

Huaxin Cement Co., Ltd.

Announcement on Resolutions of the Sixteenth Meeting of the Ninth Board of Directors

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.

I. Convening of the Board Meeting

The Sixteenth Meeting of the Ninth Board of Directors of Huaxin Cement Co., Ltd. (hereinafter referred to as "the Company") was convened on April 27, 2020 in person or by video/conference call. In principle, there should be 9 Directors present at the Meeting, actually 9 Directors were present. The Meeting was presided by the Chairman Mr. Xu Yongmo. Secretary to the Board was present at the Meeting. Chairman of the Board of Supervisors and some of the Senior Management attended the Meeting. The Company sent the Meeting Notification to all the Directors on April 17, 2020 by mail. The Meeting was in compliance with the provisions contained in relevant laws, rules, regulations and the *Articles of Association of the Company*, so it was legitimate and valid.

II. Reviewing of the Board Meeting

Through reviewing and voting, this Board Meeting adopted the following important resolutions

1. Annual Report 2019 and its abstract of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0).

For the full text of the Annual Report 2019, please refer to the website of Shanghai Stock Exchange: www.sse.com.cn, and the website of the Company: www.huaxincem.com.

For Annual Report 2019 abstract, please refer to China Securities Journal and Shanghai Securities News.

2. Annual Work Report 2019 of the Board of Directors

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0).

The detailed report will be disclosed on the website of the Shanghai Stock Exchange at www.sse.com.cn one week before the convening day of the Annual Shareholders' General Meeting 2019.

The above Report shall be submitted to the Shareholder's General Meeting for approval.

3. Final Financial Report 2019 and Financial Budget Report 2020

(Voting Result: Affirmative 9; Negative: 0; Abstention: 0);

For detailed information, please refer to the Annex.

The above Report shall be submitted to the Shareholder's General Meeting for approval.

4. 2019 Profit Distribution Proposal of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

For detailed information, please refer to "Huaxin Cement Co., Ltd. - Announcement on 2019 Profit Distribution Proposal of the Company" (Ref: 2020-011) published by the Company on the same day.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

5. Proposal on Reappointment of the Accounting Firm for 2020 Financial Audit and Internal Control Audit of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

For detailed information, please refer to "Huaxin Cement Co., Ltd. - Announcement on the Reappointment of the Audit Firm for 2020 Financial Audit and Internal Control Audit of the Company" (Ref: 2020-012) published by the Company on the same day.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

6. Annual Work Report 2019 of Independent Director Ms. Liu Yan

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

7. Annual Work Report 2019 of Independent Director Mr. Simon Mackinnon

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

8. Annual Work Report 2019 of Independent Director Mr. Wang Liyan

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

For detailed information of item 6, 7 and 8, please refer to the Annual Work Report 2019 of Independent Directors disclosed on the website of Shanghai Stock Exchange: www.sse.com.cn

9. Internal Control Assessment Report 2019

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to the Internal Control Assessment Report 2019 disclosed on the website of Shanghai Stock Exchange: www.sse.com.cn

10. First Quarter Report 2020 and its abstract of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For the full text of the First Quarter Report 2020, please refer to the website of Shanghai Stock Exchange: www.sse.com.cn, and the website of the Company: www.huaxincem.com.

For the First Quarter Report 2020 abstract, please refer to China Securities Journal and Shanghai Securities News.

11. Proposal on the Establishment of a Special Purpose Vehicle for Issuance of

Overseas Bonds

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

The Company intends to establish a Special Purpose Vehicle (hereinafter referred to as "SPV") as the Issuer for the issuance of overseas bonds through Huaxin (Hong Kong) International Holdings Limited. Basic information of the SPV is as follows:

1.1 SPV's Registered Name, Registered Place and Registered Capital

Registered name: 华新水泥国际金融有限公司 (Huaxin Cement International Finance Company), and the final name shall be decided by the competent authority of the registered place;

Registered Place: The SPV should be established in Hongkong;

Registered Capital: 100% invested by Huaxin (Hong Kong) International Holdings Limited. The SPV's registered capital is set at US\$10,000.

1.2 SPV Governance

The directors of the SPV: Li Yeqing; Kong Lingling; Xu Gang, Ye Jiaying

12. Proposal on Providing Guarantees for SPV on the Issuance of Overseas Bonds

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to "Huaxin Cement Co., Ltd. – "Announcement on Providing Guarantees for SPV on the Issuance of Overseas Bonds" (Ref: 2020-013) published by the Company on the same day.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

13. Proposal in Respect of Providing Guarantee for Bank Loans of Some Subsidiaries

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to "Huaxin Cement Co., Ltd. – "Announcement on Providing Guarantee for Bank Loans of Some Subsidiaries" (Ref: 2020-014) published by the Company on the same day.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

It is herewith announced.

Huaxin Cement Co., Ltd.
Board of Directors
April 29, 2020

Annex :

Huaxin Cement Co., Ltd.
Final Financial Report 2019 and Financial Budget Report 2020

I. Brief on 2019 Financial Statement

(I) Financial Position

1. Asset and Liability

Unit: 10000 CNY

Item	Details	Balance at the end of 2019	Proportion	Balance at the end of 2018	Proportion	Change on a year on year basis
Asset	Current Asset	1,014,849	27.69%	1,055,047	31.82%	-3.81%
	Non-current asset	2,649,690	72.31%	2,261,103	68.18%	17.19%
	Total	3,664,539	100.00%	3,316,151	100.00%	10.51%
Liability	Current Liability	902,468	68.40%	1,015,184	68.40%	-11.10%
	Non-current liability	425,303	31.60%	469,028	31.60%	-9.32%
	Including: liability with interest	420,429	48.56%	713,924	48.56%	-41.11%
	Total	1,327,770	100.00%	1,484,212	100.00%	-10.54%
Liquidity ratio		1.12			1.04	0.09
Asset liability ratio		36.23%			44.76%	Down by 8.52 percentage points

In 2019, total assets increased by 3.48 billion Yuan over the beginning of the period, mainly due to the construction of New Huangshi Company out of capacity replacement, Yunnan Luquan plant, projects in Nepal, Uzbek, Tibet aggregate, Zhuzhou aggregate, Cambodia packaging and New Huangshi packaging as well as investments in Kyrgyz.

In 2019, with the ever-increasing of profit and operating net cash flow, the Company voluntarily cut the scale of liability with interest of around 2.93 billion Yuan, and total liability decreased by 1.56 billion Yuan over the beginning of the period. The liability ratio slumped by 8.52 percentage points, liquidity ratio rose to over 1.1. Company finance is becoming more stable and healthy.

2. Equity change (excluding minority shareholders' equity, the same below)

Unit: 10000 CNY

Item	Balance at the end of 2019	Proportion	Balance at the end of 2018	Proportion	Change on a year on year basis
Equity attributed to shareholders of the Company	2,130,904	100.00%	1,667,296	100.00%	27.81%
Including: undistributed profit	1,620,454	76.05%	1,172,148	70.30%	38.25%

At the end of 2019, total equity attributed to shareholders of the Company increased by 4.64 billion Yuan over the same period of last year, among which, undistributed profit increased by 4.48 billion Yuan, mainly due to the substantial rise in net profit of this period.

(II) Business Performance

1. Operating performance

Unit: 10000 CNY

	2019	2019 Budget	Change	2018	Change
Sales revenue	3,143,921	2,782,646	12.98%	2,746,604	14.47%
Cost of Sales	1,862,531	1,746,478	6.64%	1,657,521	12.37%
Gross Profits on Sales	1,281,391	1,036,168	23.67%	1,089,083	17.66%
Gross Profits Margin on Sales	40.76%	37.20%	Up by 3.56 percentage points	39.65%	Up by 1.11 percentage points

Compared with last year, sales revenue in 2019 surged by about 3.97 billion Yuan. Sales volume of cement and clinker reached 76.94 million tons, an increase of 8.8% over last year. Old cement capacity increased revenue of 980 million Yuan. New cement capacity increased revenue of around 780 million Yuan. The price of main products including cement continued to rise, 2019 accumulated average prices of cement and other main products rose by about 3.9% year-on-year and revenue increased by 1.5 billion Yuan. The budget completion rate of operating revenue in 2019 reached 113%, mainly because the market price rise of cement has exceeded the expectation.

The operating cost for 2019 increased by 2.05 billion Yuan over the same period of the previous year. Apart from the expansion of production and sales scale of cement, aggregate and other main products, increase in raw material pushed up production cost.

Prices of cement and other main products steadily rose up, which absorbed the cost rise of raw material and further drove this year's gross margin up by 1.11 percentage points, 3.56 percentage points higher than budget. The profitability of the Company significantly improved.

2. Periodic Expenses

Unit: 10000 CNY

	2019	2019 Budget	Change	2018	Change
Selling and distribution expenses	204,849	195,520	4.77%	170,184	20.37%
Selling expense ratio	6.52%	7.03%	Down by 0.51 percentage point	6.20%	Down by 0.32 percentage point
General and administrative expenses	155,849	142,949	2.48%	133,682	11.76%
G&A expense ratio	4.96%	5.14%	Down by 0.18 percentage point	4.87%	Down by 0.09 percentage point
Finance expenses	20,815	36,852	-43.52%	46,562	-55.30%
Finance expense ratio	0.66%	1.32%	Down by 0.66 percentage point	1.70%	Down by 1.03 percentage point

In 2019, expansion in the scale of production and sales, combined sales transportation cost and materials cost rise led to the increase in selling and distribution expenses and G&A expenses, causing slight increase in the ratios. Financial expenses in 2019 reduced by 257 million Yuan year-on-year, among which, liability with interest decrease led to the cut in interest expenditure of around 165 million Yuan.

3. Asset Impairment Loss

Unit: 10000 CNY

Item	2019	2018	Amount change	Change
Loss on inventory devaluation	2,751	372	2,379	639.47%
Loss on impairment of financial asset available for sale	-	200	-200	-100.00%
Loss on impairment of fixed assets	13,720	3,507	10,212	291.16%
Loss on impairment of intangible assets	2,352	-	2,352	0.00%
Loss on Impairment of construction in progress	61	54	8	14.02%
Loss on good will impairment	2,149	-	2,149	0.00%
Others	4	-	-	0.00%
Total	21,037	4,133	16,900	409.02%

In 2019, loss on inventory devaluation, impairment of fixed assets, impairment of intangible assets and impairment of goodwill rose significantly over the same period of last year.

(4) Profitability

Unit: 10000 CNY

	2019	2018	Change
Net profit attributable to shareholders of the Company	634,230	518,145	22.40%
Return on net assets, weighted average (%)	33.68%	36.25%	Down by 2.57 percentage points
Return on net assets, weighted average after deducting non-recurring gains and losses (%)	32.77	35.89	Down by 3.12 percentage points

During the reporting period, net profit of the Company surged by 1.3 billion Yuan compared with the same period of the previous year due to expansion of scale of production and sales, continuous rise of cement and clinker prices, and marked improvement in concrete and Eco business performance; net profit attributable to shareholders of the Company increased by 1.161 billion Yuan year on year. Nevertheless, as a result of new investment, reduction in liability with interest and increase in shareholder equity, return on net assets witnessed a slight decrease.

(III) Cash Flow

Unit: 10000 CNY

	2019	2019 budget	Change	2018	Change
Net cash flow from operating activities	967,919	705,561	37.18%	789,961	22.53%
Net cash flows from investing activities	-448,670	-498,407	9.98%	-182,888	-145.33%
Net cash flows from financing activities	-550,692	-377,635	-45.83%	-438,390	-25.62%

In 2019, net cash flow from operating activities increased by 2.623 billion Yuan over the budget, an increase of 1.78 billion Yuan over the same period of last year, mainly due to the increase in profit and control on accounts receivables.

Net cash outflow from investing activities decreased by 497 million Yuan over the budget, up by 2.658 billion Yuan compared with the same period of last year. This was mainly due to increase in expenditure of purchase of fixed assets and intangible assets.

Net cash outflow from financing activities increased by 1.731 billion Yuan over the budget, an increase of 1.123 billion Yuan over the same period of last year, mainly because the Company took advantage of substantial increase in operating cash flows to reduce the size of loans and increase dividend payments.

II Brief Explanation on the 2020 Financial Budget

In 2020, the Company will launch four strategies including transformation strategy of cement with eco business, overseas strategy of cement business, business expansion strategy of high-tech building materials and innovative strategy of traditional industry + digitalization, making Huaxin an environmental-friendly building material group with advantages in technology, equipment, two-section business model, safety, eco and being the first-mover. The main financial budget indicators for 2020 are as follows:

(I) Production and Operation

In 2020, sudden outbreak of COVID-19 hit hard on the production and operation plan of the Company, posing huge downward pressure on sales volume and revenues. Production and sales volume of cement and clinker of 2020 will basically level off against 2019. The Company will, by all means, organize effective production and operation after the pandemic to maximumly eliminate the negative impacts on revenues brought by the pandemic

(II) Investment Budget

In 2020, the Company plans to invest 8.5 billion Yuan, mainly flowing to cement business, eco business, new material and aggregate business. In terms of cement business, the Company will further expand to overseas, replace old capacity and conduct M&A projects. Nepal and Uzbekistan projects are planned to be constructed. Old capacity replacement in Hubei Huangshi, Yunnan Dongjun relocation, M&A of Tanzania project and Yunan Baoshan project will continue. Thus the scale effect will improve the competitiveness in core areas. The Company will continue to ramp up hazard wastes, municipal wastes projects as well as new material and aggregate business.

(III) Financing Budget

In 2019, the Company will make full use of the Group's advantages and resources, and strived to seek more economic and effective financing channels. The Company will accommodate fund stock, fund cost to balance the structure of direct and indirect financing to reduce the financing cost. At the end of 2020, the Company plans to control the scale of financial debt within 7.5 billion Yuan.

(IV) Asset status

In 2020, total assets are predicted to be around 43.5 billion Yuan. Asset liability ratio is estimated to be controlled below 40%.