

## **Huaxin Cement Co., Ltd.**

### **Announcement on Day-to-day Related Party Transaction**

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.

#### **Important notice:**

- review: No
- The effect of day-to-day related party transaction on the listed company: the Company purchases imported solid fuels (petroleum coke) at a better price by leveraging collective purchasing power of LafargeHolcim Energy Solutions SAS, which is in line with business needs of the Company, beneficial to a lower cost of fuels in plants and thus improves performance of the Company. This day-to-day related party transaction is in the interests of all shareholders, which will not exert negative influence on the financial standing of current and future periods and operational results, or undermine the independence of the Company because it will not count on the related party in terms of main business as a result of the transaction.

#### **I. Basic information of the day-to-day related party transaction**

##### **(I) Review procedures on fulfilment of day-to-day related party transaction**

On April 25, 2018, the First Meeting of the Ninth Board of Directors reviewed and approved the Proposal on Day-to-day Related Party Transaction for the Estimated Procurement of Petroleum Coke in 2018 of the Company (hereinafter referred to as the Proposal). Related Directors Mr. Ian Riley, Mr. Roland Koehler and Ms. Geraldine Picaud recused from voting, and all of other 6 Non-related Directors approved the Proposal.

3. The day-to-day related party transaction has strictly complied with principles of openness, equality, fairness and market pricing, which is fully in the interests of all shareholders, bringing no harm to interests of the Company and non-related shareholders.

4. When Board of Directors reviewed the above Proposal, Related Directors Mr. Ian Riley, Mr. Roland Koehler and Ms. Geraldine Picaud followed the principle to recuse from voting, rest of the Non-related Directors including all Independent Directors approved the Proposal. It was found no violation of principle of good faith. The decision-making procedures of this related party transaction were in accordance with the regulations and rules in Company Law and Rules Governing the Listing of Stocks on Shanghai Stock Exchange and provisions in Articles of Association.

(II) The estimation and implementation of day-to-day related party transaction in 2017

Unit: 0000 USD

Related party transaction type	Related party	Estimated amount of Last year (previous) transaction	Actual amount of Last year(previous) transaction	The reason for the discrepancy between the estimated amount and the actual amount
Purchase fuel and power from related party	LafargeHolcim Energy Solutions SAS	3,000	1,974.84	Based on the actual application of the plants, it was originally expected to purchase petroleum coke in six batches, but only four batches were actually purchased.
	Subtotal	3,000	1,974.84	

(III) Estimated amount and type of this day-to-day related party transaction

Unit: 0000 USD

Related party transaction type	Related party	Estimated amount of this transaction	Percentage in similar business (%)	Aggregate amount of related party transactions with such related party from beginning of current year to date of disclosure	Actual amount incurred last year	Percentage in similar business (%)	The reason for the difference between the estimated amount and the actual amount incurred in the previous year
Purchase fuel and power from related party	LafargeHolcim Energy Solutions SAS	6,050	88%	1,097.56	1,974.84	55%	1. Only in the second half of 2017 did procurement begin from the related party. 2. In 2018, the number of plants

							who use petroleum coke and their consumption will increase year-on-year.
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## II. Introduction of related party and relationship between the parties to the transaction

### (I) Basic information of the related party

LafargeHolcim Energy Solutions SAS (hereinafter referred to as LHES) has been engaged in purchasing and selling of solid fuels including petroleum coke, coal and associated ocean freight. Established in Paris, France in 2013, LHES was registered with 11,584,200 Euro, with Jean-Philippe Benard as its legal person. Its major shareholders are Société Financière Immobilière et Mobilière "Sofimo". By December 31, 2017, its assets was zero. In 2017, its main businesses revenue amounted to 673,408 thousand USD and its net income before tax was -66 thousand USD.

### (II) Relationship with the Company

Actual controller of LHES is LafargeHolcim Ltd (hereinafter referred to as LH Group), which is also the actual controller of the largest shareholder of the Company, Holchin

contracts in 2018 between the two parties, amounting to 60.5 million USD (excluding import tariff, value-added tax, port construction charges, domestic port charges and freight forwarding service fee).

(2) Comparing with unit prices of calorific value between quoted price of petroleum coke that LHES offers from global market and current purchasing price of coal from petroleum coke plants, the Company will implement the purchasing plan if calorific value unit price of petroleum coke is more advantageous than that of coal, otherwise it would not implement the plan.

#### IV. Purpose of the transaction and the effect of the transaction on the Company

LHES has signed supply agreement with globally leading fuels suppliers on a long-term basis, so it has a strong capability of source searching and bargaining. The Company purchases imported solid fuels (petroleum coke) at a better price by leveraging collective purchasing power of LHES, which is in line with business needs of the Company, beneficial to a lower cost of fuel in plants and thus improves performance of the Company.

This day-to-day related party transaction will not exert negative impact on the financial state of this term and future terms and operational results, or undermine the independence of the Company because it will not count on the related parties in terms of main business as a result of the transaction.

The day-to-day related party transaction has strictly complied with principles of openness, equality, fairness and market pricing, which is fully in the interests of all shareholders, bringing no harm to interests of the Company and its non-related shareholders.

It is herewith announced.

Huaxin Cement Co., Ltd.  
Board of Directors  
April 27, 2018