of 1993 subsidiary under the Securities Act No. 41 of 2016.

Scope

EY has been retained by the Board of Directors of Chilanga to provide an independent opinion as to the fairness of the proposed transaction in terms of Schedule 5 of the LuSE Rules, which require that an independent advisor be retained to advise the Board of Directors on whether or not the offer and the terms of the Proposed Transaction are fair insofar as the shareholders of the issuer are concerned.

Our advice relates to the fairness of the purchase consideration for the 25% shareholding in Chilanga which is being offered by Huaxin.

Definition of fairness for the purposes of our opinion

For the purposes of our opinion, “fairness” is based primarily on quantitative factors. Therefore, the price would be considered fair to Shareholders if the price was in line with or higher than the fair value of the Chilanga shares.

Our approach in considering the Proposed Transaction

In considering the price, we have calculated the Market Value of Chilanga’s issued share capital and compared this to the Offer Price of ZMW 13.38 per share. We also note that the price being offered to minorities is the same as the price paid to majority shareholders after the price adjustment.

We have applied the following definition of Market Value in accordance with the International Valuation Standards Council (“IVSC”). Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We also took into consideration:

- Third Schedule of the Securities Rules (Takeovers and Mergers)
- Prevailing economic and market conditions in Zambia
- An assessment of share price trends in the cement industry in Zambia and Africa, and
- General compliance with LuSE independent fairness opinions.

Information utilised

In the course of our analysis, we relied upon financial and other information, including financial information, obtained from Chilanga management, together with industry-related and other information in the public domain. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in formulating our opinion regarding the terms and conditions of the offer include:

- Representations and assumptions made available by, and discussions held with the management of Chilanga.
- Audited financial information for Chilanga for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.
- Draft financial information for Chilanga for the financial year ended 31 December 2021.
- Forecast financial information for Chilanga for the period ending 31 December 2026 and
- S&P Capital IQ, a multinational financial information provider, a division of McGraw Hill Financial.

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, obtained through discussions with the management of Chilanga.

We have relied upon the accuracy and completeness of the information provided to us whether in writing or obtained in discussions without any independent verification of the same. We do not assume any responsibility or liability therefore in relation to the same.

We have further assumed that:

- Chilanga is not involved in any material or legal proceedings;
- Chilanga has no material outstanding disputes with the revenue authorities in Zambia; and
- There are no other contingencies that could affect the value of Chilanga.

Procedures performed

In arriving at our opinion, we have undertaken the following procedures in evaluating the fairness of the Price:

- Setting up initial meetings with the management of Chilanga, to agree the terms and scope of our mandate
- Obtaining an understanding of the operations of Chilanga through:
 - discussions with the management
 - an analysis of publicly available historical and forecast financial information, and
 - a review of other publicly available information
- Performing an independent valuation of Chilanga
- Considering whether (and what quantum) of liquidity and/or marketability discounts may be applicable to the equity of Chilanga for the specifics of the Proposed Transaction;
- Considering any other/qualitative aspects which we believe are of importance; and comparing the pricing of the Proposed Transaction to other market transactions; and

Valuation

The following key value drivers and assumptions were utilised in the valuations:

- Chilanga’s business model and prospects including current and projected production capacity,
- Zambia’s overall economic outlook; and
- Zambia cement market outlook.

We valued Chilanga with reference to its expected future cash flows and earnings potential (Income Approach). We also considered the Market approach which determined the value of Chilanga relative to that of similar companies operating in the same industry and jurisdiction.

Based on our valuation procedures, we have determined the Market Value of Chilanga ranging from ZMW10.03 per share to ZMW12.99 per share as shown in the table below:

Value per share	Low	High
DCF	10.03	12.99
EV/EBITDA	13.68	13.73

In our discussions with Management, we noted that the Company is forecasting subdued revenue growth over the forecast period due to increased competition and pricing pressures in the local market. We also noted a spike in volumes sold in 2021 which was a result of increased demand from Zimbabwe due to a breakdown of a milling plant. We made adjustments to the EBITDA to come up with a more sustainable figure.

We also note the increase in the price of the Chilanga shares and we are of the view that the price increase is mainly due to speculation around the Transaction and that the price will normalise after the Transaction is concluded.

Opinion

Pursuant to the provisions of Rule 5(2) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, 1993 an Independent Committee of the Board (if one is constituted) has a responsibility to provide its opinion to the independent shareholders regarding the acceptance of the Offer. In view of the fact that there is no Independent Committee of the Board, and in accordance with our responsibility under Rule 9(7) of Section II of the Third Schedule to the Securities (Takeovers and Mergers) Rules, 1993, we, EY Advisory Services Limited in our capacity as Independent Financial Advisers to Chilanga Cement Plc believe that the Offer is both fair and reasonable. Our views are based on and are subject to the information and qualifications set out in our detailed fairness opinion addressed to the Board of Chilanga Cement Plc, a copy of which is included in this Circular. We assume no responsibility whatsoever for other contents of this Circular.

Notwithstanding the above opinion, it is up to each shareholder to decide whether or not to sell some or all of the shares he or she owns in Chilanga Cement Plc or to retain all of his or her shares after taking into account all relevant factors and market-related considerations including the price of the Ordinary Shares on the Lusaka Securities Exchange. In short, no minority shareholder is being forced to sell some or all of the shares he or she owns in Chilanga Cement Plc.

Use of this opinion

This opinion is provided solely for the use of the Shareholders of Chilanga in connection with and for the purpose of their consideration of the Proposed Transaction. Chilanga may make the opinion available to regulators to comply with law or the requirements of the LuSE. In these circumstances, Chilanga will limit the disclosure only to that which is necessary to comply with the law or LuSE requirements;

This opinion does not purport to contain all the information required for an investment or disposal decision, and the content may not be relied upon by any third party.

This opinion shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in any manner or for any purpose, without the prior consent of EY.

Limiting conditions

We have relied upon the accuracy of the information used by us in deriving our opinion albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third party/parties, historic precedent or our own knowledge and understanding. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of Chilanga.

The opinion expressed herein is necessarily based upon the information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals required in connection with the proposed transaction, have been or will be properly fulfilled/obtained.

Subsequent developments may affect our opinion. However, we are under no obligation to update, revise or re-affirm such.



EY Advisory Services Limited
EY Place, Plot No.354437
Alick Nkhata Road,
P O Box 35483, Lusaka 10101, Zambia

Tel: +26 (0) 211 378300
Fax: +26 (0) 211 378302
E-mail: patrick.mawire@zm.ey.com

Independence

We have been retained as an independent adviser to the Board of Directors of Chilanga and we will receive a fixed fee for the services provided in connection herewith, which fee is payable upon delivery of this opinion. We confirm that, other than the aforementioned, we have no interest, direct or indirect, beneficial or non-beneficial, in Chilanga; or in the success or failure of the Proposed Transaction which forms the subject matter hereof.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Mawire', with a small flourish at the end.

Patrick Mawire
For and on behalf of EY Advisory Services Limited