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If you have sold or transferred all your shares in Huaxin Cement Co., Ltd., you should at once hand this circular together with the accompanying proxy form and reply slip to the purchaser(s) or transferee(s), or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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HUAXIN CEMENT CO., LTD.*

華新水泥股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 6655)

2022 WORK REPORT OF THE BOARD OF DIRECTORS
2022 WORK REPORT OF THE BOARD OF SUPERVISORS
2022 FINAL FINANCIAL REPORT AND
2023 FINANCIAL BUDGET REPORT
2022 PROFIT DISTRIBUTION PLAN
2022 ANNUAL REPORT

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the following meanings:

A share(s)	means	ordinary shares issued by the Company with a par value of RMB1.00 each, which are listed on the SSE and traded in RMB
A-share holder(s)	means	holders of A shares
Annual General Meeting or AGM	means	2022 Annual General Meeting to be held on Monday, 22 May 2023 at 2:00 p.m.
Articles of Association	means	Articles of Association of the Company (as amended from time to time)
Board of Directors	means	Board of Directors of the Company
Board of Supervisors	means	Board of Supervisors the Company established in accordance with the Company Law of the People's Republic of China
China	means	the People's Republic of China, excluding Hong Kong, Macao Special Administrative Region and Taiwan for the purpose of this circular only
CSRC	means	China Securities Regulatory Commission
Director(s)	means	directors of the Company
H share(s)	means	foreign shares issued by the Company with a par value of RMB1.00 each, which are listed on the HKEx and traded in Hong Kong dollars
H-share holder(s)	means	holders of H shares
H-share registrar	means	Tricor Investor Services Limited
HKD	means	Hong Kong dollars, the lawful currency of Hong Kong
HKEx	means	The Stock Exchange of Hong Kong Limited
Hong Kong	means	Hong Kong Special Administrative Region of the People's Republic of China
Independent Third Party	means	A person or entity that is not considered a connected person of the Company under the Listing Rules

DEFINITIONS

Latest Practicable Date	means	21 April 2023, the latest practicable date for the determination of certain information contained in this circular
Listing Rules	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Reporting Period	means	From 1 January 2022 to 31 December 2022
RMB	means	Renminbi, the lawful currency of China
Share(s)	means	shares of the Company with a par value of RMB1.00 each, including A shares and H shares
Shareholder(s)	means	shareholders of the Company, including A-share holders and H-share holders
SSE	means	Shanghai Stock Exchange
Supervisors	means	Supervisors of the Company
The Company or Company	means	Huaxin Cement Co., Ltd. (stock code: 6655), a joint stock limited company incorporated in China, whose H shares and A shares have been listed on the Main Board of the HKEx and the SSE, respectively



HUAXIN CEMENT CO., LTD.*

華新水泥股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

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LETTER FROM THE BOARD OF DIRECTORS

1. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the Annual General Meeting of the Company to be held on Monday, 22 May 2023 at 2:00 p.m. at the Company's conference room on 2/F, Block B, Huaxin Building, No. 426 Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province, China.

The purpose of this circular is to send you notice on the AGM and to provide you with the information reasonably necessary to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM.

2. AFFAIRS TO BE DEALT WITH AT THE AGM

The resolutions that the Company will propose at the AGM for the Shareholders' consideration and approval include the following:

- (1) Report on the Work of the Board of Directors in 2022
- (2) Report on the Work of the Board of Supervisors in 2022
- (3) 2022 Final Financial Report and 2023 Financial Budget Report
- (4) 2022 Profit Distribution Plan
- (5) 2022 Annual Report
- (6) Proposal on Re-appointment of Ernst & Young Hua Ming LLP (Special General Partnership) as the Company's Auditor for Financial Audit and Internal Control Audit for the Year 2023
- (7) Proposal on Adjusting the Financing Guarantee for Some Subsidiaries

The matter that the Company will report to the Shareholders at the AGM includes the following:

- (1) 2022 Annual Work Report of Independent Non-executive Directors

3. REPORT ON THE WORK OF THE BOARD OF DIRECTORS IN 2022

The Company will propose an ordinary resolution to consider and approve the Report on the Work of the Board of Directors in 2022 at the AGM. The Report on the Work of the Board of Directors in 2022 is attached in Appendix I to this circular.

4. REPORT ON THE WORK OF THE BOARD OF SUPERVISORS IN 2022

The Company will propose an ordinary resolution to consider and approve the Report on the Work of the Board of Supervisors in 2022 at the AGM. The Report on the Work of the Board of Supervisors in 2022 is attached in Appendix II to this circular.

LETTER FROM THE BOARD OF DIRECTORS

5. 2022 FINAL FINANCIAL REPORT AND 2023 FINANCIAL BUDGET REPORT

The Company will propose an ordinary resolution to consider and approve the 2022 Final Financial Report and 2023 Financial Budget Report at the AGM.

I. Summary of the 2022 Final Financial Report

1. *Financial position*

(1) *Asset and Liability*

Unit: RMB10,000

Item	Details	Closing balance of 2022	Proportion	Closing balance of 2021	Proportion	Change on a year-on-year basis
Assets	Current Assets	1,445,030	22.49%	1,612,672	30.69%	-10.40%
	Non-current assets	4,979,138	77.51%	3,642,290	69.31%	36.70%
	Total	6,424,168	100.00%	5,254,962	100.00%	22.25%
Liabilities	Current Liabilities	1,662,488	49.77%	1,271,354	54.87%	30.77%
	Non-current liabilities	1,677,861	50.23%	1,045,824	45.13%	60.43%
	Total	3,340,349	100.00%	2,317,178	100.00%	44.16%
	Including: liability with interest	1,449,488		992,687		46.02%
Current ratio		0.87		1.27		-31.50%
Asset liability ratio		52.00%		44.10%		Increased by 7.90 percentage points

In 2022, the total assets increased by RMB11.692 billion compared with the beginning of the period, of which: fixed assets and intangible assets, projects under construction, right-of-use assets, etc. increased by about RMB12.282 billion due to investment in machine-made sand, integration, aggregates and concrete projects, etc., resulting in a decrease of about RMB1.798 billion in cash and bank balances.

In 2022, the Company appropriately increased project loans according to the fund demand of the double performance plan and overseas investment. In order to achieve low-carbon transformation and green development, the Company issued RMB900 million of low-carbon transformation linked corporate bonds in July, with an increase of about RMB4.568 billion of interest-bearing liabilities. The business scale and project investment expanded, the investment in mining rights and procurement increased, and the long-term payable (including those due within one year) and accounts payable increased by RMB4.129 billion and RMB1.254 billion respectively. The Company's total liabilities increased by RMB10.232 billion compared with the beginning of the year.

LETTER FROM THE BOARD OF DIRECTORS

The asset-liability ratio increased by 7.90 percentage points. The current ratio is less than 1 and decreased by 31.5% against last year. The total cash and bank balances can cover the current interest-bearing liabilities and the liquidity risk is controllable.

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

Unit: RMB10,000

Item	Closing balance of 2022	Proportion	Closing balance of 2021	Proportion	Change on a year-on-year basis
Equity attributed to Shareholders of the Company	2,744,631	100%	2,672,991	100%	2.68%
Other comprehensive incomes	-17,526		-30,535		42.60%
Undistributed profit	2,300,960	83.83%	2,240,568	83.82%	2.70%

At the end of 2022, the total equity attributed to Shareholders of the Company increased by RMB0.716 billion from the beginning of the year. The Company's undistributed profit balance increased by RMB0.604 billion. Due to the depreciation of RMB against the US dollar, Tajik somoni and Kyrgyz som, the translation differences of financial statements denominated in foreign currency increased by RMB0.272 billion.

2. *Business performance*

(1) *Operating performance*

Unit: RMB10,000

	2022	2022 Budget	Change	2021	Change
Operating revenue	3,047,038	3,702,800	-17.71%	3,246,408	-6.14%
Operating cost	2,248,190	2,337,058	-3.80%	2,139,249	5.09%
Gross profits	798,848	1,365,742	-41.51%	1,107,159	-27.85%
Gross profits margin	26.22%	36.88%	Decreased by 10.67 percentage points	34.10%	Decreased by 7.89 percentage points

In 2022, the operating revenue decreased by RMB1.994 billion year-on-year. The sales volume of cement and clinker decreased by 14.8739 million tons (-19.76%), sales price is basically the same as last year, sales revenue decreased by RMB5.086 billion. The sales volume of concrete increased by 7.3352 million m³ (81.02%), which covered the sales price decline of 37.54 RMB/m³ (-10.70%), the sales revenue still increased by RMB1.957 billion. The sales volume of aggregate sales increased by 30.8176 million tons (88.13%), which covered sales price drop of 12.14 RMB/t (-20.67%), the sales revenue was increased by RMB1.011 billion.

In 2022, the operating cost increased by RMB1.089 billion over last year, including a significant increase in the sales volume of concrete and aggregate, with a cost increase of RMB2.408 billion. The sales volume of cement and clinker decrease caused cost decrease of RMB1.717 billion.

The comprehensive price of cement and clinker was basically the same as the same period of the previous year, but affected by the increase in energy costs, the unit sales cost increased by RMB27.97/ton (12.21%), the gross profit decreased by RMB28.18/ton, and the gross profit margin of sales in 2022 decreased by 10.67 and 7.89 perce

LETTER FROM THE BOARD OF DIRECTORS

(2) *Period expenses*

Unit: RMB10,000

	2022	2022 Budget	Change	2021	Change
Selling and distribution expenses	137,182	178,886	-23.31%	133,121	3.05%
Selling expense ratio	4.50%	4.83%	Decreased by 0.33 percentage points	4.10%	Decreased by 0.40 percentage points
General and administrative (“G&A”) expenses	158,254	190,445	-16.90%	163,470	-3.19%
G&A expense ratio	5.19%	5.14%	Increased by 0.05 percentage points	5.04%	Increased by 0.15 percentage points
Finance expenses	45,849	30,494	50.35%	17,026	169.29%
Finance expense ratio	1.50%	0.82%	Increased by 0.68 percentage points	0.52%	Increased by 0.98 percentage points

In 2022, the selling and distribution expenses increased by RMB41 million with the expansion of business scale compared with last year.

In 2022, the general and administrative expenses decreased by RMB52 million compared with last year, mainly due to the decline in performance and the decrease in staff costs of RMB88 million.

In 2022, the finance expenses increased by RMB288 million compared with last year, mainly due to the increase of RMB105 million in interest expenses and RMB118 million in exchange losses.

(3) *Profitability*

Unit: RMB10,000

	2022	2021	Change
Net profit attributable to shareholders of the Company	269,887	536,353	-49.68%
Return on net assets, weighted average (%)	10.03	21.30	-52.91%
Return on net assets, weighted average after deducting non-recurring gains and losses (%)	9.58	21.07	-54.53%

LETTER FROM THE BOARD OF DIRECTORS

In 2022, the comprehensive sales volume of cement and clinker, the leading products, declined over last year the real estate industry downturn and other factors. The cost of cement and clinker increased due to the rise in energy prices, and the Company's net profit decreased by RMB2.781 billion compared with last year, of which the net profit attributable to shareholders of the parent company decreased by RMB2.665 billion compared with last year.

3. *Cash flow*

Unit: RMB10,000

	2022	2022 budget	Change	2021	Change
Net cash flow from operating activities	456,769	907,455	-49.66%	759,496	-39.86%
Net cash flow from investing activities	-838,334	-1,219,827	31.27%	-679,406	-23.39%
Net cash flow from financing activities	177,184	197,490	-10.28%	-63,225	380.24%

In 2022, the net cash flow from operating activities decreased by RMB3.027 billion over the same period last year, mainly due to the decrease in profits this year.

The net cash outflow from investment activities increased by RMB1.589 billion compared with the same period last year, mainly due to the continuous increase in investment in the projects under construction such as aggregate and concrete.

The net cash flow from financing activities increased by RMB2.404 billion compared with the same period of the previous year, mainly due to the increase in borrowings from capital expenditure items.

II. Summary of the 2023 Financial Budget Report

(1) Production and operation

In 2023, the Company plans to sell about 57 million tons of cement and clinker, about 130 million tons of aggregates, 25 million m³ of concrete, eco disposal 4.5 million tons. The total operating revenue is expected to be RMB35billion.

(2) Investment budget

In 2023, the Company plans to spend about RMB11 billion in capital expenditure, focusing on the construction of aggregate and concrete production capacity, the expansion of Eco and new materials business, and the layout of overseas cement business.

LETTER FROM THE BOARD OF DIRECTORS

(3) Asset status

In 2023, the Company's total assets are predicted to be about RMB70 billion and the asset-liability ratio is predicted to remain at about 50%.

This proposal has been approved at the 23rd meeting of the 10th session Board of Directors, and is now submitted to the AGM for consideration.

6. 2022 PROFIT DISTRIBUTION PLAN

The net profit of the Company in 2022 amounted to RMB2,238,002,243, and the consolidated net profit attributable to the Shareholders amounted to RMB2,698,868,510. The profits of the Company available for distribution was RMB8,507,891,676 as at 31 December 2022.

Based on the Company's total shares less the shares stored in the repurchased securities account 2,094,949,878 shares on the record date for the implementation of the profit distribution for year 2022, a cash dividend of RMB0.51 per share (tax inclusive) was distributed to all Shareholders. The total cash dividend will be RMB1,068,424,438 (39.59% of net profit attributable to shareholders of the parent company after the consolidation). The undistributed amount will be retained as undistributed profit for distribution in future years.

The Company's shares held by the Company's repurchased securities account shall not be included in the profit distribution. The cash dividends distributed by the Company are denominated and declared in Renminbi, paid to A-share holders in RMB and paid to H-share holders in HKD or USD.

The Board of Directors has agreed to appoint Tricor Investor Services Limited as the agent of the Company to handle the distribution of dividends to H-share holders. The Board of Directors has agreed, upon approval of the 2022 Profit Distribution Plan by the AGM, to authorize the Company's Mr. Ye Jiaying (Vice President, Secretary to the Board of Directors) and Mr. Peng Puxin (either of whom has the right of signature) to execute the matters related to dividend distribution, sign the legal documents related to dividend distribution and handle all relevant matters on behalf of the Company.

LETTER FROM THE BOARD OF DIRECTORS

In case of any change in the total share capital of the Company before the equity registration date for equity distribution, the Company intends to maintain the distribution ratio per share unchanged and adjust the total distribution amount accordingly, and will announce the specific adjustment separately. As of the latest practicable date, the Company has no plan to change the total share capital of the Company.

7. 2022 ANNUAL REPORT

The 2022 annual report will be presented at the AGM to be approved by way of ordinary resolution. The 2022 annual report were published on the HKEX news website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>), the website of the SSE (<http://www.sse.com.cn>) and the website of the Company (<http://www.huaxincem.com>). The 2022 annual report has also been dispatched together with this circular to the H-share holders.

8. PROPOSAL ON RE-APPOINTMENT OF ERNST & YOUNG HUA MING LLP (SPECIAL GENERAL PARTNERSHIP) AS THE COMPANY'S AUDITOR FOR FINANCIAL AUDIT AND INTERNAL CONTROL AUDIT FOR THE YEAR 2023

As the Company's auditor for financial audit and internal control audit for the year 2022, Ernst & Young Hua Ming LLP (hereinafter referred to as Ernst & Young Hua Ming) performed its duties with due dedication and completed the annual audit in accordance with the independent, objective and fair professional standards. The service fee of Ernst & Young Hua Ming in 2022 was RMB5.7 million, of which the audit service fee of financial statements was RMB5.2 million, and that of internal control was RMB0.5 million.

Whereas Ernst & Young Hua Ming has performed its due diligence in the Company's 2022 financial audit and internal control audit process, and has objectively and impartially expressed its opinions on the effectiveness of the Company's financial and internal control, following the requirements of the Chinese CPA Standards on Auditing and professional standards of accounting firms. In order to maintain the continuity of the Company's audit work, the Audit Committee of the Board of Directors, on the basis of a full understanding and verification of the professional competence, investor protection, independence and integrity of Ernst & Young Hua Ming, now proposes that:

- (1) Ernst & Young Hua Ming is to be engaged as the Company's auditor for financial audit and internal control audit for the year 2023.
- (2) The Shareholders at the forthcoming AGM to authorize the Board of Directors to determine the remuneration of Ernst & Young Hua Ming for providing audit services for the Company in 2023.

LETTER FROM THE BOARD OF DIRECTORS

9. PROPOSAL ON ADJUSTING THE FINANCING GUARANTEE FOR SOME SUBSIDIARIES

To meet the financing needs of some wholly-owned subsidiaries and controlling subsidiaries of the Company, the Company intends to provide guarantee for their financing operations such as bank loans, letters of credit, bank acceptances, letters of guarantee, financial leasing and bond issuance for the Shareholders' consideration.

I. Overview

The Company's 2021 annual Shareholders' meeting approved the *Proposal for Provision of Guarantee for Subsidiaries*, and the total amount authorized by the Company to provide guarantees to external parties was RMB17.998 billion. According to the latest financing needs of some subsidiaries, we hereby apply to adjust the financing guarantee amount of some companies. The specific situation is as follows:

Currency: RMB
Unit: RMB10,000

Category of authorized guarantee limit	Current loan limit	Fixed assets loan limit	Total limit
Approved amount	315,220	1,484,556	1,799,776
Already used limit	104,767	887,398	992,165
Newly applied limit	37,000	98,000	135,000
Deduction limit	12,720	52,703	65,423
Amount after approval	339,500	1,529,853	1,869,353

II. Summary of Guarantee

- (1) Scope of guarantee: Between the Company and its wholly-owned subsidiaries and between the Company and its controlling subsidiaries.
- (2) Guarantee limit: The additional guarantee amount is RMB1.35 billion, the reduced guarantee amount is RMB654 million and the total guaranteed amount after adjustment is RMB18.694 billion.
- (3) Term of guarantee limit: For guarantee of working capital loans, the Company shall sign relevant guarantee contract from the date of approval by the Board of Directors to the date of expiration of two years, and shall be authorized to continue to provide guarantee for its subsidiaries upon business renewal within the authorized period. For guarantee of fixed-assets loans, the Company shall sign relevant guarantee contract from the date of approval by the Board of Directors to the date of expiration of two years and the specific guarantee period shall be determined according to the signed guarantee contract.

- (4) Guarantee style: The Company's wholly-owned and controlling subsidiaries may use the guarantee for once or several times within the above limit, and the specific guarantee amount, term and method shall be subject to relevant contract. The Company shall undertake joint and several liability guarantee, and its wholly-owned subsidiaries may exchange the guarantee limit within the above total guarantee limit according to actual needs. When the Company provides specific guarantee and signs relevant guarantee contract, it is not necessary to hold another meeting of the Board of Directors or the Shareholders' general meeting for consideration.
- (5) Whether there is counter-guarantee in this guarantee: The joint shareholders of Huaxin Green Building Materials (Wuxue) Co., Ltd. provide counter-guarantees, and there are no other counter-guarantees.

III. Main contents of guarantee contract

The Company will determine the specific amount of guarantee within the above guarantee limit applied according to the production and operation conditions of all its wholly-owned and controlling subsidiaries, and sign relevant contract for each guarantee.

IV. Opinions of the Board of Directors

Given that the above guarantees are provided to wholly-owned and controlling subsidiaries of the Company, and they have good financial position and solvency, the Company has effective control over their operation and management, finance, investment, financing and other aspects, and has the ability to fully master and monitor their business activities.

The Board of Directors believes that the Company provides guarantees for its wholly-owned and controlling subsidiaries for the purpose of meeting their financing needs. When the Company provides guarantees for its subsidiaries in financing business such as bank loans, letters of credit, bank acceptances, letters of guarantee, financial leasing and bond issuance, the guarantee risk is controllable. Therefore, the Board of Directors agrees to the above guarantees, and will submit the guarantees to the Shareholders' general meeting for consideration.

V. Accumulative number of guarantees and overdue guarantees of the Company

As at 31 December 2022, the Company and its controlling subsidiaries provided guarantees accounting to RMB9.922 billion; the additional guarantees applied for this time amounted to RMB696 million; the total amount of guarantees authorized by the Company was RMB18.694 billion, representing 60.62% of the Company's latest audited net assets. The accumulative number of overdue guarantees was 0.

LETTER FROM THE BOARD OF DIRECTORS

This guarantee includes guarantees for wholly-owned and controlling subsidiaries with an asset-liability ratio of over 70%. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Articles of Association, the guarantee shall be reviewed and approved by the Shareholders' general meeting.

10. 2022 ANNUAL WORK REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Shareholders will hear the 2022 Annual Work Report of Independent Non-executive Directors at the Annual General Meeting.

11. ANNUAL GENERAL MEETING

The AGM will be held on Monday, 22 May 2023 at 2:00 p.m. at the Company's conference room on 2/F, Block B, Huaxin Building, No. 426 Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province, China to consider and approve the Work Report of the Board of Directors in 2022, the Work Report of the Board of Supervisors in 2022, the 2022 Final Financial Report and 2023 Financial Budget Report, the 2022 Profit Distribution Plan, the 2022 Annual Report, Proposal for Reappointing Ernst & Young Hua Ming LLP (Special General Partnership) as the Company's Auditor for Financial Audit and Internal Control Audit for the Year 2023 and Proposal on Adjustment of the Financing Guarantee for some Subsidiaries. The AGM Notice is set out on pages 23 to 28 of this circular.

A proxy form of the AGM is enclosed herewith. Whether or not you are able to attend the AGM in person, you are requested to read the notice and to complete and return the enclosed proxy form as soon as possible in accordance with the instructions printed thereon. H-share holders must return the proxy form or other authorized documents to the Company's H-share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by hand or by post 24 hours before the time designated for holding the AGM or any adjournment thereof in any event; otherwise, it will be deemed invalid. For the AGM, the proxy form shall be returned before 2:00 p.m. on Sunday, 21 May 2023. The completion and submission of the proxy form shall not preclude you from attending and voting at the AGM in person or its adjournment (as the case may be) if you so wish.

12. CLOSURE OF H-SHARE REGISTER

To determine the name list of H-share holders eligible to attend the AGM, the Company will close registration for H Share transfers from Wednesday, 17 May 2023 to Monday, 22 May 2023 (both days inclusive). In order to be eligible to attend and vote at the AGM, all share transfer documents together with the relevant share certificates must reach the Company's H-share registrar in Hong Kong, namely Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, before 4:30 p.m. on Tuesday, 16 May 2023.

LETTER FROM THE BOARD OF DIRECTORS

13. VOTING BY POLL

In accordance with Rule 13.39 (4) of the Listing Rules, all resolutions submitted at the AGM shall be voted on by poll except where the chairman of the AGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands where permitted by the Articles of Association. The voting results will be uploaded onto the Company's website (<https://www.huaxincem.com>) and the website of HKEx news of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) after the AGM.

14. RECOMMENDATION

Having considered the circumstances as set out above, the Board of Directors is of the opinion that all the resolutions to be presented at the AGM are in the best interest of the Company and the Shareholders as a whole. As such, the Board of Directors recommends that the Shareholders vote in favor of all the resolutions as set out in the notice of the AGM.

Yours faithfully
By order of the Board of Directors
Huaxin Cement Co., Ltd.
Xu Yongmo
Chairman

Wuhan City, Hubei Province, China
27 April 2023



HUAXIN CEMENT CO., LTD.*

華新水泥股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 6655)

Report on the Work of the Board of Directors in 2022

To shareholders and their representatives,

In 2022, the Board of Directors of the Company strictly observed the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the *Listing Rules*, *Articles of Association*, and *Rules of Procedure of the Board of Directors*, performed the duty entitled by Shareholders' Meeting, diligently ensuring the Company's standard operation and scientific decision-making.

2022 is a critical year connecting the past and following years of the Fourteenth Five Year Plan, also the year when the building material industry confronted huge challenges. Hit by the unfavorable factors including falling demand, overcapacity, and energy price hovering at plateau, the industry prosperity encountered a fast decline. During the Reporting Period, despite complexed external situations, the Company was committed to the development philosophy of "whole lifecycle of green low carbon building material", took "be the leader of earning index in low-carbon and sustainable industry" as the strategic goal of the Company, assertive in promoting the strategy of "Integrated Transformation Development, Overseas Expansion, New Building Materials Expansion and Traditional Industry + Digital innovation", firmly stick to probity, safety, ecological protection, guarded against financial, quality and compliance risks, and took operation measures responsive to differentiated needs in different times and locations. The Company made new breakthroughs in all fronts and maintained overall stability of its development.

* For identification purpose only

The work of the Company's Board of Directors in 2022 was detailed as follows:

I. DAILY WORK OF THE BOARD OF DIRECTORS

1. Meetings of the Board of Directors

In 2022, the Board of Directors held 11 board meetings physically or online. Members of the Board carried out their work responsibly under the principles laid out in the *Company Law of the People's Republic of China*, *Rules of Procedure of Shareholders' Meeting*, *Rules of Procedure of the Board of Directors*, *Work Regulations for Independent Directors*, and other laws and regulations.

During the Reporting Period, all affairs related to the meeting, including the holding procedures, the requirements for attendees, the qualifications of the convener, and the voting procedures, were dependent on relevant laws, regulations, and the *Articles of Association*. Resolutions and agreements adopted at the meeting were put in force. For details of the meeting agenda and resolutions, please refer to "VI. Board Meetings during the Reporting Period" in the Corporate Governance & Corporate Governance Report of the *Annual Report 2022*.

2. Performance of duties by special committees of the Board of Directors

During the Reporting Period, all special committees of the Board of Directors held 9 meetings in total, including 2 meetings of the Strategy Committee, 3 meetings of the Audit Committee, 1 meeting of the Nomination Committee, 1 meeting of the Remuneration and Assessment Committee, and 2 meetings of the Corporate Governance and Compliance Committee. The special committees reviewed issues/reports and communicated through email, WeChat, telephone, and onsite and online videoconferencing, fully fulfilling their duties. For details of the duties performed by the special committees of the Board of Directors, please refer to "X. Special committees to the Board of Directors" in the Corporate Governance & Corporate Governance Report of the *Annual Report 2022*.

3. Performance of duties by directors

All the Directors paid close attention to the Company's affairs, such as the Company's operation and management, financial status, domestic and foreign project investment, related transactions, and corporate governance. They carefully reviewed and discussed the delivered proposals and reports, provided their professional knowledge to make feasible strategic decisions, and tried their best to put forward suggestions for the Company's healthy and sustainable development. For details, please refer to "VII. Fulfillment of Corporate Governance duties by the Board of Directors" in the Corporate Governance & Corporate Governance Report of the *Annual Report 2022*.

4. The implementation of the resolutions adopted at the Shareholders' Meeting by the Board of Directors

During the Reporting Period, 1 annual general meeting was held. Resolutions made at the meeting were fully implemented by the Board of Directors in accordance with the requirements of the *Company Law of the People's Republic of China*, the *Articles of Association*, and other relevant laws, regulations and rules.

II. INFORMATION DISCLOSURE

Information disclosure were conducted based on *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the *Listing Rules*, *Administrative Measures for Company's Information Disclosure* and other relevant regulations. During the Reporting Period, the Company disclosed 59 extraordinary announcements and 4 periodic reports at the SSE, and 62 extraordinary announcements, 13 displayed documents and 4 periodic reports at the HKEx.

All periodic reports were previewed by the Board of Directors. The Company's major information was disclosed on designated newspapers and websites timely in accordance with the requirements of the information disclosure guidelines of the stock listing rules of the stock exchanges where the Company is listed at home and abroad.

The information disclosed by the Company were accurate, complete, and effective, objectively and fairly reflecting the Company's operation and management, without misleading statements or omissions. Throughout the year, the Company issued information and announcements timely and accurately, in line with regulatory requirements for information disclosure, and thus was awarded the "Class A Information Disclosure of Listed Companies in Shanghai Stock Exchange from 2021 to 2022" by the SSE.

III. INVESTOR RELATIONS AND MARKET VALUE MANAGEMENT

During the Reporting Period, the Company actively served investors with professional knowledge, while creating a competitive company brand with high market value. In 2022, the Company maintained its high dividend distribution ratio to reward investors. Giving priority to compliance risk control, the Company kept close interaction with investors and industry analysts, its good corporate image of low-carbon development, green transformation and active fulfillment of social responsibilities has been demonstrated in the capital market, and it was highly praised by the media, regulatory authorities and investors.

The Company actively conducted 145 communications with investors through various ways.

Ways of communication	Number of exchanges
Receiving visiting investors, fund managers, and analysts/ researchers in the building materials industry	8
Performance analysis meeting of the Company's quarterly, semi-annual and annual reports jointly held by the Company and the Shanghai Stock Exchange Roadshow Center/Securities Regulatory Bureau/Securities Companies	20
Participating in the onsite/online securities market investment strategy meeting organized by securities companies	11
Participating in the online/telephone conferences to communicate with investors	50
Interacting with investors through other ways	<u>56</u>
Total	<u><u>145</u></u>

IV. CORPORATE GOVERNANCE

On 28 March 2022, the Company successfully achieved the conversion of B share to H share and was officially listed on the Main Board of the HKEx. The Board of Directors adheres to system improvements, compliance with laws and regulations, and constantly enhancing the corporate government structure and system to keep up with international standards. Also taking into account requirements under the Listing Rules, respond timely to and enhance various systems approved by the Board of Directors to ensure that the Company's rules and systems comply with international standards.

At the same time, the Board of Directors urged for more stringent internal supervision and inspection, to create a sounding environment featuring integrity and honesty.

Looking forward, the Board of Directors will continue to discharge its duties and responsibilities to live up to the Shareholders' expectation. It will adhere to scientific decision making and continue to improve the governance system, laying a sound foundation for the healthy, sustainable, stable, and efficient development of the Company.



HUAXIN CEMENT CO., LTD.*

華新水泥股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 6655)

Report on the Work of the Board of Supervisors in 2022

To shareholders and their representatives,

In 2022, the Board of Supervisors strictly observed the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Articles of Association, and Rules of Procedure of the Board of Supervisors, and fulfilled its responsibilities and duties to safeguard the interests of the Company and the legitimate rights and interests of shareholders. The work of the Board of Supervisors in 2022 was set out in details as follows:

I. MEETINGS OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Chairman of the Board of Supervisors attended all meetings of the Board of Directors and Shareholders' meetings in 2022, understood the Company's proposals and resolutions and their making procedures, as well as the business performance, and fulfilled its due duties. At the same time, the Chairman worked with members of the Board of Supervisors to supervise and deliberate a series of major issues of the Company.

During the Reporting Period, the Board of Supervisors held 4 meetings:

1. On 29 March 2022, the Fifth Meeting of the Tenth Board of Supervisors was held, and the meeting adopted the 2021 Annual Work Report of the Board of Supervisors of the Company. The 2021 Annual Report and Summary of the Company's 2021 Annual Report was adopted. The 2021 Internal Control Assessment Report was adopted. The Proposal for the Change in the Company's Accounting Policies was adopted
2. On 27 April 2022, the Sixth Meeting of the Tenth Board of Supervisors was held, which passed the 2022 First Quarter Report of the Company and issued review opinions.
3. On 24 August 2022, the Seventh Meeting of the Tenth Board of Supervisors was held, which adopted the 2022 Half Year Report of the Company and issued review opinions.

* For identification only

4. On 26 October 2022, the Eighth Meeting of the Tenth Board of Supervisors was held, which adopted the 2022 Third Quarter Report of the Company and issued review opinions.

II. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON THE COMPANY'S PERFORMANCE DURING THE REPORTING PERIOD

1. The independent opinions on the Company's operation

During the Reporting Period, the Board of Directors and senior management managed the Company in accordance with national laws and regulations and Articles of Association, strengthened internal risk control and strictly implemented the resolutions approved at the Shareholders' meetings. In the spirit of being responsible to all Shareholders and all employees, under the impact of severe external situations such as repeated epidemics, weak demand, overcapacity, and high energy prices, the Company's directors and other senior management anchor production, operation and development goals, adhere to innovation-driven development, firmly promote the "four major strategies", firmly adhere to the "three bottom lines" of integrity, safety and environmental protection, strictly control risks such as finance, product quality, and compliance, and adopt the business strategy of "adapting measures to time and local conditions" to promote new results and breakthroughs in various work, maintaining the overall stability of enterprise development.

2. The independent opinions on the financial situation of Company

Through the inspection of the Company's financial decisions and execution in 2022, the Board of Supervisors confirmed that within the Reporting Period the Company's assets were managed according to regulations and that all financial reports truly reflected the financial position and operating results of the Company, with no violations of regulations and disciplines.

3. The independent opinions on the Company's related party transactions

During the Reporting Period, the transactions between the Company and related parties were legally conducted in complete procedures, with fair and reasonable prices. All transactions were made openly, impartially and fairly, with no potential risks generated.

4. The review and opinions on the Internal Control Assessment Report 2022

The Board of Supervisors reviewed the Internal Control Assessment Report 2022 and was of the view that it is in compliance with the relevant laws and regulations and reflects current situation of the Company's internal control. The Company has established a sound internal control system and formulated a series of reasonable internal control rules in accordance with national laws and requirements of securities regulatory authorities. All internal control measures were effectively carried out in the whole process of production and operation, delivering results in risk prevention and control. Therefore, the Board of Supervisors agree all matters mentioned in the Internal Control Assessment Report 2022.

5. The review and opinions on Annual Report 2022

The Company prepared and reviewed the Annual Report 2022 in line with national laws, regulations, and the provisions of the CSRC. The Report truly, accurately and completely reflected the Company's current situation, without any false information, misleading statements or material omissions. By the time of issuing this opinion, no employee involved in the preparation and review of the Annual Report 2022 was found to have violated confidentiality regulations.

In 2022, the Board of Supervisors made every effort to supervise every key link in production and operation, organized internal forces for joint prevention and control of risks in key links of production and operation, and achieved results in risk prevention and control.

In 2023, the Board of Supervisors will fully implement the Company's strategic policy, carry out supervision and inspection work as regulated in the Company Law of the People's Republic of China, the Securities Law and the Articles of Association, and further improve the Company's corporate governance structure and regulate the operation and management, to better safeguard the legitimate rights and interests of the Company and its shareholders. It will faithfully perform its duties and do well daily deliberation work in accordance



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NOTICE OF THE 2022 ANNUAL GENERAL MEETING

Notes:

1. Eligibility to attend the AGM and suspension of H shares transfer registration

To determine the name list of H-share holders eligible to attend the AGM, the Company will close registration for H Share transfers from Wednesday, 17 May 2023 to Monday, 22 May 2023 (both days inclusive). In order to be eligible to attend and vote at the AGM, all share transfer documents together with the relevant share certificates must reach the Company's H-share registrar in Hong Kong, namely Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, before 4:30 p.m. on Tuesday, 16 May 2023.

The Company will announce separately on the website of the SSE on the details of A-share holders' eligibility to attend the AGM.

2. Annual dividend distribution arrangement

The Board of Directors proposes to distribute cash dividend of RMB0.51 (tax inclusive) per share to All shareholders in a total amount of RMB1,068,424,438 for the year ended 31 December 2022. The dividend distribution plan will be submitted to the AGM for consideration. If the proposal is approved at the AGM, the Company will distribute cash dividends within two months after the conclusion of the AGM in accordance with the Articles of Association. According to the current work plan, it is expected that the Company will distribute dividends to the eligible Shareholders on or before Friday, 21 July 2023. In case of any changes to the aforementioned estimated date for dividend distribution, the Company will make an announcement in a timely manner. Regarding other specific matters concerning the distribution of dividends, the Company will also make further announcements in due course.

Withholding and remitting the enterprise income tax for overseas non-resident enterprise shareholders

According to the Circular of the State Administration of Taxation on Issues Concerning Withholding and Remitting the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-Resident Enterprises (GSH [2008] No. 897), where a Chinese resident enterprise distributes dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. Therefore, when the Company distributes dividends for the year ended 31 December 2022 to its shareholders who are overseas non-resident enterprises listed on the H-share register, it is obliged to withhold the enterprise income tax at a rate of 10%. After receiving the dividends, a non-resident enterprise shareholder may, by itself or through an authorized agent or withholding agent, submit an application to the competent tax authority for enjoying any treatment under a relevant tax agreement (arrangement), and provide proof that it is an actual beneficial owner satisfying the requirements of the tax agreement (arrangement). If the

application is justified upon verification, the competent tax authority shall refund the difference between the tax paid and the tax payable calculated at the tax rate under the tax agreement (arrangement).

Withholding and remitting individual income tax for overseas individual shareholders

According to the Circular on Some Policy Questions Concerning Individual Income Tax (CSZ [1994] No. 020) issued by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are exempted from the individual income tax for the dividends and bonuses received from foreign-invested enterprises. When distributing dividends for the year ended 31 December 2022 to its shareholders who are foreign individuals listed on the H-share register, the Company, as a foreign-invested enterprise, will not withhold individual income tax of such shareholders.

Withholding income tax for Shanghai Stock Connect investors

For HKEx investors (enterprises and individuals) (“Shanghai Stock Connect Investors”) who invest in the Company’s A shares listed on the Shanghai Stock Exchange, the final dividend will be paid in RMB by the Company through China

NOTICE OF THE 2022 ANNUAL GENERAL MEETING

- for dividends received by mainland enterprise investors from investing in the Company's H shares through the Shanghai-Hong Kong Stock Connect, the Company does not withhold tax on dividends, and the tax payable shall be declared and paid by such enterprises on their own.

In accordance with the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (CS [2016] No. 127) implemented on 5 December 2016,

- for dividends received by mainland individual investors from investing in the Company's H shares through Shenzhen-Hong Kong Stock Connect, the Company is obliged to withhold personal income tax at a tax rate of 20%; for dividends received by mainland securities investment funds from investing in the Company's H shares through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements; and
- for dividends received by mainland enterprise investors from investing in the Company's H shares through the Shenzhen-Hong Kong Stock Connect, the Company does not withhold tax on dividends, and the tax payable shall be declared and paid by such enterprises on their own.

For any questions about the above arrangements, H-share holders of the Company may consult their tax advisers about the impact of taxation of China and Hong Kong and other countries (regions) resulted from holding and selling the H shares of the Company.

3. Closure of register and eligibility for dividends for the year 2022

Note to H-share holders: The register of members of the Company for H shares will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (both days inclusive). H-share holders who wish to receive the proposed annual dividends (subject to approval at the upcoming AGM) but have not yet registered the transfer document must submit such documents and relevant share certificates before 4:30 p.m. on Thursday, 25 May 2023 to the Company's H-share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration.

4. Proxy appointment

The proxy form for the resolution as set out in the Circular of the AGM will be sent to shareholders on the same day. A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (A proxy may not be a shareholder of the Company) to attend and vote in his/her stead. The instrument appointing a proxy must

NOTICE OF THE 2022 ANNUAL GENERAL MEETING

(2) Contact information of the Company:

Address:	Block B, Huaxin Building, No. 426 Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province, China
Postal code:	430074
Tel.:	(86) 27 8777 3898
Fax:	(86) 27 8777 3992
Contact person:	Mr. Ye Jiaying (Secretary to the Board of Directors), Ms. Wang Lu (Securities Affairs Representative)

8. All dates and times in this circular refer to Hong Kong dates and times.

As of the date of this Notice, the Board of Directors of the Company comprises Mr. Li Yeqing (President) and Mr. Liu Fengshan (Vice President), as executive Directors; Mr. Xu Yongmo (Chairman), Mr. Martin Kriegner, Mr. Lo Chi Kong and Ms. Tan Then Hwee, as non-executive Directors; Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong, as independent non-executive Directors.