

Huaxin Cement Co., Ltd.

Announcement on the Operation and B to H Plan

To the best of our knowledge, the Board of Directors of the Company and its members confirm that there is no material false or misleading statement or material omission in this announcement and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its content.

The B to H conversion plan of Huaxin Cement Company has been approved by CSRC and the listing hearing of Hongkong Stock Exchange. It's in the phase of cash option and overseas investors can choose cross-border transfer. To ensure the success of the plan, we hereby introduce the operation of the company for investors to gain a deep understanding of it.

I. Huaxin is a competitive leadership enterprise in cement industry

Initiated in 1907, as one of the oldest cement enterprises, Huaxin has endured a hundred years of vicissitudes and survived until today with vigor and vitality. As of the end of 2021, it has cement grinding capacity of 116 million tons/y (top 7 globally) in 14 provinces and 8 overseas countries, RMX of 43.8 million m³/y, aggregate 154 million tons/y (top 2 in China), packaging 700 million bags/y and waste disposal 5.53 million tons/y.

II. High quality, high speed and high profit development in 2021

In 2021, the company anchored the established target of Five Year Double Performance, further implemented the strategy of "Integrated Transformation Development, Overseas Expansion, High-tech Building Materials Expansion and Traditional Industry + Digital innovation", "stabilize price and quantity and operation" to ensure the stable performance. Huaxin has made breakthrough in various aspects, revealing a good beginning for the Fourteenth Five Year Plan.

1. Stick to the red line of safety and eco-friendly to reinforce the basis

All the plants discharge wastes with permission. Plants along Yangtze River dispose almost zero waste water. Sample test for quality by market regulatory authority has reached 100% of pass rate.

Through improving maintenance quality and risk monitor of key equipment operation to improve the consumption of alternative fuel, the thermal consumption of cement products reduced by 15.7 kcal/kg; the comparable energy consumption of 11 kiln plants is lower than 100 kgce/t.

Co-researched with Hunan University, the world's first Auto Production Line of Cement Kiln CO₂ Carbon Absorption to Produce Brick in Wuxue industrial zone was commissioned.

Huaxin has developed C180 UHPC, which was used in Shanghai bridge projects.

2. Accelerate the integration strategy to drive high quality development

With regard to cement business, within the year, the M&A assets in Zambia and Malawi was successfully delivered, adding 1.75 million tons of cement capacity; the Company completed the renovation of the 1.5 million ton/year cement grinding station of the Mavinni plant in Tanzania; 3,000 t/d cement clinker line in Narayani, Nepal was commissioned on January 8, 2022. Overseas cement capacity reached 12.19 million tons/y.

In terms of aggregate, 10 aggregate production lines including Yangxin 100 million tons/y machine-made sand are under progress. The operation of those projects is expected to push the aggregate production capacity to 270 million tons/y, which will significantly enhance the company's competitiveness.

The concrete integration business has been rapidly expanded, and 20 concrete integration sites such as Chibi, Chenzhou, Shuicheng, and Zhaotong have been completed and put into operation; Huaxin is committed to the integration strategy along river. Apart from Changzhou project, 2 new stations are added. Total concrete capacity is 16.7 million m³/y.

The alternative fuel project was quickly launched, and standardized design was completed. 16 such projects were approved by the environmental impact assessment. The goal is to control all the kiln's clinker energy consumption under 110Kgce/t, that of 2,500 tons/d or below under 100 Kgce/t with alternative fuel, co-processing and technology upgrade.

In terms of new business, the production lines of Zhuzhou eco bricks and Jianchuan eco bricks were put into operation, with an additional capacity of 180 million pieces. The acquisition of the first aerated block brick/board plant in Hainan was completed, Yunxian aerated block production line was successfully put into operation, with an additional capacity of 850,000m³/y. The Changyang ceramsite, Xiangyang lime and Wanyuan lime projects have been put into operation successfully, with an additional capacity of 390,000 tons/year.

III. Business plan of 2022

In 2022, the integration and international development contributes to the expansion of cement, aggregate and concrete. The Company entered into the period of high-speed growth.

Huaxin has formulated a Double Performance plan, which illustrates 60 billion yuan investment in upgrading cement, aggregate, concrete, new business and eco business in an effort to push the upgrade of the company and quality development. In 2021, the capex was 7.16 billion yuan, up by 68% over 2020. In 2022, that is 12.2 billion yuan, expediting the materialization of the strategy.

IV. Significance of B to H plan

Considering the liquidity of B share and the necessity of international development of Huaxin, Huaxin decided to convert B share to H share. After the conversion, the trading of H share will be active; and it will further improve the corporate governance structure, accelerate the globalization, widen the brand popularity and influence, elevate the overseas capital operation and leverage on overseas capital resources and market stimulus to reinforce competitiveness. B to H plan accords with the strategy of the company and is beneficial to the long term development of the Company.

Huaxin hopes that investors can fully acknowledge the competitiveness and potential of growth of Huaxin Cement, support the B 2 H plan. The company will be committed to operate enduring business with a persistent will and pay back investors with excellent performance.

It is herewith announced.

Huaxin Cement Co., Ltd.
Board of Directors
March 10, 2022