

Huaxin Cement Co., Ltd.

Complementary Announcement on External Investment

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.

Highlights:

- The announcement is the complementary announcement to the Huaxin Cement Co., Ltd Announcement on External Investment (2020-049).
- The quarry resources for Huangshi Huaxin Green Building Materials Industry Park Project has risks in high price of quarry warrant, long time acquisition of new quarry warrant.
- Return forecast on the Huangshi Huaxin Green Building Materials Industry Park has certain prerequisites and conditions. Affected by market environment and other factors, whether prerequisites and conditions and return forecast can be achieved are uncertain.
- Huaxin will invest 1.2 billion RMB in cash to set up Huangshi Huaxin Green Building Materials Limited Company with partners. In the future, the joint venture may raise funds for the construction of the Huangshi Huaxin Green Building Materials Industrial Park project through self-raising, shareholder guarantee or shareholder capital increase. Up to now, the method of financing has not been clarified, and relevant procedures and information disclosure obligations shall be fulfilled in the future based on actual conditions.

Huaxin Cement Co., Ltd (hereinafter referred to as “Company” or “the Company”), with Huangshi Urban Development Investment Limited Company and Yangxin County State-owned Mining Investment Limited Company intend to co-found Huangshi Huaxin Green Building Materials Industry Co., Ltd, which will be the main investment body to build the Huangshi Huaxin Green Building Materials Industrial Park project (including 2 million tons/year active calcium and deep-processing product production lines, 100 million tons/year machine-made sand lines and 2 billion units/year wall material production line). For details, please refer to Huaxin Cement Co., Ltd Announcement on External Investment (2020-049) published on China Securities Journal, Shanghai Securities News and Shanghai Stock Exchange website (<http://www.sse.com.cn>) on December 16, 2020.

The complementary announcement is as followed:

I. Overview of the quarry rights of Huangshi Huaxin Green Building Materials Industrial Park Project

As stated in the Announcement, Huangshi Huaxin Green Building Materials Industrial Park will establish 3 product lines (including 2 million tons/year active calcium and deep-processing product production lines, 100 million tons/year machine-made sand lines and 2 billion units/year wall material production line). 100 million t/y machine-made sand line has been approved by Ministry of Industry and Information Technology of the People's Republic of China on October 7, listed as a key project at

provincial level of Hubei 2020 on November 19

Located in Fuchi town, Yangxin County, Huangshi city, over 4 km to Yangtze river coastline, the quarry for the project has an area of 6 km² with 2 billion tons limestone resources. It's the second mountain along Yangtze River without the restriction of ecological red line. The quarry has been included in local quarry resource planning (2021-2025), geological survey has been launched and it will be sold according to procedure.

To implement the guidance of "New Development Concept" of Central government, fully utilize resources, the Industry Park will *utilize each level, optimize the utilization of the best quarry, clean production, recycling utilization, technology first, digital intelligence*: Deep processing of quality solvent limestone into active calcium and other value added products, construction limestone into AGG and machine made sand, wasted soil into wall material, exploit resources to the utmost efficiently.

II. Re-waring on the uncertainty of the time to acquire quarry warrant

As stated in the Special risks warning, the quarry resources for Huangshi Huaxin Green Building Materials Industry Project has risks in high price of quarry warrant, long time acquisition of new quarry warrant. Quarry of the Industry Park shall be transferred according to national standard procedure. Joint venture is scheduled to complete the procedure of obtaining quarry warrant by the end of June 2021. Huaxin will disclose information on the progress of quarry warrant in accordance with the requirement of disclosure regulations.

III. Calculation basis of the project's financial income

The company disclosed predictions on the returns of the project in 2020-049 "Huaxin Cement Co., Ltd. Announcement on External Investment". The predictions are based on internal profit prediction of Huaxin with following preconditions and impacts of market environment. Whether prerequisites and conditions and return forecast can be achieved are uncertain.

The assumptions and boundary conditions are as follows : (1) aggregate products will be up to capacity in the 4th year, wall material products will be up to capacity in the 3rd year, and active calcium products will be up to 1 million tons/year in the 3rd year and remain relatively stable. (2) In the first five years, the basic price of aggregate will drop slowly between 60 and 52 yuan/ton (including tax), and the price will stabilize later; The basic price of wall material products will be 0.4 yuan/block (including tax), which will remain unchanged; Active calcium products will rise from 400 yuan/ton to 500 yuan/ton in the first 4 years, and then will stabilize at 500 yuan/ton (including tax), with costs rising by about 1%-5%. (3) The loan amount is 4.5 billion yuan, the interest rate is 4.8%, the term of the loan is 8 years; The interest will be paid on a regular basis and the principal will be repaid in a lump sum when due.

IV. Approval procedure of related investment matters

Huaxin will invest 1.2 billion RMB in cash to set up Huangshi Huaxin Green Building Materials Limited Company with partners. In the future, the joint venture may raise funds for the construction of the Huangshi Huaxin Green Building Materials Industrial Park project through self-raising, shareholder guarantee or shareholder capital increase. Up to now, the method of financing has not been clarified, and relevant procedures and information disclosure obligations shall be fulfilled in the future based on actual conditions.

In accordance with Article 114 in the Articles of Association of Huaxin Cement Co., Ltd, any investment amounting to 20% and above of the most recent audited net assets of the Parent Company shall be submitted to the Shareholders' General Meeting for approval after being approved by the Board of Directors. And stipulated in Article 7.7 in the *Rules Governing the Listing in Shanghai Stock Exchange*: Any material matter as set forth in Chapters IX, X and XI of these Rules that occurs to any wholly controlled subsidiary of a listed company shall be deemed as a material matter occurring to the listed company itself and shall be governed by the provisions in the aforesaid Chapters accordingly. Seen from the contribution ratio, Huaxin will contribute 6 billion RMB in the total investment of 10 billion RMB in Huangshi Huaxin Green Building Materials Industry Park project, accounting for 49% of the latest audited net assets of the shareholders of the Company of 12.28 billion RMB. Therefore, the investment shall be submitted to the Shareholders' General Meeting for approval.

Hereby investors should pay attention to the investment risks.

It is herewith announced.

Huaxin Cement Co., Ltd.
Board of Directors
December 17, 2020