

Huaxin Cement Co., Ltd.

Announcement on the Sale of Corporate Assets

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.

Key notes:

Yunnan Huaxin Dongjun Cement Co, Ltd (hereinafter referred to as Dongjun Cement), a wholly-owned subsidiary of Huaxin Cement Co., Ltd (hereinafter referred to as the Company), with Yunnan State-owned Cement Kunming Co., Ltd (hereinafter referred to as Kunming Cement) agreed to transfer its non-current assets including land use right, building structure, attachments, mechanic equipment to Changshui Street Office under the government of Guandu District, Kunming City, Yunnan Province at the price of 850 million RMB.

The transaction does not constitute related party transaction.

The transaction does not constitute major asset restructure.

I. Brief of the transaction

(1) Basic information

On December 25, 2024, Dongjun Cement, a wholly-owned subsidiary of the Company, in conjunction with Kunming Cement and the Changshui Street Office of the People's Government of Guandu District, Kunming City, Yunnan Province, entered into a Compensation Agreement. Under the terms of the agreement, Dongjun Cement is to transfer its non-current assets, including land use rights and associated structures, attachments, and machinery equipment, to the Changshui Street Office under the Government of Guandu District, Kunming City, Yunnan Province due to the government expropriation.

The Eighth meeting of the Eleventh Board of Directors held on December 20, 2024 reviewed the *Proposal of Disposal of Part of Non-current Assets of the Company*. The board consented to the proposed asset sale and authorized the company's management to execute the relevant expropriation compensation agreements and other pertinent legal documents. This transaction is not subject to review by the shareholders' general meeting.

The proposed asset sale does not constitute a related party transaction, nor does it meet the criteria for a major asset restructuring as outlined in the "Management Measures for Major Asset Restructuring of Listed Companies". The implementation of this transaction does not encounter any significant legal impediments.

II. Introduction of the counterparty

The Changshui Street Office of the People's Government of Guandu District, Kunming City, Yunnan Province, is the representative of Kunming City Government, responsible for the expropriation of land use rights and associated structures, attachments, and machinery equipment of Dongjun Cement.

The Company maintains no associations with this office in respect to property rights, business operations, assets, creditor's rights and debts, or personnel.

A thorough evaluation of the financial capacity and credit of the transaction counterparty has been conducted, confirming their adequacy in meeting the payment obligations for this transaction. The potential risk associated with the recovery of funds is deemed minimal. To date, there have been no instances of the counterparty being classified as a dishonest executor or encountering similar credibility issues.

III. Target of the transaction

(1) Brief of the target

Dongjun Cement, a wholly-owned subsidiary acquired by the Company in 2017, was established in July 2000 with a registered capital of 260 million yuan. Specializing in the manufacturing and sale of cement products, Dongjun Cement is registered in Kanglang Village, Dabanqiao Street, Guandu District, Kunming City. It occupies an area of 290,617.42 square meters and is equipped with a 4,000 tons/day cement clinker production line initiated in 2006. The initial investment for the production line is approximately 735 million yuan, and it's in operation currently.

Registered at No. 1356 Chunyu Road, Xishan District, Kunming City, Yunnan Province, Kunming Cement, another wholly-owned subsidiary acquired in 2017, was established in December 1995 with a registered capital of 130.3751 million yuan, specializing in the exploitation of limestone. The mining rights, originally obtained by the Kunming Cement Plant in June 1983, were utilized by Dongjun Cement until they were cancelled by Kunming Natural Resources and Planning Bureau in October 26, 2022 for Dianchi Lake protection.

The target of this transaction includes the land use rights of 290617.42 square meters and all structures, attachments, machinery, and equipment attached to the land under Dongjun Cement, as well as the untapped mining resources usage fees under Kunming Cement.

The target has clear property rights, free from mortgages, liens, or any other transfer restrictions. This transaction does not involve litigation, arbitration, or subject to judicial measures such as attachment or freezing. Additionally, there are no other impediments to the transfer of ownership.

Dongjun Cement and Kunming Cement maintain a clean record and are not classified as entities with a history of defaulting on obligations.

IV. Evaluation and Pricing of the target

(I) Pricing and basis

The Company has employed Beijing Kunyuanzhicheng Asset Appraisal Co., Ltd., a firm possessing the requisite qualifications in securities and futures practices, to conduct an

evaluation of the assets proposed for disposal. Based on the appraisal report, the valuation employed the Cost approach and Market approach. The determined value of the asset under evaluation, in accordance with the stipulated assumptions and constraints of the appraisal, stands at RMB 839.5802 million as of the baseline date of 30 October , 2023.

The price of the asset is negotiated at 850 million RMB based on negotiation.

(2) Rationale of the pricing

The sale is for the purpose of expropriation of Kunming government. The price 850 million is determined by 2 years of negotiation. It's expected to pose positive impact to the company profit and do not harm the interests of the company and shareholders.

V. Main content and performance of the agreement

(I) Main terms of the agreement

1. Party to the contract

Party A: Changshui Street Office of the People's Government of Guandu District, Kunming City, Yunnan Province

Party B: Yunnan Huaxin Dongjun Cement, Yunnan State-owned Cement Kunming Company

2. Principle of the expropriation

Two parties agree with the overall expropriation of Dongjun Cement plant based on overall expropriation.

3. Scope of compensation

Land use right area of 290617.42 square meters of the Party B

Building structure, attachments, mechanic equipment on the land to be expropriated

Machinery equipment, relocation fee, relocation bonus, business shutdown compensation

4. Price: 850 million for the compensation of land use right, building structure, attachments, mechanic equipment on the land to be expropriated, relocation fee, relocation bonus, business shutdown

5. Payment method: cash

6. Payment term:

50% of the total compensation 3 business days after the signing of the agreement.

Party B finishes the relocation of current assets of the plant (raw material, semi-finished product, machinery equipment, spare parts, daily supplies) within 60 days upon receiving the first payment.

30% within 5 days after signing the confirmation letter on the transfer of building structure, attachments, mechanic equipment on the land to be expropriated.

Following the completion of the factory area's demolition, Party B is obligated to settle all outstanding utilities expenses, encompassing water, electricity, gas, telecommunications, internet, and cable TV services, and then furnish the requisite documentation and supporting evidence for account closures. Following on-site confirmation by both parties

and within a period of five business days, Party A shall pay 20% of the total compensation sum.

7. Effective time

This document shall be considered valid and enforceable upon the signatures of the legal representatives (or their designated authorities) or authorized agents of each party, accompanied by the application of their respective corporate seals.

8. Mechanism for dispute resolution

In the event of a dispute arising between Party A and Party B during the performance of the agreement, the parties shall resolve the matter amicably through negotiation. Should negotiation prove unsuccessful, either party may initiate legal proceedings by filing a lawsuit at the people's court located in the jurisdiction of Party A.

The payer is identified as the Changshui Subdistrict Office of the Guandu District People's Government in Kunming City. The board has assessed and concluded that the payer possesses the necessary financial capacity to fulfill the payment of compensation, with controllable risks of payment recovery.

VI. Impact to the listing position

The proceeds generated from this sale are intended to bolster the group's working capital. The company will adhere to the pertinent accounting standards and the progress of the expropriation process for the accounting treatments. The definitive accounting treatments and associated financial figures will be subject to the audit conducted by a certified accounting firm.

It is important to note that this transaction will not involve any changes in the management, nor will it generate additional related party transactions or horizontal competition after the transaction.

It is herewith announced.

Board of Directors of Huaxin Cement Co., Ltd
27 October, 2024