

Huaxin Cement Co., Ltd.

Announcement on the Related Party Transaction of Having a Stake in Huangshi State-owned Asset Operation Limited Company

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.

Key notes:

1. Huaxin Cement Company Limited (hereinafter referred to as the Company or Huaxin Cement), together with State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government (**hereinafter referred to as Huangshi SASAC**) and Huangshi State-owned Assets Operation Limited Company (**hereinafter referred to as Huangshi State-owned Assets Company**), signed the *Capital Increase Agreement*. Huaxin Cement uses self-owned fund of 1 billion yuan to invest in the Huangshi State-owned Assets Company. Huaxin Cement will hold 5.2173% shares of the Huangshi State-owned Assets Company.
2. This connected transaction does not constitute a material asset reorganization as stipulated in the "Measures for Administration of Material Assets Reorganization of Listed Companies".
3. This connected transaction does not need the approval of the Shareholders' General Meeting.
4. In the past 12 months, the Company has not had any related transactions related to this transaction category with Huangshi SASAC and Huangshi State-owned Assets Company. In the past 12 months, the company has not conducted transactions related to this transaction category with other related parties.

I. Brief of the transaction

1. Basics of the transaction

On May 20, 2022, the Company together with State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government and Huangshi State-owned Assets Operation Limited Company, signed the *Capital Increase Agreement*. The Company uses self-owned fund of 1 billion yuan to invest in the Huangshi State-owned Assets Company. The Company will hold 5.2173% shares of the Huangshi State-owned Assets Company.

2. Purpose and reason of the transaction

Huangshi State-owned Assets Company has rich experience and good performance in the development of green mine investment, sand and gravel handling center, clean

energy, high-tech industry investment and other business development, which is in line with the company's industrial development orientation. The transaction will facilitate two parties to deepen strategic cooperation in the future, further promote the company to accelerate the layout of non-cement business, improve the company's scientific and technological innovation capabilities, and help the company to achieve green and low-carbon transformation and development of an integrated industrial chain.

3. Procedures to be performed for the agreement to take effect

The transaction will take effect after all parties perform due procedure. The investor Huaxin Cement board's approval and Huangshi SASAC submits to the Huangshi Municipal People's Government for approval.

4. Others

As of December 31, 2021, the Company's net assets were RMB 29.378 billion. The amount of this investment accounts for 3.4% of the Company's latest audited net assets, so this connected transaction does not constitute a major asset reorganization as stipulated in the "Administrative Measures for Major Asset Restructuring of Listed Companies", and this connected transaction does not need to be approved by the general meeting of shareholders.

Up to this connected transaction, the Company has not had any connected transaction related to this transaction category with Huangshi SASAC and Huangshi State-owned Assets Company in the past 12 months. In the past 12 months, the company has not conducted transactions related to this transaction category with other related parties.

II. Introduction of the related party

(1). Related relation

Huangshi SASAC holds 100% shares of Huangshi State-owned Assets Company, and Huangshi State-owned Assets Company holds 100% shares of Huaxin Group. Huaxin Group holds 16.12% shares of the Company, a major shareholder of the Company. The transaction is a related party transaction.

(2). Basics of related party

1. State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government

Huangshi Municipal People's Government State-owned Assets Supervision and Administration Commission is under Huangshi Municipal Government. The Huangshi

Municipal Government authorizes the State-owned Assets Supervision and Administration Commission to perform the responsibility of the investor on behalf of the Municipal Government, and is responsible for supervising the municipal state-owned assets.

Except for indirectly holding 16.12% of the company's equity, Huangshi SASAC does not have any relationship with the Company in terms of business, assets, creditor's rights and debts, personnel, etc.

2. Huangshi State-owned Assets Operation Limited Company

Unified social credit code: 914202007327274327

Registration address: Room 201, 301, 401, Building 14, Building 14-18, No. 185, Jinshan Avenue, Tieshan District, Huangshi Economic and Technological Development Zone

Legal representative: Cheng Shanshan

Registered capital: 1.7 billion yuan (capital increase of RMB 200 million on March 8, 2022)

Business scope: State-owned assets operation and management, state-owned assets property (share) rights transaction services, financing and investment, asset leasing, information consulting, agency and other intermediary services within the scope of authorization.

Date of establishment: December 25, 2002

Since the establishment of Huangshi State-owned Assets Company, it has gradually formed four main business sectors: mining terminals, technological innovation, modern services, and cultural tourism. In the past three years, the state-owned company in Huangshi City has developed steadily, and its main business has not undergone major changes. As of December 31, 2021, Huangshi State-owned Assets Company's total consolidated assets were 32.219 billion yuan, net assets were 14.175 billion yuan, and the asset-liability ratio was 56.01%; in 2021, it will achieve operating income of 6.512 billion yuan and net profit of 1.190 billion yuan (audited) . As of March 31, 2022, Huangshi State-owned Assets Co., Ltd. had total consolidated assets of 34.622 billion yuan, net assets of 14.486 billion yuan, and an asset-liability ratio of 58.16%; in the first quarter of 2022, it achieved operating income of 1.826 billion yuan and net profit of 61 million yuan.

Except for indirectly holding 16.12% of the company's equity, the company does not have any relationship with the Huangshi SASAC in terms of business, assets, creditor's rights and debts, personnel, etc.

III. The main content and performance arrangements of the related party transaction agreement

(1) The main terms of the related party transaction contract

1. The entity signing the agreement

Party A: Huaxin Cement Co., Ltd

Party B: State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government

Party C: Huangshi State-owned Assets Operation Limited Company

2. Investment amount and shareholding

All parties unanimously confirmed that Party C will increase RMB 93,577,017.42 on the basis of the existing registered capital of RMB 1.7 billion and the registered capital of Party C will be increased to RMB 1,793,577,017.42 In this investment, Party A subscribes for all the capital increase of Party C for RMB 1,000,000,000 (capital increase), of which RMB 93,577,017.42 will be included into the registered capital of Party C and RMB 906,422,982.58 will be included into party C's capital reserve.

After the completion of the statutory procedures for capital increase, the registered capital of Party C is RMB 1,793,577,017.42, and the shareholding structure is as follows: Party A holds 5.2173 % of the equity of Party C and Party B holds 94.7827% of the equity of Party C.

3. Payment method

Within 10 days after the agreement comes into effect, Party A shall pay RMB 1 billion in cash to the account designated by Party C.

4. Registration of changes

Within 15 days after Party A's payment is in place, Party C shall complete the registration of the industrial and commercial change of the capital increase.

5. The effective time and conditions of the investment agreement

The agreement shall not take effect until the parties have obtained the approval of the competent authorities for the capital increase.

6. Liability for breach of contract

Once the agreement has been signed, the parties to the agreement shall strictly abide by it, and either party shall bear all losses caused by the breach of contract by either party.

IV. The impact of the related party transaction on the company

Since Huangshi State-owned Assets Company has rich experience and good performance in the development of green mine investment, sand and gravel handling center, clean energy, high-tech industry investment and other business development, the Company strengthened cooperation with Huangshi State-owned Assets Company, the transaction will facilitate two parties to deepen strategic cooperation in the future,

further promote the company to accelerate the layout of non-cement business, improve the company's scientific and technological innovation capabilities, and help the company to achieve green and low-carbon transformation and development of an integrated industrial chain.

The related party transaction does not involve any change in management, personnel placement, land lease, etc. of all parties.

After the completion of the transaction, the company and the Huangshi State-owned Assets Company will not add other related party transactions, and there will be no horizontal competition, non-operating capital occupation and other matters.

V. Other information descriptions

In this transaction, Zhongda Zhiyuan Real Estate Asset Appraisal (Wuhan) Co., Ltd., which has securities and futures qualifications, engaged in the asset appraisal of the total equity value of Huangshi State-owned Assets Company, and the valuation base date is December 31, 2021. According to the Asset Appraisal Report ([2022] No.4209) issued by Zhongda Zhiyuan Real Estate Asset Appraisal (Wuhan) Co., Ltd., as of December 31, 2021, the value of the total equity of shareholders of Huangshi State-owned Assets Company assessed by the asset based approach was RMB 17,966,853,800, an increase of RMB 3,792,285,100 compared with the equity attributable to the owners of the parent company of 14,174,568,700, with an appreciation rate of 26.75%.

Between the valuation date (i.e. 31 December 2021) and the date of settlement of equity under the Capital Injection Agreement, Huangshi State-owned Assets Commission injected capital of RMB200 million to Huangshi State-owned Assets Company on 8 March 2022. Therefore, based on the principle of fairness and justice, the parties to the Capital Injection Agreement unanimously agreed that the price for the Company's capital injection is set at RMB 10.6863 per share.

VI. The reviewing procedures should be performed in this connected transaction

(1) The reviewing and voting of the Board Meeting

The Board Meeting adopted a voting method of on-site voting combined with online voting on May 30, 2022, through reviewing and voting of this connected transaction, the voting results are: There are 9 directors of the Company, and the related directors Mr. Li Yeqing and Mr. Liu Fengshan recused themselves from voting, and the number of valid votes was 7, of which 7 votes were affirmative, accounting for 100% of the valid votes; 0 votes were negative; 0 abstentions.

(2) Opinions of independent directors

The independent directors of the Company issued prior approval and independent opinions on the related party transaction.

1. Prior approval

The independent non-Executive Directors of the Company, Mr. Zhang Jiping, Mr. Jiang Hong and Mr. Wong Kun Kau, have carefully reviewed the relevant information on the above-mentioned connected transactions, and expressed their opinions as follows:

We have fully understood the related transactions of the company's investment in Huangshi state-owned companies, and checked the purpose, content, pricing benchmarks and other elements of the transactions. We believe that this related transaction will help the company and Huangshi state-owned companies to deepen strategic cooperation in the future, to further promote the company to accelerate the layout of non-cement business, improve the company's technological innovation capabilities, and help the company to achieve green and low-carbon transformation and development of an integrated industrial chain. This transaction complies with the relevant provisions of laws, regulations and normative documents such as the Company Law, the Shanghai Stock Exchange Listing Rules, and the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 5—Transactions and Related Party Transactions and Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The transaction was conducted on the basis of equal negotiation and consensus between the two parties. The transaction was fair and reasonable, in line with the interests of the company and all shareholders, and there was no situation that harmed the interests of the company and all shareholders, especially minority shareholders. Agree to submit this connected transaction to the board of directors of the company for deliberation.

2. Independent opinions

The independent non-Executive Directors of the Company, Mr. Zhang Jiping, Mr. Jiang Hong and Mr. Huang Wong Kun Kau, expressed their independent opinions on the above connected transactions as follows:

This connected transaction will help the company and Huangshi State-Owned Company to further deepen strategic cooperation, further promote the company to accelerate the layout of non-cement business, improve the company's scientific and technological innovation capabilities, and help the company to achieve green and low-carbon transformation and development of an integrated industrial chain. This transaction complies with the relevant provisions of laws, regulations and normative documents such as the Company Law, the Shanghai Stock Exchange Listing Rules, the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 5—Transactions and Related Party Transactions and Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The transaction was conducted on the basis of equal negotiation and consensus between the two parties in accordance with general commercial terms or better terms. The terms were fair and reasonable, in line with the interests of the Company and all shareholders, and there was no situation that harmed the interests of the company and all shareholders, especially the small and medium shareholders.

(3) This transaction does not need to be the approval of the company's general

meeting of shareholders and the relevant departments.

It is herewith announced.

Huaxin Cement Co., Ltd.

Board of Directors

May 31, 2022