

Analysis of Green Merger: Evidence from Anhui Conch Cement Company Limited Getting Anhui Conch New

Tian Zheng *

School of Management, Zhejiang University of Technology, Hangzhou, China

* Corresponding Author Email: 1610011001@stu.sqxy.edu.cn

Abstract. In order to the goal of achieving the carbon peak by 2030, many enterprises had to take the green transition, so the green merger and acquisition came into being, becoming one of the important means of the green transformation of many enterprise, so it is important to investigate whether green mergers can really bring enough performance to enterprises, this study mainly wants to explore based on the example of green merges and acquisitions to find out if green merchandise is really the best option of the Green Transition. The cement industry is the current high carbon emission industry, and the Conch Cement Company Limited as the largest cement production enterprise in China, the obligation and responsibility to lead the green Transformation, so this study has chosen the Conch Cement Company Limited for the purchase of the Conch New Energy Company in 2021, the analysis of the acquisition performance. This study will consider the green and purchase performance, clear green and buy definition and based on the case analysis, from both financial and non-financial performance, measure and make this purchase.

Keywords: Green Merger; Anhui Conch Cement Company Limited; Anhui Conch New Energy Company.

1. Introduction

The Paris Agreement represents a global green, low-carbon transition, and is the minimum action needed to protect the planet's home, and countries must take decisive steps. China will increase national contribution, take stronger policies and measures, and carbon dioxide emissions struggle to peak by 2030 and strive to carbon-medium peace by 2060. In order to fully implement the goal, China first in October 2021 issued the Carbon Peak Action Programme for 2030 to define the "Fourteen Five" target, by 2025, decarbonized energy consumption will reach about 20% and the total domestic energy production unit value will decrease by 13.5% in 2020, all domestic production units should be reduced to green, and this should be achieved by 18%, the main means of achieving green carbon emissions in 2020.

China is a cement production country, total production is the first in the world, and the cement industry as a traditional energy-intensive good pollution industry, in the production process will produce a lot of harmful gases such as carbon dioxide, sulfur dioxide, according to the cement network data, 2020 China cement industry carbon emissions about 1.23 billion tons, about 84.3% of the building materials industry, about 13.5% of the country, so the cement industry is the key to solve the problem of carbon peak industry, is also the top priority under the double carbon target. At present, most of the research focuses on the overall performance analysis of the green transformation of the cement industry, but rarely pays attention to the role of emerging green acquisitions in the green transformation, so it is very meaningful to conduct a separate analysis of green mergers and acquisitions. According to the literature, as one can see, Zhong mainly studied the financial performance of the green transformation process of conch Cement, Using EVA new evaluation method, the green transformation of conch cement is more successful [1]. Generation is observed the impact of supply-side structural reform [2]. Others also paid attention to accounting information disclosure and various financial performance indicators, Explore the financial impact of green transformation [3, 4]. Ding is refined to pay attention to the change of conch cement operating capacity [5]. Wei mainly through the internal and external environment analysis and comparison and the implementation of conch cement strategy more detailed green transformation in cement

production performance impact [6]. Li explored the conch Cement under Belt and Road through the Harrow analysis framework to find the development point through the strategy [7]. Lin reported that Conch Cement will continue to increase the investment in new energy by [8]. Zhang and Liu further analyzed the changes of non-financial performance under the green transformation of Conch Cement on the basis of the former [9, 10].

As a large cement enterprise in China, Conch Cement has always been one of the leading enterprises in China's cement industry. Therefore, after the dual-carbon target was proposed, it also responded positively and actively sought ways to carry out green transformation. This study is based on the case of Conch Cement acquiring 100% equity of Conch New Energy on 1 September, 2021, and tries to analyze the utility of green merger and enterprises in the cement industry. This study will explore the results of green mergers and acquisitions from two aspects of financial and market conditions and evaluate and suggest the acquisition of Conch Cement.

2. Introduction of Acquisition Cases

Anhui conch cement co., LTD. (hereinafter referred to as the "conch cement") belongs to conch group, conch group is one of the world's largest cement building materials enterprise groups, the conch and energy conservation and environmental protection new materials co., LTD., and China conch environmental protection holding co., LTD., two listed companies, including conch cement is extremely important part of the group. Conch Cement was founded on September 1, 1997, listed on the Stock Exchange of Hong Kong on October 21, 1997, and listed on the Shanghai Stock Exchange on February 7, 2002. At present, Conch Cement is the largest cement enterprise in China. At the same time, its scale and market value are far ahead of other listed cement companies. Its main business is the production and sales of cement, commercial clinker, aggregate and concrete.

Conch New Energy was established in March 2018. Its main business scope includes technology development and technical services in the fields of photovoltaic power generation, wind power generation and energy storage system, construction, operation and management of power projects, power sales, power engineering, mechanical and electrical engineering construction, etc. On August 30, 2021, Conch Cement acquired 100% of the shares of Conch New Energy Company with 443,210,600 yuan, making it a wholly-owned subsidiary company. One has learned from the acquisition announcement that the acquisition is mainly considered in the following factors. Conch new energy as photovoltaic power generation, wind power generation and other power energy related business, can provide a lot of power support for conch cement in the cement production process, save part of the power cost. While focusing on the development of the cement industry as the main industry of the company, Develop the corresponding new energy industries, Promote diversified industrial development. New energy has high environmental benefits, The use of new energy power generation can effectively reduce the emissions of carbon dioxide, sulfur dioxide and other harmful gases generated by traditional power generation, in line with China's relevant policy requirements of carbon peak and carbon neutrality. At the same time, it will promote the green transformation of the cement industry. According to the three points shown in the announcement, the acquisition is through a vertical acquisition of the upstream power generation industry, on the basis of saving part of the cost, taking into account their own social responsibility and social benefits, belongs to a successful acquisition to kill two birds with one stone. Next, this paper wants to analyze the performance change of conch cement before and after the merger and analyze whether the merger has brought a lot of profits as the announcement said.

First of all, this paper will first explore whether the merger is a green merger and acquisition through analysis and demonstration, that is, to analyze whether the merger and acquisition can effectively provide effective help to environmental protection. According to conch cement announcement on March 8, 2022, conch cement in 2022 new energy industry plans to invest 5 billion yuan for the development of new energy business such as photovoltaic power station, is expected at the end of 2022 photovoltaic machine capacity of 1GW, generating capacity of 1 billion degrees,

conch cement in 2020 power consumption estimated about 14.47 billion degrees, equivalent to reduce nearly 7% of the traditional power generation carbon emissions. According to relevant calculations and statistics, it is conservatively estimated that one kilowatt of electricity will produce about 0.5 kg of carbon dioxide emissions. By the end of 2022, it is roughly estimated that photovoltaic power stations can reduce the annual carbon dioxide emissions by 500,000 tons, and at the same time, more carbon emissions can be reduced due to the essential consumption and waste in the production process.

According to conch cement released in 2021 and 2022 enterprise ESG report one can get conch cement two years greenhouse gas emissions data is carbon dioxide emissions data as shown in Table 1, including a category mainly by the traditional fuel in the production of carbon dioxide emissions, and category refers to the power generated by outsourcing of carbon dioxide emissions. Among them, one can see that the carbon dioxide emission reduced by category I is only half of the category of carbon dioxide emission, so the clean energy construction plays a great role in carbon reduction. In terms of clean energy, conch cement is mainly using wind, light storage, and biomass energy three main ways, photovoltaic capacity in 2022 reached 246 million KWH, and wind power and biomass power generation only 1.1579 million KWH and 2.9142 million KWH, far less than photovoltaic capacity, so mainly rely on carbon reduction of photovoltaic industry. In photovoltaic power generation, acquisition before conch new energy, conch cement mainly depends on 2020 investment acceptance of building heart conch cement light storage integration project, in 2021 through its generating 110 million KWH, after the acquisition of conch new energy, incorporated into and doubled the photovoltaic capacity, visible conch new energy in conch cement reducing carbon dioxide emissions plays an important role.

According to the demonstration, this paper has reason to think that this merger and acquisition can indeed effectively help Conch Cement to provide effective help in reducing carbon dioxide emissions, and plays an important role in environmental protection, so this merger and acquisition belongs to the category of green merger and acquisition.

Table 1. Greenhouse gas emissions from Conch Cement in 2021-2022.

Tons	Category 1: greenhouse gas emissions	Category 2: greenhouse gas emissions	Total greenhouse gas emissions
2021	198,131,964	13,010,677	211,142,641
2022	195,591,767	8,459,680	204,051,447

3. Acquisition Performance Analysis

3.1. Financial Performance Analysis

In order to explore whether the merger saves some of the cost and promotes the diversified development of the industry as shown in the acquisition announcement, this paper, based on the financial data of Conch Cement in the three years from 2020 to 2022, analyzes the changes of financial data before and after the acquisition of Conch Cement and analyzes the whole financial effect after the acquisition of Conch Cement.

First according to the announcement content in the three years report data the most intuitive should reflect the conch cement on the operating cost, Table 2 reflects the three years about cost related data, total cost can be seen from the table in the past three years, side reflects the cost does have some reduction, and eliminate the interference costs one can find directly, operating cost overall trend and total cost trend, even reduce more than total cost, visible influence deeper. As can be seen from the previous analysis, at least in terms of outsourcing power, photovoltaic power generation accounts for the main part, so it plays a certain role in the cost reduction. This paper also focuses on the company net profit during the three years also showed signs of sharp decline, operating income also appear obvious downward trend, side reflects part of the conch cement recent sales decline, so this is part of the cost reduction, so in the acquisition of conch new energy is not accurate, cannot confirm whether conducive to diversified development. Therefore, this paper detailed net profit to conch new energy

found that in 2021, conch new energy in the pre-merger report reflected net profit of 38904445 yuan, and in the growth trend, can be considered to bring part of the income and net profit.

Table 2. Total operating cost and operating cost of Conch Cement from 2020 to 2022.

Hundred millions	2020	2021	Growth	2022	Growth
Total operating cost	1336.16	1279.53	-4.24%	1141.15	-10.82%
Cost in business	1254.58	1181.85	-5.80%	1038.97	-12.09%

Because conch new energy belongs to photovoltaic energy storage industry, it will bring the corresponding increase in fixed assets. Table 3 is in 2020-2022, fixed assets and construction changes, one can observe at the end of 2021 fixed assets appeared a small increase, and fixed assets at the end of 2022 growth reached 22.04%, this part is because during 2022 increase 5 billion yuan of photovoltaic industry development, investment built part of the photovoltaic power station, lead to the end of the photovoltaic capacity increased significantly. At the same time, the book value of conch new energy on the merger day shows that the fixed assets of conch new energy is 659575813 yuan, and the construction project is 29271920 yuan, accounting for about 20% of the change value of fixed assets in 2021, which plays an important role in the growth of the fixed assets of enterprises and helps enterprises to expand their scale.

Table 3. Conch Cement fixed assets and projects under construction from 2020 to 2022.

Hundred millions	2020	2021	Growth	2022	Growth
Capital assets	632.74	665.22	5.13%	811.82	22.04%
Construction in process	47.11	72.73	54.39%	87.87	15.31%

3.2. Non-financial Performance Analysis

This article also focuses on the merger of conch cement in the non-financial help. First is the indispensable environmental performance of green mergers and acquisitions, the above also introduces the acquisition of conch new energy, 2022 annual photovoltaic capacity has 246 million KWH, and about the reduced nearly 5 million tons of carbon dioxide emissions, other new energy power generation can approximate ignore its role, so the acquisition on the environmental performance in reducing greenhouse gas emissions.

In terms of social performance, Conch New Energy has released its own ESG report in the past three years, reflecting its achievements in social environment and corporate governance. In order to reflect the achievements of conch cement in social performance. So, by introducing the ESG rating system of Runling Global. The highest rating is a grade AAA while the lowest grade is CCC grade. At present, domestic enterprises are best A, and usually for the financial and other environmental pollution-free enterprises, Conch cement was rated BBB except in 2021, second only to Class A. He was also rated a BB in 2021, it shows that the social performance of conch cement is very good. From the pipe and cement industry, Most cement enterprises are rated lower than conch cement. In the score of the conch cement ESG score is also much higher than the industry average, since conch new energy belongs to photovoltaic power generation. The importance and role in the green transformation and ESG management system is second only to its process improvement in the cement production process, so part of the performance is also attributed to the merger.

4. Acquisition Evaluation and Recommendations

According to the above content of this article, one can basically identify this merger as a successful one, which can mainly see it from the following four aspects. The first is the environmental performance, upon completion of the acquisition, Conch New Energy provides a large amount of photovoltaic power generation in cement production, far ahead of other types of new energy generation. Through this part of electricity generation saves a lot of outsourced electricity or harmful gases from conventional power generation. Through the acquisition of advanced energy storage technology can also save power loss to achieve the green utility of reducing emissions. In terms of

financial performance, the acquisition has effectively reduced some of the operating costs. At the same time, it has increased the photovoltaic power generation assets. To provide a sufficient foundation for the further development of conch Cement photovoltaic industry, it also has certain tax benefits, effectively reduce the cost of conch cement. In terms of social performance, from 2021, fully reflect the company's emphasis on social performance, the acquisition has helped Conch Cement have a better social image. Environment, as a means of governance provides high social benefits, sets up a good social image for conch cement. Finally, the market benefits, Conch cement, as the largest cement production enterprise in China. Its province is the weathervane of cement enterprises, upon completion of the acquisition. To establish a good corporate image for other cement enterprises in the market, consolidate the market position.

On this basis, this study thinks conch cement on the basis of the mergers and acquisitions, absorb the successful experience of the merger, continue to use green mergers and acquisitions to promote their green transformation. Through green mergers and acquisitions to reduce such as cement production process, emissions of the harmful gas in the green mergers and acquisitions can also actively promote the continuous development of green industry, insist on improving their production performance while both their social responsibility and environmental protection responsibility.

5. Conclusion

According to the analysis, it can be seen that conch cement after completing the acquisition success through photovoltaic power saved some cost, and under the technical blessing in 2022 can reach 246 million KWH high capacity, according to the industrial electricity price of 0.5 yuan / KWH estimates, roughly can save 130 million yuan, but also improve the energy storage technology, on the basis of the original further cost savings. At the same time, in 2022, Conch Cement will also increase the investment of 5 billion yuan in the development of conch new energy, continue to invest in the construction of photovoltaic power stations and energy storage technology, simultaneously promote the new energy industry, and diversified development of the industry on the original basis of the company. Compared with other new energy generation, conch new energy as photovoltaic power generation is much higher than other new energy generation. Through new energy generation, it reduces the emissions of carbon dioxide and other harmful gases brought by traditional power generation, providing its own strength for China to achieve the dual-carbon goal. Above aspects fully in line with the conch cement acquisition report target, it can be seen that the mergers and acquisitions is very successful, for cement enterprises and other enterprises for green mergers and acquisitions provides a good model, hope that other enterprises in green mergers and acquisitions can draw lessons from the case, complete green and high performance of mergers and acquisitions, contribute to achieve double carbon goals.

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