

## **Huaxin Cement Co., Ltd.**

### **Announcement on Providing Guarantee for Bank Loans of Some Subsidiaries**

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.

#### **Important Content:**

- Guaranteed companies: Huaxin Cement (Yangxin) Ltd. and other 55 wholly owned subsidiaries and controlling subsidiaries.
- Guarantee amount provided by the Company for Huaxin Cement (Yangxin) Ltd. and other 55 wholly owned subsidiaries and controlling subsidiaries is 5.419 billion RMB. By the end of 2019, the Company's actual guarantee balance for the 56 wholly owned subsidiaries and controlling subsidiaries was 1.79 billion RMB.
- Counter guarantee: nil
- Overdue guarantee: nil

#### **I. General Information of the Guarantees**

On April 27, 2020, the Sixteenth Meeting of the Ninth Board of Directors of Huaxin Cement Co., Ltd. (hereinafter referred to as "the Company") reviewed and adopted the Proposal in Respect of Providing Guarantee for Bank Loans of Some Subsidiaries.

By December 31, 2019, guarantee reviewed by the Board of Directors for wholly owned subsidiaries, controlling subsidiaries and related party companies totalled at 7.065 billion RMB within the valid duration. Affected by periodical financing environment and subjective reasons of some subsidiaries, the actual utilized guarantee amount is 1,442.8234 million RMB and 49.74 million USD, accounting for 10.7% of the latest audited net assets and 25% of the approved total guarantee amount. No guarantee occurs after the expiration.

In line with the development planning and overseas strategy of the Company, what follows is that more and more subsidiaries need to expand financing channels and enhance financing capability of their own so as to support business development. Under such circumstances, the Company plans to provide guarantees for the credit businesses such as bank loans, establishing letters of credit, handling bank acceptances, letters of guarantee and finance lease of Huaxin Cement (Yangxin) Ltd. and other 55 wholly owned subsidiaries and controlling subsidiaries with the total guarantee amount of 5.419 billion RMB.

The Guarantees should be approved by the Shareholders' General Meeting.

#### **II. Subsidiaries and guarantee amount**

##### **1. Guarantee for the Credit business**

Unit: 0000 Yuan

No	Warrantee	Guarantee amount	Corporate representative	Registered address	Shareholding	Registered capital	Assets by the end of 2019	Liabilities by the end of 2019	Net assets by the end of 2019	Operating revenue 2019	Net profit 2019
1	Huaxin Cement (Yangxin) Ltd.	6,000	Chen Bing	No. 1, Huaxin Road Weiyuankou Town, Yangxin County, Huangshi, Hubei	100%	50,000	133,948	46,112	87,835	155,673	38,457
2	Huaxin Cemet (Wuxue) Ltd.	6,000	Chen Bing	No. 1, Huaxin road, Wuxue, Hubei	100%	30,000	113,195	43,876	69,319	165,366	38,937
3	Huaxin Cement (Chibi) Ltd.	5,000	Chen Bing	Nanshan Village, Zhonghuopu Town, Chibi, Hubei	100%	14,000	38,534	13,108	25,426	51,535	9,975
4	Huaxin Cement (Daye) Ltd.	5,000	Chen Bing	Pingshan Village, Huandiqiao Town, Daye, Hubei	70%	32,700	84,214	18,144	66,070	82,957	15,670
5	Huaxin Cement (Ezhou) Ltd.	5,000	Chen Bing	Pengsun Village, Duandian Town, Huarong District, Ezhou, Hubei	70%	5,000	34,096	14,840	19,256	60,595	1,482
6	Huaxin Cement (Yueyang) Ltd.	1,000	Chen Bing	No. 1, Changjiang Road, Yongji Village, Yunxi District, Yueyang, Hunan	Direct 90%, indirect 10%	2,500	8,283	4,153	4,131	12,465	-275
7	Huaxin Cement (Huangshi) Ltd.	6,000	Chen Bing	Yuanguang Village, Fuchi Town, Yangxin County, Huangshi, Hubei	Direct 80%, indirect 20%	50,000	102,593	52,593	50,000	-	-
8	Huaxin Cement (Macheng) Ltd.	1,000	Chen Bing	Jinfan Village, Zhongguanyi Town, Macheng, Hubei	100%	6,500	12,597	4,502	8,095	15,883	-345
9	Huaxin Aggregate (Yangxin) Ltd.	3,000	Chen Bing	Wangshu Village, Fuchi Town, Yangxin County	Indirect 100%	14,000	46,544	17,832	28,712	35,076	10,922

10	Huaxin Aggregate (Wuxue) Ltd.	3,000	Chen Bing	No.1 Huaxin Road, Wuxue	Indirect 100%	9,250	37,328	10,690	26,638	39,009	14,253
11	Huaxin Cement (Xiangyang) Ltd.	8,000	Yuan Dezu	No.1, Huaxin Avenue, Nanzhang County, Xiangfan, Hubei	100%	14,000	73,510	23,153	50,356	108,395	28,715
12	Huaxin Cement (Henan Xinyang) Ltd.	5,000	Yuan Dezu	Liulin Village, Shihe District, Xinyang, Henan	100%	20,000	46,797	15,480	31,317	57,530	6,888
13	Huaxin Cement (Fangxian) Ltd.	5,000	Yuan Dezu	Gaochuan Village, Hualongyan Town, Fangxian County, Shiyan, Hubei	70%	8,000	33,730	11,052	22,677	36,458	6,535
14	Huaxin Jinlong Cement (Yunxian) Ltd.	3,000	Yuan Dezu	Chadian Town, Economic Development Zone, Yunxian County, Hubei	80%	8,000	55,276	11,036	44,240	60,737	10,671
15	Huaxin Cement Xiangyang Xiangcheng Ltd.	4,000	Yuan Dezu	Economic Development Zone, Yujia Lake, Xiangcheng District, Xiangfan, Hubei	100%	4,000	20,089	9,160	10,928	36,687	4,804
16	Huaxin Cement (Yichang) Ltd.	8,000	Yuan Dezu	No.1 Huaxin Road, Zhicheng, Yidu, Hubei	100%	15,000	79,030	25,186	53,845	92,086	27,743
17	Huaxin Cement (Enshi) Ltd.	6,000	Yuan Dezu	Gaoqiaoba, Enshi, Hubei	Direct 67%, indirect 33%	6,000	25,359	6,568	18,791	32,373	7,714
18	Huaxin Cement (Hefeng) Minzu Building Materials Ltd.	5,000	Yuan Dezu	Xiaojiaping, Taiping Village, Hefeng County, Hubei	51%	4,764	17,498	6,205	11,294	18,679	2,326

19	Huaxin Cement (Zigui) Ltd.	8,000	Yuan Dezu	Guojiaba Village, Guojiaba Town, Zigui County, Hubei	100%	24,000	60,488	16,001	44,487	75,285	15,483
20	Huaxin Cement (Changyang) Ltd.	8,000	Yuan Dezu	Baishiping Village, Longzhouping Town, Changyang County, Hubei	100%	25,000	43,643	18,428	25,215	45,865	7,882
21	Huaxin Cement (Zhuzhou) Ltd.	15,000	Xiong Guangwei	Nanzhou New Zone, Lukou Economic Development Zone, Zhuzhou County, Hunan	100%	34,000	109,324	61,829	47,496	67,780	10,305
22	Huaxin Cement (Chenzhou) Ltd.	6,000	Xiong Guangwei	Baohe Village, Beihu District, Chenzhou, Hunan	100%	22,000	50,577	13,453	37,124	61,052	11,495
23	Huaxin Cement (Daoxian) Ltd.	6,000	Xiong Guangwei	No.1, Huaxin Avenue, Daoxian County, Hunan	100%	18,000	36,832	13,652	23,180	45,795	4,062
24	Huaxin Cement (Lengshuijiang) Ltd.	6,000	Xiong Guangwei	Huangni Village, Heqing Town, Lengshuijiang, Hunan	90%	20,000	62,999	11,478	51,520	73,551	18,901
25	Huaxin Cement (Sangzhi) Ltd.	5,000	Xiong Guangwei	Ruitapu Town, Sangzhi County, Zhangjiajie, Hunan	80%	15,000	37,060	7,226	29,833	39,512	5,294
26	Huaxin Cement (Enping) Ltd.	15,000	Xiong Guangwei	Hengpi Town, Enping, Guangdong	Indirect 65.07%	280 million HKD	65,059	67,618	-2,559	57,679	4,593
27	Huaxin Xianggang Cement Ltd.	2,000	Xiong Guangwei	Xiacheng Village, Yuetang District, Xiangtan	60%	14,250	29,469	3,018	26,450	17,888	83
28	Hunan Huaxiang Environmental Protection Industry Development Ltd.	3,000	Xiong Guangwei	Innovation Pioneer Park, Gaoxin District, Xiangtan	Indirect 60%	14,250	21,644	5,635	16,008	19,669	1,101

29	Huaxin Cement (Zhaotong) Ltd.	5,500	Du Ping	Beizha Town, Zhaoyang District, Zhaotong, Yunnan	Direct 60%; indirect 40%	7,500	46,684	16,441	30,243	64,504	22,707
30	Huaxin Cement (Kunming Dongchuan) Ltd.	3,000	Du Ping	Tongdu Town, Dongchuan District, Kunming, Yunnan	100%	14,000	37,431	11,458	25,973	40,620	7,746
31	Huaxin Cement (Diqing) Ltd.	3,000	Du Ping	Shangjiang Village, Shangri-la County, Diqing, Yunnan	69%	9,500	26,582	7,412	19,169	46,465	12,487
32	Huaxin Cement (Lijiang) Ltd.	6,000	Du Ping	Xingquan Town, Huaping County, Lijiang, Yunnan	Indirect 100%	10,000	40,992	15,187	25,805	46,942	14,891
33	Huaxin Cement (Yunlong) Ltd.	6,000	Hu Limin	Rende Village, Caojian Town, Yunlong County, Dali, Yunnan	Indirect 100%	30,000	45,129	13,255	31,874	43,721	4,929
34	Huaxin Cement (Lincang) Ltd.	1,000	Du Ping	Room 102, Main Building, Administrative Service Center, Industrial Park, Linxiang District, Lincang, Yunnan	Indirect 100%	36,090	82,949	35,410	47,539	57,364	15,117
35	Kunming Chongde Cement Ltd.	3,000	Hu Limin	No. 132, Xiaopingba, Pingshan Town, Luquan, Kunming, Yunnan	Indirect 100%	38,200	92,989	74,499	18,490	-	1,022
36	Huaxin Cement (Jianchuan) Ltd.	1,000	Du Ping	Building Materials Industrial Park, Jianchuan County, Dali, Yunnan	Indirect 100%	27,000	50,166	15,004	35,163	49,340	11,020

37	Huaxin Cement (Honghe) Ltd.	2,000	Du Ping	Xinan Road, Kaiyuan, Hani and Yi Autonomous Prefecture, Honghe, Yunnan	Indirect 100%	61,379	96,011	25,597	70,413	74,964	16,614
38	Panzhihua Huaxin Cement Ltd.	500	Du Ping	No. 34 Xintie Village 2, East District, Panzhihua	Indirect 100%	1,000	9,563	3,865	5,698	13,479	1,783
39	Huaxin Cement (Fumin) Ltd.	2,000	Du Ping	Dongyuan Village Committee, Yongding Sub-district Office, Fumin County, Yunnan Province	Indirect 100%	9,000	62,835	47,985	14,850	44,078	6,193
40	Huaxin Cement (Quxian) Ltd.	8,000	Ke Youliang	Juantong Village, Quxian County, Dazhou, Sichuan	100%	24,000	58,047	14,989	43,058	63,479	15,335
41	Huaxin Cement (Wanyuan) Ltd.	5,000	Ke Youliang	Manaoxi Village Guandu Town, Wanyuan, Sichuan	100%	19,000	38,155	9,276	28,878	38,188	8,529
42	Huaxin Cement Chongqing Fuling Ltd.	3,000	Ke Youliang	Sanmenzi Village, Fuling District, Chongqing	100%	20,000	59,216	14,259	44,957	77,963	20,353
43	Huaxin Cement (Tibet) Ltd.	8,000	Ke Youliang	No. 55 Gesang Road, Zedang Town, Shannan, Tibet	79%	5,000	146,299	61,967	84,331	135,337	37,574
44	Chongqing Huaxin Diwei Cement Ltd.	5,000	Ke Youliang	Luohuang Town, Jiangjin District, Chongqing	97.27%	45,268	100,073	74,996	25,077	49,670	11,061
45	Huaxin Environmental Engineering Ltd. (including its subsidiaries)	60,000	Yang Hongbing	No. 1, 2nd floor, International Enterprise Center, Special No.1, Guanggu Avenue, Hongshan District, Wuhan	100%	100,000	163,068	74,022	89,047	12,653	-2,294

46	Huaxin Cement (Huangshi) Equipment Manufacture Ltd.	3,000	Hu Zhenwu	No. 57 Huayuan Road, Chengyue Street, Xisaishan District, Huansghi, Hubei	100%	13,000	50,821	32,764	18,058	22,886	1,147
47	Huaxin Equipment Engineering Ltd.	3,000	Li Yeqing	No. 3, 2nd floor, International Enterprise Center, Special No.1, Guanggu Avenue, Hongshan District, Wuhan	100%	19,000	88,892	62,938	25,954	79,391	1,878
48	Huaxin New Building Materials Co., Ltd.	2,000	Mei Xiangfu	International Enterprise Center, Special No.1, Guanggu Avenue, Hongshan District, Wuhan	100%	5,000	4,854	100	4,754	599	-106
49	Huaxin Concrete (Wuhan) Ltd.	3,000	Mei Xiangfu	Huaxin Industrial Park, Qingshan District, Wuhan (No. 72, Jitou Village, Qingshan Town)	100%	8,000	46,862	40,333	6,529	56	-3,932
50	Cambodia CEMENT CHAKREY TING FACTORY CO., LTD	14,000	Xu Gang	Phnom Touch Village ,Kondoul commune , Tuek Chhou district, Kampot Province	68%	60 million USD	99,425	15,071	84,354	66,246	14,813
51	Huaxin (Hong Kong) International Holding Ltd.	100,000	Li Yeqing	Room 402, Yihe Mansion, Middle Ring Kangle Square, Hong Kong China	100%	25.45 million USD	152,915	127,098	25,817	31,227	8,645
	<b>Total</b>	<b>406,000</b>									

## **2. Guarantee for current project loans**

To meet the financing demand for implementing corporate strategy, the Twenty Ninth Meeting of the Eighth Board of Directors approved total guarantee at 890 million RMB for the financing of Changyang aggregate project, Kunming Chongde Cement 2<sup>nd</sup> phase and Huangshi Package project, which have not been implemented yet while the guarantee approved for the above projects will expire in March 2020. The Management hereby requests the Board to agree to provide guarantee for the above and authorize the Company to sign related guarantee contracts on the date of approval till the end of two years term. And continue to provide guarantee after the expiration while within the authorized term. Specifics of the guarantee are as followed:

(I) The Board has approved the construction investment of Changyang 6 million tons aggregate per year production line project (including 1 million tons of machine-made sand). Investment for this is expected to reach 230 million RMB. At that time, Huaxin New Building Materials (Changyang) Co., Ltd plans to apply for less than 160 million RMB loan from financial institutions. Guarantee applied for Huaxin New Building Materials (Changyang) Co., Ltd this time is not over 160 million RMB.

(II) The Board has approved the construction investment of Kunming Chongde Cement Co., Ltd Second Phase 4000t/d production line project and the expected investment for 2<sup>nd</sup> phase is 750 million RMB. Planned scale is 1.2 million t/y of clinker and 1.8 million t/y of cement. At that time, Kunming Chongde Cement Co., Ltd plans to apply for not more than 450 million RMB loan from financial institutions. Guarantee applied for Kunming Chongde Cement Co., Ltd this time is not over 450 million RMB.

(III) According to the development trend of domestic cement package industry and the market demand, the Company planned to construct a production line of 1 billion heat sealing packages in Huangjin Mountain Industrial Zone in Huangshi with estimated investment at 0.43 billion RMB and planned bank loan would be 0.28 billion RMB. Guarantee for Huangshi Huaxin Packaging Co., Ltd. this time is not over 0.28 billion RMB.

## **3. New guaranteed project loans**

Due to development strategy of the Company, we request the Board to approve the guarantee for the following new projects:

(I) Huangshi Ductal Company plans to construct a new tile/plank production line in Huangshi Industrial Zone 2<sup>nd</sup> phase with estimated investment no more than 50 million RMB. Main products will include prefabricated wall plates made from Ductal and roof tiles. It is planned to borrow 30 million RMB from bank. Guarantee applied for Huaxin Ductal New Building Material (Huangshi) Co., Ltd is no more than 30 million RMB.

(II) In 2018, the Company constructed a new 2800t/d clinker line in Narayani in Nepal with 100 million USD investment. To obtain financing resource for the construction, the guarantee for Huaxin Narayani Co., Ltd is no more than 439.03 million RMB.

## **4. Total guarantee amount applied this time: 5.419 billion RMB.**

### **III. Guarantee items**

1. Scope of guarantee: Between the Company and wholly owned subsidiaries, between the Company and controlling companies.

2. Limit of guarantee: Total amount of guarantee is not more than 5.419 billion RMB.

3. Duration of the guarantee: sign relevant contracts of guarantee in 2 years since the date of approval by the Board, and renew the relevant matured guarantees in the authorized period.



4. Way of guarantee: Wholly owned subsidiaries and controlling subsidiaries can utilize the guarantee fund within the above limit at one time or for several times. Specific guarantee amount, duration and way of guarantee shall be confirmed in the contracts. The Company takes joint liabilities based on its shareholding. Guarantee limit can be adjusted among wholly owned subsidiaries based on actual need within the aforesaid total guarantee amount.

5. Counter guarantee of this time: no

6. Accumulated amount of the overdue external guarantee: zero

#### **IV. Main contents of guarantee agreements**

The Company will define the guarantee amount within the applied limit based on business operation of wholly owned subsidiaries and controlling subsidiaries. Each guarantee will be signed into agreement when it occurs.

The guarantee concerns providing guarantees for wholly owned subsidiaries and controlling subsidiaries with asset-liability ratio over 70%. And pursuant to Rules Governing the Listing of Stock on Shanghai Stock Exchange and stipulations in the Articles of Association, the Guarantees should be approved by the Shareholders' General Meeting.

#### **V. Opinions of the Board of Directors**

The targets of the above guarantee are all wholly owned subsidiaries and controlling subsidiaries, and the financial position and repayment ability of above subsidiaries are comparatively good. The Company can effectively control its operation management, finance, investment and financing. The Company has the ability to fully grasp and monitor the operation activities of these guaranteed companies.

The Board believes that in order to meet the financing needs of the above wholly-owned subsidiaries and controlled subsidiaries, the Company provides guarantees for their credit businesses such as bank loans, establishing letters of credit, handling bank acceptances, letter of guarantee and finance lease, and the risks of guarantee are controllable. Therefore, the Board approves the above guarantee and agrees to submit such guarantee to the Shareholders' General Meeting for approval.

#### **VI. Total amount of external guarantees and overdue guarantees**

As of December 31, 2019, the total external guarantees of the Company and its holding subsidiaries were ¥1.79 billion, accounting for 8% of the Company's latest audited net assets; the amount of this Guarantee is ¥5.419 billion, accounting for the Company's latest audited net assets 23%, the total amount of guarantees accounted for 31% of the Company's latest audited net assets, and there was no overdue guarantee.

#### **VII. Annexes for the online announcement**

Copies of business licenses of the guaranteed companies and the latest financial statements.

It is herewith announced.

Board of Directors of Huaxin Cement Co., Ltd.

April 29, 2020

