

Huaxin Cement Co., Ltd

Announcement on the Reappointment of the Audit Firm for 2020 Financial Audit and Internal Control Audit of the Company

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.

Highlights:

The name of the audit firm: Deloitte Touche Tohmatsu Certified Public Accountants LLP

I. Basic information of the accounting firm to be appointed

(I) Information on the agency

1. Basic information

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) (hereinafter referred to as Deloitte Touche Tohmatsu) was formerly known as Huijiang Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd., which was established in February 1993. Later it was renamed as Deloitte Touche Tohmatsu Certified Public Accountants LLP in 2002. With the approval of the Ministry of Finance and other departments in September 2012, the company was converted into a special general partnership. Deloitte Touche Tohmatsu registered address is 30th Floor, No. 222 East Yan'an Road, Huangpu District, Shanghai. It is part of Deloitte's global network.

Deloitte Touche Tohmatsu has the practising certificate of the accounting firm approved by the Ministry of Finance and is one of the first accounting firms in China to obtain securities and futures related business qualifications. It has also been approved to engage in H-share enterprise auditing business with the approval of the Ministry of Finance and China Securities Regulatory Commission. Deloitte Touche Tohmatsu has been engaged in securities and futures related services for more than 20 years and has extensive experience in securities services.

The auditing business of the Company is mainly undertaken by the Deloitte Touche Tohmatsu Certified Public Accountants LLP Wuhan Branch (hereinafter referred to as "Deloitte Wuhan Branch"). Deloitte Wuhan Branch was established in August 2015. The registered office of Deloitte Wuhan Branch is Room 4901, Block I, New World International Trade Building, No. 568 Jianshe Avenue, Jiangnan District, Wuhan City. Approved by Hubei Provincial Department of Finance, Deloitte Wuhan Branch is equipped with accounting firm branch practising certificate. It has been engaged in securities services.

2. Information on the personnel

Mr. Zeng Shunfu, chief partner of Deloitte Touche Tohmatsu. At the end of 2019, the number of partners was 189 with 7,143 practising employees, 1,191 certified public accountants (an increase of 184 over 2018), among which, CPAs with the experience in securities service surpassed 500.

3. Business scale

Deloitte Touche Tohmatsu earned 4.467 billion RMB in business revenues in 2018. Net asset at the end of the year stood at 827 million RMB. Deloitte provided 2018 annual report audit service for 56 listed companies with total service fee of 225 million RMB. Average asset value of listed companies at the end of 2018 that Deloitte provided service to stood at 425.789 billion RMB, among which top 5 industries are manufacturing, finance, real estate, mining, transportation, warehouse and postal service.

4. Capacity to protect investors

Deloitte Touche Tohmatsu has been equipped with insurance which covers civil compensation responsibility caused by audit service. The occupation insurance could cover cumulative compensation of over 80 million RMB.

5. Independence and integrity record

There is no such violation on the independence required by *China Certified Public Accountants Morality Guidelines* in Deloitte Touche Tohmatsu. It has not received any criminal punishment, administrative penalty, administration supervision measures and self-discipline supervision measures in recent 3 years.

(II) Information on the project members

1. Member information

Mr. Yang Haijiao, partner of the project, now a practising member of China Certified Public Accountants, has long been engaged in professional service of audit and capital market. Mr. Yang Haijiao has been in securities service over 23 years, provided audit service for listed companies and served as project partner and signature certified public accountant, is well equipped with professional competence.

Mr. Yuan Shouqing, the quality control re-auditor has long been engaged in audit and professional services related to capital market and now he is a practising member of China Certified Public Accountants. Mr. Yuan Shouqing has been in securities service over 25 years, provided audit service for listed companies and served as project partner and signature certified accountant, is well equipped with professional competence.

2. Independence and integrity record of the above members

There is no such violation on the independence required by *China Certified Public Accountants Morality Guidelines* in the above members. They have not received any criminal punishment, administrative penalty, administration supervision measures and self-discipline supervision measures in recent 3 years.

(III) Audit fee

The audit fee for this period is calculated on the basis of the time consumed in the audit by partners, managers and other employees. Audit fee for 2019 financial report and internal control totals at 4.07 million RMB, up by 10% over 2018 audit fee.

II. Procedures of reappointing the audit firm

(I) The Audit Committee of the Board has obtained adequate knowledge on Deloitte Touche Tohmatsu Certified Public Accountants LLP and believed that Deloitte had fulfilled its duty during the audit process in accordance with the requirements of the auditing standards for China's Certified Public Accountants, complied with the criteria of professional ethics of accounting firms, and issued its opinions on the effectiveness of corporate finance and internal control objectively and justly. It had fulfilled the responsibility and obligation as an external audit firm and its professional and competent to protect investors, which could meet the requirements of annual financial audit and internal control audit of the Company. Therefore, the Audit Committee agreed to reappoint Deloitte Touche Tohmatsu Certified Public Accountants LLP, and agreed to submit the Proposal on Reappointment of the Accounting Firm for 2020 Financial Audit and Internal Control Audit of the Company to the Sixteenth Meeting of the Ninth Board of Directors of the Company for review on April 27, 2020.

(II) The *Proposal on Reappointment of the Accounting Firm for 2020 Financial Audit and Internal Control Audit of the Company* has acquired pre-approval of Independent Directors before being submitted to the Board. Independent Directors believed that Deloitte Touche Tohmatsu has audit qualifications to engage in securities and futures-related business, it can perform its duties seriously during the practice, it has good business standards and professional ethics and has the professional ability to provide audit services on financial reporting and internal control to the Company. The decision-making procedures for reappointing the audit firm are in compliance with laws, regulations and the "Articles of Association", with no harm to the interests of the Company and its shareholders. The Audit Committee agreed to reappoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the audit firm to conduct 2020 annual financial audit and internal control audit of the Company.

(III) On April 27, 2020, the Company convened the Sixteenth Meeting of the Ninth Board of Directors. The Meeting approved the *Proposal on Reappointment of the Accounting Firm for 2020 Financial Audit and Internal Control Audit of the Company*. The Board agreed to submit the proposal to Shareholders' General Meeting for approval on reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the audit firm of 2020 financial audit and internal control audit and authorization to the Board to decide the audit fee of Deloitte Touche Tohmatsu Certified Public Accountants LLP for providing 2020 annual audit service to the Company.

(IV) The reappointment will be submitted to Shareholders' General Meeting for review and takes effective since the approval of Shareholders' General Meeting.

It is hereby announced.

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