

Huaxin Cement Co., Ltd.

Announcement on the Related Party Acquisition of the Cement and Related business of LH Zambia and Malawi

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 settlement and completion of this transaction will require the approval of government departments including China and Zambia, and all relevant approvals and consents will be prerequisites for transaction settlement.
- As of this related party transaction, the company has not had any related party transactions related to this transaction category with Financière Lafarge SAS and Pan African Cement Ltd in the past 12 months. The company has not conducted transactions related to this transaction category with other related parties in the past 12 months.
- The transaction includes related party transaction and non-related party transaction.

I. Brief on the Related Party Transaction

(1) Brief on the Related Party Transaction

On June 10, 2021, the Third Meeting of the Tenth Board of Directors of Huaxin Cement Co., Ltd (hereinafter referred to as the Company or Huaxin Cement) reviewed and approved the Proposal on the Related Party Acquisition of the Cement and Related business of LH Zambia and Malawi, allowed Huaxin (Hainan) Investment Limited to be the direct buyer to acquire 24.9% and 50.1% shares of Lafarge Zambia Plc (together 75% shares) held by Financière Lafarge and its wholly owned subsidiary Pan African Cement and 100% shares of Lafarge Cement Malawi Ltd held by Pan African Cement as well as potentially up to 25% public shares of Lafarge Cement Malawi Ltd with 160 million USD enterprise value(Lafarge Zambia Plc (150 million USD) and Lafarge Cement Malawi Ltd (10 million USD))

(2) Related relations

Pan African Cement Ltd is a wholly-owned subsidiary of Financière Lafarge SAS, and the actual controller of Financière Lafarge SAS is LafargeHolcim Ltd. Since LafargeHolcim Ltd is the actual controller of the company's largest shareholder Holchin BV (LafargeHolcim Ltd indirectly holds 41.84% of the company's shares through Holchin BV and Holpac Ltd), Pan African Cement Ltd and Financière Lafarge are the company's related legal persons. The transaction constitutes a related party transaction.

(3) Other explanation

As of December 31, 2020, the company's net assets were 25.74 billion RMB. The amount of this transaction accounted for approximately 4% of the company's latest

audited net assets, among which the amount of the related party transaction accounted for 3%. Therefore, this related party transaction does not constitute a major asset reorganization as required by the Measures for the Administration of Major Asset Reorganizations of Listed Companies. At the same time, in accordance with the "Shanghai Stock Exchange Stock Listing Rules" and "Huaxin Cement Co., Ltd. Related Party Transactions Management Regulations", this related party transaction does not need to be reported to the company's Shareholders General Meeting for approval.

As of this related party transaction, the company has not had any related party transactions related to this transaction category with Pan African Cement Ltd and Financière Lafarge SAS in the past 12 months. The company has not conducted transactions related to this transaction category with other related parties in the past 12 months.

II. Introduction of the Related Party

1. Pan African Cement Ltd

Pan African Cement Ltd is an investment holding company registered in Mauritius in July 28, 2000. Registration address is Les Cascades Building Edith Cavell Street. Registered capital is 15,116,999 GBP. It's wholly owned by Financière Lafarge. Main business includes external investment holding. It now holds 50.1% stake in Lafarge Zambia Plc and a 100% stake in Lafarge Cement Malawi Ltd.

Pan African Cement Ltd has developed steadily in the past three years, and its main business has not undergone major changes. As of December 31, 2020, Pan African Cement Ltd has total assets of 27.511 million USD and net assets of 27.42 million USD, of which 23.957 million USD is external equity investment. The company is an investment platform. The main income is investment dividends. In 2020, it realized net profit of 7.49 million USD. The aforementioned financial data has been audited.

The company does not have any relationship with Pan African Cement Ltd in terms of property rights, business, assets, claims and debts, personnel, etc.

2. Financière Lafarge SAS

Financière Lafarge SAS is a company established and validly existing under French law. Its registered address is 2 avenue du Général De Gaulle-92140 Clamart, France, and its registration number is B552017196. Its main business is a holding company. 100% shares of Financière Lafarge is held by Société financière immobilière et mobilière, whose 100% shares is held by Lafarge SA, and 99.9% shares of Lafarge SA is held by LafargeHolcim Ltd.

Financière Lafarge SAS has developed steadily in the past three years, and its main business has not undergone major changes. As of December 31, 2020, Financière Lafarge has total assets of 5.97 billion euros and net assets of 5.862 billion euros. In 2020, it achieved a net profit of 27.83 million euros. The aforementioned financial data has been audited.

There is no relationship between the company and Financière Lafarge SAS in terms of property rights, business, assets, claims and debts, and personnel.

III. Basic introduction of the target of the related party transaction

1. Target of the transaction: 75% shares of Lafarge Zambia Plc and 100% shares of Lafarge Cement Malawi

2. Ownership of the target

The property rights of the above-mentioned transaction objects are clear, there are no mortgages, pledges, and any other restrictions on transfers, no litigation, arbitration, or judicial measures such as seizures or freezing are involved, and there are no other circumstances that hinder the transfer of ownership.

3. Brief Introduction on the target company

(1) Lafarge Zambia Plc

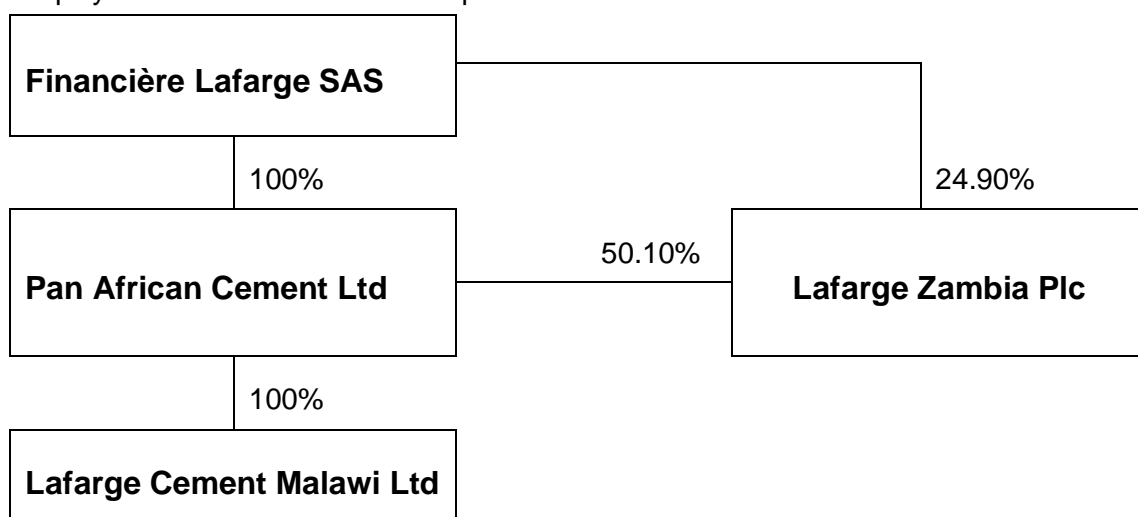
Lafarge Zambia Plc is a company registered and listed in Zambia, Africa. It was originally founded in 1949. Its registered address is FARM No. 1880, KAFUE ROAD, CHILANGA, ZAMBIA, with a registered capital of 12.3 million Zambian Kwachas, and its main business is Cement and aggregate production and sales. Its main shareholders and shareholding ratios are: Pan African Cement Ltd. holds 50.1%, Financière Lafarge holds 24.9%, and the public holds 25%.

Lafarge Zambia Plc has two cement plants in Zambia with a combined production capacity of 1.5 million tons/year, and an aggregate plant with production capacity of 600,000 tons/year. As of the end of 2020, its assets are USD 109.14 million (at the end of 2020, 1 USD is converted to 21.14 Zambian Kwacha on the day).

(2) Lafarge Cement Malawi Ltd

Lafarge Cement Malawi Ltd is a grinding station located in Blantyre, Malawi, Africa with a capacity of 250,000 tons/year. It is now a wholly-owned subsidiary of Pan African Cement Ltd with a registered capital of 15.786 million Malawian Kwachas. The registered address is Bernhard & Harris, Umoyo House, PO Box 2818, Blantyre, Malawi, and its main business is the production and trading of cement and building materials. As of the end of 2020, its assets are USD 30.11 million (converted at 769.94 Malawian Kwachas to USD 1 at the end of 2020).

Equity structure of the above companies:



4. The latest year of financial indexes of the target company

As of December 31, 2020, financial indexes of Lafarge Zambia Plc, Lafarge Cement Malawi Ltd:

Unit: k USD

Company Item	Lafarge Zambia Plc	Lafarge Cement Malawi Ltd
Total assets	109,135.10	30,111.68
Total liabilities	31,710.87	11,240.22
Net assets	77,424.23	18,871.46
Operating revenue	80,085.81	22,236.63
Net profit	17,171.56	-63.45

The above data has not been audited.

5. This equity transfer does not involve the issue of whether other shareholders of the target company waived the right of priority transfer.

6. Guarantee, entrusted financial management, capital occupation, etc.

The company has not provided guarantees for Lafarge Zambia Plc and Lafarge Cement Malawi Ltd, nor has it entrusted these companies to manage financial affairs for the company, and the company's funds have not been occupied by these companies.

7. General principles and methods for determining the price of related party transactions

On the basis of the enterprise valuation of Lafarge Zambia Plc and Lafarge Cement Malawi Ltd (that is, assuming that the target company has no cash and no financial liabilities, the equity value of the equity), compare the "market coordinate enterprises" and the same type of transactions in the same area, and use the enterprise valuation Based on the value, add (subtract) the target company's cash and cash-like (financial liabilities and quasi-financial liabilities) items to get 100% of the equity value, and calculate the transaction price based on the proportion of sold equity, and after the delivery date, according to the target company's actual cash and financial debt levels on the settlement date are adjusted to arrive at the final cash consideration.

According to internal calculations and agreement with the seller, the enterprise valuation (corporate value) of the target totals 160 million U.S. dollars. The sub-enterprise valuation is as follows: Lafarge Zambia Plc is 150 million U.S. dollars, and Lafarge Cement Malawi Ltd is 10 million U.S. dollars.

Based on the current cash and liabilities of the target company and the proportion of equity to be acquired, it is estimated that the cash consideration for 100% equity will be around US\$160 million, and the final actual consideration will be determined by the aforementioned adjustment mechanism.

The consideration for the related party transaction part is the consideration for the corresponding equity of the transaction subject.

8. The pricing of the transaction target and analysis of fairness and reasonableness

In this transaction, the two parties negotiated and determined the transaction price based on the valuation of the target company (corporate value).

The subject of this transaction, the related part is Lafarge Zambia Plc 75% equity and Lafarge Cement Malawi Ltd 100% equity, and the non-related part is Lafarge Zambia Plc 25% public company equity.

The target company's enterprise value (EV) is estimated using the EV/EBITDA multiple method as the valuation method. Compared with similar companies in Africa, the value of the target enterprise has market fairness. The details as follows,

Target company	EV/EBITDA	EV/EBITDA scope of similar companies in the same region
Lafarge Zambia Plc	7.08 times	Around 6-11 times
Lafarge Cement Malawi Ltd	14.24 times	

IV. Main content and contract performance of the related party transaction

(1) Main content of the related party transaction

1. Type of the transaction: Equity purchase of the related party
2. Transaction counterpart: Pan African Cement Ltd and Financière Lafarge SAS
3. Transaction price:

The entire transaction is expected to be worth about 160 million U.S. dollars, of which Lafarge Zambia Plc's 100% equity consideration is about 150 million U.S. dollars, and Lafarge Cement Malawi Ltd 100% equity consideration is about 10 million U.S. dollars.

The cash consideration for the related party transaction is about 122.5 million USD, that is, 75% equity consideration of Lafarge Zambia Plc; and the 100% equity consideration of Lafarge Cement Malawi Ltd is about 10 million US dollars. The final actual purchase consideration is determined by the consideration adjustment mechanism described in point 7 of Part III of this announcement.

4. Payment method: cash payment.
5. Payment deadline: payment in installments. The payment is expected to be divided into two parts. The main equity consideration will be paid on the delivery date. After the delivery date, within the time specified in the acquisition agreement, the parties to the transaction will make the final settlement of the specific net liabilities on the delivery date.
6. Delivery arrangement: After the acquisition agreement is signed, the parties to the transaction initiate the contract delivery pre-conditions, and the project delivery procedures will be processed on the 10th working day after the delivery pre-conditions are met.
7. Pre-conditions for contract delivery:
 - (1) The transaction is approved by the Zambia Competition and Consumer Protection Commission;
 - (2) The transaction has been approved by the Ministry of Mining of Zambia;
 - (3) The transaction has been approved by the Zambia Securities and Exchange Commission;
 - (4) The transaction completion shall be approved by the domestic regulatory agency (Hainan Provincial Development and Reform Commission, Hainan Provincial Department of Commerce, Hainan Branch of the State Administration of Foreign Exchange).
8. Effective time: After the approval of the board of directors of both parties, the signing of the purchase agreement will become effective.
9. Liability for breach of contract: If the buyer or seller violates the transaction

agreement and causes the other party to suffer losses, they are obliged to pay the other party for damages.

(2) Arrangements to protect the interests of the company

According to the consensus reached by both parties, the first payment for this transaction will be made after all the prerequisites are completed, so there is basically no risk of loss due to the inability of the transaction company to complete the transaction transfer.

V. The purpose of the related party transaction and its impact on the company

This acquisition will add cement production capacity of 1.75 million tons in two countries in Africa, which will help the company's steady implementation of its overseas development strategy and will help the company to expand its strategic layout in Africa. After the completion of the acquisition, the company will use its technical and talent advantages in the cement field to make necessary rectifications on the acquired assets to improve equipment operation efficiency, and at the same time reduce costs through management improvements, and improve the competitiveness and performance of the acquired assets. At the same time, in the future, the limestone resources reserved by the project can be used to expand cement production capacity, realize the rolling development of overseas projects, and further expand the company's development space in African countries along the "Belt and Road".

After the completion of this related transaction, the company will include the subject company of the transaction into the scope of the consolidated statement.

VI. Approval procedure of the related party transaction

Procedures have been performed.

1. Before submitting the transaction to the board of directors for deliberation, the company solicited the opinions of independent directors, and the independent directors agreed to submit the above proposal to the board of directors for deliberation.

2. On June 10, 2021, the Third Meeting of the Tenth Board of Directors of the company reviewed and approved this related party transaction. Three independent directors unanimously agreed to the matter and issued independent opinions. Other non-related directors also unanimously agreed to the related transaction. When voting on the related party transaction proposal, related party directors Geraldine Picaud, Chi Kong Lo, and Tan Then Hwee avoided voting.

3. The independent directors of the company reviewed the related party transactions and issued independent opinions, believing that:

(1) The equity transfer agreement with Pan African Cement Ltd and Financière Lafarge SAS will add the cement production capacity by 1.75 million tons in two African countries, which will help the company's steady implementation of its overseas development strategy and strategic layout expansion in the African region. At the same time, in the future, the limestone resources reserved by the project can be used to expand cement production capacity, realize the rolling development of overseas projects, and further expand the company's development space in African countries along the "Belt and Road".

(2) This related party transaction is fair and reasonable to the company and all shareholders of the company, and no circumstances have been found to harm the interests of small and medium shareholders and the company.

(3) When the board of directors deliberated the above proposal, the related party directors Geraldine Picaud, Chi Kong Lo, and Tan Then Hwee complied with the

principle of avoidance and did not participate in the voting of the above proposal. Non-related directors, including all independent directors, voted unanimously to agree to the proposal. No board of directors and related directors were found to violate the principle of good faith. The decision-making procedure of this related party transaction complies with the "Company Law", "Shanghai Stock Exchange Stock Listing Rules" and other laws and regulations and the "Articles of Association".

VII. Historical related transactions (except for daily related transactions)

Except for the above transactions, until this related party transaction, the company has not had transactions with Pan African Cement Ltd and Financière Lafarge SAS in the past 12 months.

VIII. Other information

According to local regulations in Zambia, after the company completes the acquisition of 75% of Lafarge Zambia Plc's equity, the purchaser may need to launch a mandatory tender offer for the remaining 25% of the public equity.

IX. Risks of this transaction

The settlement and completion of this transaction will require approval from government agencies including China and Zambia, and all relevant approvals and consents will be prerequisites for transaction settlement.

X. Attachments

1. Opinions before the proposal approval
2. Independent opinions of independent directors

It is herewith announced.

Board of Directors of Huaxin Cement Co., Ltd.

June 12, 2021