

Huaxin Cement Co., Ltd

Announcement on the Repurchase of A Shares of the Company By Means of Centralized Bidding

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

Importance:

- The utilization of repurchased shares, total fund and fund source, time limit and price of the share repurchase

Utilization of repurchased shares: The repurchased shares are used for the following Employee Stock Ownership Plan (ESOP) or stock incentive plan.

Price of the repurchased shares: No more than 32.03 Yuan/share (including 32.03 Yuan/share)

Total fund for the share repurchase: The upper limit of total fund for share repurchase will not be over 125 million Yuan (125 million Yuan is included), lower limit not less than 100 million Yuan (100 million Yuan is included).

Time limit of the share repurchase: Within 12 months after the review and approval by the Board

Fund source of share repurchase: Self fund

- Whether relevant shareholders have the plan to reduce shares
After inquiry, by December 17, 2019, the largest shareholder, its actual controller and the party with concerted actions, shareholders holding over 5% shares, all directors, supervisors, senior management have no plan to reduce shares of the Company in next 6 months.

- Risk warning:
 1. There exist risks of uncertainty when share price is consistently over the price ceiling defined in the plan, thus the repurchase can't be executed or part of the plan is executed within the time limit of share repurchase;
 2. There exist risks of the repurchase plan failing to be executed when major issues happen and cause substantial impacts on share trading price or the Board decides to terminate this repurchase;
 3. The repurchased shares will be the source of shares for later ESOP or stock incentive plan. If the Company fails to finish the transfer of the repurchased shares within three years after the day when the announcement on share repurchase result is published, there exist risks of performing the procedures of reducing registered capital by law and shares yet to be transferred will be cancelled.

I. Deliberation of the repurchase plan and execution procedure

1. The Company held the Fourteenth Meeting of the Ninth Board of Directors on December 17, 2019. *The Proposal on Repurchase of A Shares of the Company By Means of Centralized Bidding* was reviewed and approved. Independent Directors issued independent opinions on the matter of repurchase.

2. According to related regulations in the *Company Law of the People's Republic of China* and in the *Articles of Association of Huaxin Cement Co., Ltd* reviewed and approved by 2018 Annual Shareholders' General Meeting held on April 25, 2019, the share repurchase plan does not require deliberation of shareholders' general meeting. The plan can be executed on the Board resolution when over two thirds of directors are present at the meeting.

II. Main contents of the share repurchase plan

According to relevant regulations contained in the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Implementation Rules for the Share Repurchase of Listed Companies of the Shanghai Stock Exchange*, Huaxin Cement Co., Ltd. (hereinafter referred to as "the Company") drafted the plan to repurchase the Company's A shares (hereinafter referred to as "repurchase shares").

1. The purpose and utilization of repurchased shares

In the future five to eight years, the Company will be at the critical juncture of strategic development when the integrated application of digitalization, intelligent internet+ technology of traditional cement business will grow, cement based new material business will develop anew, cement kiln co-processing eco business will grow accumulatively and layout of overseas market will break ground and develop. All of these require keeping and establishing a management team and key technical and business personnel loyal to the company, with no fear of risks, bold to shoulder responsibility, good at taking actions when necessary and share the same fate rain or shine, so as to form a community of shared interests among capital owners and laborers with the same goal, aim and direction. The bond and sense of mission of management team as the entrepreneurs can be merged with the owners (shareholders) and sense of responsibility, aiming not only to the achievement of short term operation goals but also the long term development of the Company, binding operation, long term development responsibility, risk with the management team and key technical and business personnel's long term interests, instead of two skins, so as to ensure fast, healthy, sustainable and long term development of the Company and enhance shareholders' fundamental interests.

In light of the above and to further improve long term incentive mechanism of management team and key personnel, after deliberating future development strategy, operation, finance and profitability, the Company intends to use self fund to repurchase shares by means of centralized bidding.

Repurchased A shares will all be used for ESOP or stock incentive plan and transferred within three years after the announcement on the result of share repurchase.

2. Type of the repurchased shares

The type of repurchased shares are RMB ordinary A shares issued by the Company.

3. Means of repurchasing shares

By means of centralized bidding in Shanghai Stock Exchange stock trading system.

4. Price of the repurchased shares

The price ceiling of repurchased shares will be no more than 150% of the average price of A share at 21.35 Yuan/share 30 trading days before the Board resolution, namely, the price of the repurchased share will be no more than 32.03 Yuan/share (including 32.03 Yuan/share). If the Company conducts issues of ex-right or ex-dividend including dividend payout, issue of bonus share, capital reserve transferred to increase share capital, stock split, reduction of shares, placing shares within the time limit of share repurchase, the Company will, according to relevant regulations issued by China Securities Regulatory Commission and Shanghai Stock Exchange, adjust the price of repurchase.

5. Total fund and fund source for share repurchase

The upper limit of total fund for share repurchase will not be over 125 million Yuan (125 million Yuan is included), lower limit not less than 100 million Yuan (100 million Yuan is included). Fund source is self fund.

6. Estimated quantity of repurchased shares and its proportion in total share capital

If the repurchased share is priced at the ceiling price of 32.03 Yuan/share and upper limit fund for repurchase is used up, the quantity of repurchased shares will be 3,902,591 shares, accounting for 0.186% of the total share capital 2,096,599,855 shares.

If the Company conducts ex-right or ex-dividend including dividend payout, issue of bonus share, capital reserve transferred to increase share capital, stock split, reduction of shares, placing shares within the time limit of share repurchase, the Company will, according to relevant regulations issued by China's Securities Regulatory Commission and Shanghai Stock Exchange, adjust the quantity of repurchase. Specific quantity of repurchased shares will be subject to the actual execution of the confirmed principles in the share repurchase plan.

7. Time limit of repurchased shares

Time limit is within 12 months after the day when the Board reviewed and approved the share repurchase plan.

The Board of the Company or authorized executor (Director) will choose the timing to make decisions on the repurchase based on the market and execute it.

The time limit will expire in advance as long as the following conditions occur:

1) If the fund for repurchasing shares reaches the upper limit, the repurchase time limit will automatically expire in advance.

2) If the Board resolution decides to terminate the repurchase plan, the time limit will expire in advance from the day when the Board resolution terminates the share repurchase plan.

3) The Company can not repurchase shares in the following situations:

(1) within 10 trading days before the Company issues periodic reports or performance bulletins

(2) within 2 trading days from the major issues that may pose substantial impact on share price of the Company occur or during the decision process to the day legally disclose the information

(3) Other situations stipulated by China Securities Regulatory Commission and Shanghai Stock Exchange

8. Period of validity of the resolution

The resolution of the share repurchase plan is valid within 12 months after the Board's review and approval.

9. Relevant arrangement for legal cancelation or transfer after share repurchase

The repurchased shares will all be used for ESOP or stock incentive plan. If the Company fails to finish the transfer of all repurchased shares within 3 years after the announcement on share repurchase result, the Company will perform the procedure of reducing registered capital according to law, and un-transferred shares will be cancelled.

10. Authorize the Director and CEO Mr. Li Yeqing to execute the share repurchase plan on behalf of the Board.

11. Relevant arrangement for preventing from harming the interests of creditors

If the Company cancels repurchased shares, the Company will notify creditors based on relevant regulations in the Company Law of People's Republic of China to fully protect the legitimate rights and interests of creditors.

III. Analysis on the impact of the share repurchase

1. The impact on the share price resulted from the share repurchase

The share repurchased will all be used for the ESOP or stock incentive plan. Within the share purchase time limit, the Company will buy A share as the timing is right so as to invigorate the trading of Company stock in the secondary market. The establishment of the ESOP or stock incentive plan, improvement of the long term incentive mechanism for management team and key personnel are beneficial to maintaining the interests of all shareholders of the Company, promoting the sustainable development of the Company and boosting the confidence of investors to invest in the Company.

2. Predicted change in share structure after share repurchase

The share repurchased will all be used for the ESOP or stock incentive plan. It is predicted that after the completion of the share repurchase, the Company's registered capital and current share structure will not change.

Suppose under extreme circumstances, the Company fails to apply all the repurchased shares to the above purpose within the time limit legally stipulated, the un-transferred shares have the potential risks of being cancelled. If such circumstance occurs, and the change in share structure as a result, the Company will deal with it according to law and regulations, make announcement based on regulations of China Securities Regulatory Commission and Shanghai Stock Exchange to fulfill the obligation of information disclosure.

3. Analysis on the potential impact of repurchased shares on the operation, profitability, finance, R&D, the ability to pay debts, future development and maintaining the status of being listed

The share repurchase reflected the recognition to the intrinsic value of the Company from the Board, the management and major shareholders, beneficial to enhancing the fundamental interests of investors; the repurchased shares will be used for ESOP or stock incentive plan, beneficial to establish a long term incentive mechanism and drive fast, healthy and sustainable development of the Company.

Unit: RMB

	September 30, 2019 (unaudited) RMB	December 31, 2018 (audited) RMB
Total asset	35,544,796,470	33,161,505,602
Total liability	13,756,410,942	14,842,116,481
Net asset attributed to the shareholders of the Company	19,845,055,084	16,672,962,778
	January to September 2019 (unaudited) RMB	Jan to December 2018 (audited) RMB
Net cash flow from operating activities	7,050,582,070	7,899,606,105

If the upper limit of the fund 125 million Yuan for share repurchase is used up, accounting for 0.35% of the total assets by the end of September 30, 2019, 0.63% of the net assets attributed to the shareholders of the Company.

Considering the operation, finance and future plan of the Company, the Board believes the upper limit of the fund for the share repurchase will not be over 125 million Yuan (125 million Yuan is included), lower limit will not be less than 100 million Yuan (100 million Yuan is included). It will not pose adverse impacts on the operation, profitability, finance, R&D, the ability to pay debt, future development, nor will it change the status of being a listed company or change the share distribution not meet the conditions of being listed.

IV. Opinions of the Independent Directors on the compliance, necessity, rationality and feasibility of share repurchase plan

1. The share repurchase plan accords with the *Company Law of People's Republic of China*, *Securities Law of the People's Republic of China*, *Implementation Rules for the Share Repurchase of Listed Companies of the Shanghai Stock Exchange* and other relevant laws and regulations. Board resolution voting procedure is in line with laws, regulations and stipulations in the *Articles of Association*. Therefore, we believe the share repurchase plan is legitimate and compliant.

2. The repurchased shares will all be used for ESOP or stock incentive plan, with an aim to keep and establish a management team and key technical and business personnel loyal to the company, with no fear of risks, bold to shoulder responsibility, good at taking actions when necessary and share the same fate rain or shine, so as to form a community of shared interests among capital owners and laborers with the same goal, aim and direction to ensure fast, healthy, long term and sustainable development of the Company and enhance the fundamental

interests of shareholders. The fact that the Company conducts share repurchase conforms with middle and long term development strategy, beneficial to boost the confidence of investors to future development and enhance the recognition to company value of investors. Therefore, we deem the share repurchase necessary.

3. The total fund for share repurchase will not be over 125 million Yuan (125 million Yuan is included), not less than 100 million Yuan (100 million Yuan is included). Fund source is self fund. It will not pose adverse impacts on the operation, profitability, finance, R&D, the ability to pay debts, future development, nor will it impact the status of being a listed company. The share repurchase plan is reasonable and feasible.

4. The repurchase is conducted by means of centralized trading, does not harm the interests of the Company or shareholders, especially minority shareholders.

Above all, we believe that the Company repurchases shares by means of centralized trading is in line with relevant laws, regulations and *Articles of Association* and middle, long term development strategy, good for fast, healthy, sustainable and long term development of the Company, beneficial to enhance company value. It's feasible, necessary and accords with the interests of the Company and shareholders.

V. Statements on whether directors, supervisors, senior management, controlling shareholders, actual controllers and shareholders holding over 5% shares buy or sell company shares within 6 months before the Board's resolution on share repurchase plan, and whether they have conflict of interests with the repurchase plan or have conducts of inner trading or rigging the market

1. The Company does not have controlling shareholders. The largest shareholder, its actual controller and the party with concerted actions, and shareholders holding over 5% shares have not bought or sold Huaxin Cement's shares 6 months before the Board resolution on share repurchase plan.

2. Through check, Secretary to Board Mr. Wang Ximing bought Huaxin B share 12,000 shares on November 5, 2019 under regulations. Other directors, supervisors, senior management did not buy or sell company shares.

There is no conflict of interests between the largest shareholder, its actual controller and the party with concerted actions, shareholders holding over 5% shares, directors, supervisors, senior management and the repurchase plan nor there are conducts of inner trading and rigging the market by individual or cooperation with others.

IV. Specifics on the Company's inquiry on whether directors, supervisors, senior management, the largest shareholder, actual controller have the plan to increase or reduce shares in next 6 months

On December 17, 2019, the Company sent the inquiry letter to all directors, supervisors, senior management, the largest shareholder, its actual controller and the party with concerted actions, and shareholders holding over 5% shares, on whether they have the plan to increase or reduce shares in next 6 months. Their replies are as followed:

1. The largest shareholder, its actual controller and the party with concerted

actions have no plan to reduce shares of the Company in next 6 months.

2. Shareholders holding over 5% shares have no plan to reduce shares of the Company in next 6 months.

3. All directors, supervisors, senior management have no plan to reduce shares of the Company in next 6 months.

VII. Uncertainty risks of share repurchase plan

1. There exist risks of uncertainty when share price is consistently over the price ceiling defined in the plan, thus the repurchase can't be executed or part of the plan is executed within the time limit of share repurchase;

2. There exist risks of the repurchases plan failing to be executed when major issues happen and cause substantial impacts on share trading price or the Board decides to terminate this repurchase;

3. The repurchased shares will be the source of shares for later ESOP or stock incentive plan. If the Company fails to transfer the repurchased shares within three years after the day when the announcement on share repurchase result is published, there exist risks of performing the procedures of reducing registered capital by law and shares yet to be transferred will be cancelled.

The Company will fulfil the obligation of information disclosure according to the progress of this plan. Public investors are hereby kindly requested to notice investment risks.

It is hereby announced the above.

Huaxin Cement Co., Ltd
Board of Directors
December 19, 2019