

Huaxin Cement Co., Ltd. Announcement on Providing Guarantee for Subsidiaries

To the best of our knowledge, the Board of Directors of the Company and its members confirm, that there is no 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 contents.

Important Content:

- Guaranteed companies: Huaxin Cement (Yangxin) Ltd. and other 51 wholly owned subsidiaries and controlling subsidiaries.
- Guarantee amount provided by the Company for Huaxin Cement (Yangxin) Ltd. and other 51 wholly owned subsidiaries and controlling subsidiaries is 7.065 billion RMB. By the end of 2017, the Company and its 52 wholly owned subsidiaries and controlling subsidiaries was 1.515 billion RMB.
- Counter guarantee: nil
- Overdue guarantee: nil

I. General Information of the Guarantees

By December 31, 2017, guarantee reviewed by the Board of Directors for wholly owned subsidiaries, controlling subsidiaries and related party companies totals at 5.925 billion RMB (excluding project loans) within the valid duration. Affected by periodical financing environment and subjective reasons of some subsidiaries, the actual utilized guarantee amount is 1,458,309,500 RMB and 154,570,000 USD, accounting for 20.7% of the latest audited net assets and 26% of the approved total guarantee amount. No guarantee occurs after the expiration.

In line with the development planning of the Company, Huangshi branch relocation is approaching. What follows is that more and more subsidiaries need to expand financing channels and enhance financing capability of their own so as to support business development. Under such circumstances, proposed guarantee amount to be authorized this time is 7.065 billion RMB, which is reasonable.

II. Subsidiaries and guarantee amount

(1) Guarantee for the Credit business

Unit: 0000 Yuan

No	Warrantee	Gurantee amount	Corporate representative	Registered address	Shareholding	Registered capital	Assets by the end of 2017	Liabilities by the end of 2017	Net assets by the end of 2017	Operating revenue of 2017	Net profit 2017
1	Huaxin Cement (Yangxin) Ltd.	10,000	Chen Bing	No. 1, Huaxin Road Weiyuankou Town, Yangxin County, Huangshi, Hubei	100%	50,000	112,871	45,689	67,182	102,655	11,522
2	Huaxin Cemet (Wuxue) Ltd.	8,000	Chen Bing	No. 1, Huaxin road, Wuxue, Hubei	100%	30,000	81,658	33,851	47,807	103,639	11,181
3	Huaxin Cement (Chibi) Ltd.	5,000	Chen Bing	Nanshan Village, Zhonghuopu Town, Chibi, Hubei	100%	14,000	41,101	20,323	20,777	34,912	3,187
4	Huaxin Cement (Daye) Ltd.	8,000	Chen Bing	Pingshan Village, Huandiqiao Town, Daye, Hubei	70%	32,700	70,998	27,310	43,688	61,731	5,971
5	Huaxin Cement (Ezhou) Ltd.	5,000	Chen Bing	Pengsun Village, Duandian Town, Huarong District, Ezhou, Hubei	70%	5,000	30,613	16,892	13,721	42,248	2,339
6	Huaxin Cement (Yueyang) Ltd.	1,000	Chen Bing	No. 1, Changjiang Road, Yongji Village, Yunxi District, Yueyang, Hunan	Direct 90%, indirect 10%	2,500	9,219	5,339	3,880	11,859	-784
7	Huaxin Cement (Macheng) Ltd.	1,000	Chen Bing								

10	Huaxin Cement (Fangxian) Ltd.	12,000	Yuan Dezu	Gaochuan Village, Hualongyan Town, Fangxian County, Shiyan, Hubei	70%	8,000	34,588	21,532	13,056	24,743	2,513
11	Huaxin Jinlong Cement (Yunxian) Ltd.	6,000	Yuan Dezu	Chadian Town, Economic Development Zone, Yunxian County, Hubei	80%	8,000	56,739	18,139	38,599	46,085	5,176
12	Huaxin Cement Xiangyang Xiangcheng Ltd.	4,000	Yuan Dezu	Economic Development Zone, Yujia Lake, Xiangcheng District, Xiangfan, Hubei	100%	4,000	14,274	8,068	6,206	23,577	1,671
13	Huaxin Cement (Yichang) Ltd.	10,000	Yuan Dezu	No.1 Huaxin Road, Zhicheng, Yidu, Hubei	100%	15,000	68,520	27,375	41,144	62,274	11,636
14	Huaxin Cement (Enshi) Ltd.	5,000	Yuan Dezu	Gaoqiaoba, Enshi, Hubei	Direct 67%, indirect 33%	6,000	29,419	18,447	10,972	24,435	1,729
15	Huaxin Cement (Hefeng) Minzu Building Materials Ltd.	5,000	Yuan Dezu	Xiaojiaping, Taiping Village, Hefeng County, Hubei	51%	4,764	20,057	11,635	8,422	15,792	664
16	Huaxin Cement (Zigui) Ltd.	15,000	Yuan Dezu	Guojiaba Village, Guojiaba Town, Zigui County, Hubei	100%	24,000	68,074	37,573	30,501	46,903	3,723
17	Huaxin Cement (Changyang) Ltd.	13,000	Yuan Dezu	Baishiping Village, Longzhouping Town, Changyang County, Hubei	100%	25,000	41,810	26,849	14,961	30,210	711
18	Huaxin Cement (Zhuzhou) Ltd.	22,000	Xiong Guangwei	Nanzhou New Zone, Lukou Economic Development Zone, Zhuzhou County, Hunan	100%	34,000	91,398	56,578	34,820	50,500	1,090

29	Huaxin Hongta Cement (Jinghong) Ltd.	8,000	Du Ping	Mankongnado Village, Menghan Town, Jinghong	51%	17,961	45,703	16,636	29,067	39,600	8,195
30	Huaxin Cement (Lijiang) Ltd.	7,000	Du Ping	Xingquan Town, Huaping County, Lijiang, Yunnan	Indirect 100%	10,000	38,298	14,977	23,321	35,076	10,417
31	Huaxin Cement (Lincang) Ltd.	5,000	Du Ping	Industrial Park, Linxiang District, Lincang, Yunnan	Indirect 100%	36,090	69,828	32,904	36,924	41,006	6,139
32	Huaxin Cement (Yunlong) Ltd.	5,000	Du Ping	Rende Village, Caojian Town, Yunlong County, Dali, Yunnan	Indirect 100%	30,000	48,499	21,072	27,427	26,219	116
33	Yunnan Huaxin Cement Dongjun Ltd.	7,000	Du Ping	Kanglang Village, Dabanqiao Town, Guandu District, Kunming, Yunnan	Indirect 100%	26,000	69,560	31,394	38,167	55,905	6,478

No

34 Kunming Chongde Cement Ltd. 5,000 Hu Limin

38	Huaxin Cement (Tibet) Ltd.	10,000	Ke Youliang	No. 55 Gesang Road, Zedang Town, Shannan, Tibet	79%	5,000	98,853	26,320	72,533	74,541	21,850
39	Huaxin Cement (Quxian) Ltd.	10,000	Ke Youliang	Juantong Village, Quxian County, Dazhou, Sichuan	100%	24,000	53,975	32,286	21,690	42,486	888
40	Huaxin Cement (Wanyuan) Ltd.	5,000	Ke Youliang	Manaoxi Village Guandu Town, Wanyuan, Sichuan	100%	19,000	39,826	22,546	17,280	23,268	197
41	Huaxin Cement Chongqing Fuling Ltd.	5,000	Ke Youliang	Sanmenzi Village, Fuling District, Chongqing	100%	20,000	64,084	40,107	23,977	44,972	2,710
42	Chongqing Huaxin Diwei Cement Ltd.	10,000	Ke Youliang	Luohuang Town, Jiangjin District, Chongqing	97.27%	45,268	77,051	75,558	1,493	36,793	9,412
43	Huaxin Cement (Huangshi) Equipment Manufacture Ltd.	3,000	Hu Zhenwu	No. 57 Huayuan Road, Chengyue Street, Xisaishan District, Huansghi, Hubei	100%	13,000	39,138	20,080	19,059	14,484	478
44	Huaxin Equipment Engineering Ltd.	3,000	Li Yeqing	No. 3, 2nd floor, International Enterprise Center, Special No.1, Guanggu Avenue, Hongshan District, Wuhan	100%	19,000	40,571	18,133	22,438	25,697	576
45	Huaxin Cement Technical Management (Wuhan) Ltd.	3,000	Peng Qingyu	International Enterprise Center, Building No.5, Special No.1, Guanggu Avenue Hongshan District, Wuhan	100%	2,000	17,964	14,791	3,174	6,037	-375
46	Huaxin Ezhou Package Ltd.	3,000	Hu Kaiping	Bingang East Road, Huahu Development Zone, Ezhou, Hubei	Indirect 100%	3,400	9,331	4,348	4,983	10,804	12

47	Huaxin Environmental Engineering Ltd. (including its subsidiaries)	70,000	Li Yeqing	No. 1, 2 nd floor, International Enterprise Center, Special No.1, Guanggu Avenue, Hongshan District, Wuhan	100%	100,000	133,804	42,011	91,793	8,313	-176
48	Huaxin Aggregate (Yangxin) Ltd.	10,000	Chen Bing	Wangshu Village, Fuchi Town, Yangxin County	Indirect 100%	14,000	36,688	17,287	19,401	27,228	6,286
49	Huaxin (Hong Kong) International Holding Ltd.	60,000	Liu Yunxia	Room 402, Yihe Mansion, Middle Ring Kangle Square, Hong Kong China	100%	25.45 million USD	74,966	56,999	17,967	19,361	4,959
	Total	466,500									

2. Guarantee for new project loans

Due to strategic development, guarantee for the loans of the following new projects are hereby requested for approval from the Board.

(I) The Board has approved the construction investment of Changyang 6 million tons aggregate per year production line project (including 1 million tons of machine-made sand). Investment for this is expected to reach 230 million RMB and at that time, Huaxin New Building Materials (Changyang) Co., Ltd plans to apply for less than 160 million RMB loan from financial institutions. Guarantee applied for Huaxin New Building Materials (Changyang) Co., Ltd this time is not over 160 million RMB.

(II) The Board has approved the construction investment of Tibet Third Phase 3000t/d production line project and the expected investment is 460 million RMB. Planned scale is 990k t/y of clinker and 1.2 million t/y of cement. At that time, Huaxin Cement (Tibet) Co., Ltd plans to apply for not more than 300 million RMB loan from financial institutions. Guarantee applied for Huaxin Cement (Tibet) Co., Ltd this time is not over 300 million RMB.

(III) The Board has approved the construction investment of Kunming Chongde Cement Co., Ltd Second Phase 4000t/d production line project and the expected investment is 750 million RMB. Planned scale is 1.2 million t/y of clinker and 1.8 million t/y of cement. At that time, Kunming

Chongde Cement Co., Ltd plans to apply for not more than 450 million RMB loan from financial institutions. Guarantee applied for Huaxin Cement (Tibet) Co., Ltd this time is not over 450 million RMB.

(IV) To meet the demand of new urbanization, adjusting and optimizing industry layout and orderly promoting enterprise to relocate from city to suburb for the sake of environmental protection, the Company and Huangshi Municipal Government agreed on the relocation plan. The Company will relocate No.4 kiln and No. 5 kiln of Huaxin Cement Co., Ltd Huangshi Branch, plans to establish a cement production line and co-processing project with the capacity of 2.85 million t/y clinker in Yangxin county, Huangshi, invested by newly founded controlling subsidiary Huaxin Cement (Huangshi) Co., Ltd. The proposal has been submitted to the Board for review this time, estimated investment for relocation would be 1.847 billion RMB and the planned bank loan would be 1.21 billion RMB. Guarantee applied for Huaxin Cement (Huangshi) Co., Ltd. this time is not over 1.21 billion RMB.

(V) According to the development trend of domestic cement package industry and the market demand, the Company planned to construct a production line of 1 billion heat sealing packages in Huangjin Mountain Industrial Zone in Huangshi. The proposal was submitted to the Board for review this time, estimated investment this project would be 0.43 billion RMB and planned bank loan would be 0.28 billion RMB. Guarantee for Huangshi Huaxin Packaging Co., Ltd. this time is not over 0.28 billion RMB.

3. Total guarantee amount applied this time: 7.065 billion RMB.

III. Guarantee items

1. Scope of guarantee: Between the Company and wholly owned subsidiaries, between the Company and controlling companies.
2. Limit of guarantee: Total amount of guarantee is not more than 7.065 billion RMB.
3. Duration of the guarantee: sign relevant contracts of guarantee in 2 years since the date of approval by the Board, and renew the relevant matured guarantees in the authorized period.
4. Way of guarantee: Wholly owned subsidiaries and controlling subsidiaries can utilize the guarantee fund within the above limit at one time or for several times. Specific guarantee amount, duration and way of guarantee shall be confirmed in the contracts. The Company takes joint liabilities based on its shareholding. Guarantee limit can be adjusted among wholly owned subsidiaries based on actual need within the aforesaid total guarantee amount.
5. Counter guarantee of this time: no

6. Accumulated amount of the overdue external guarantee: nil

IV. Main contents of guarantee agreements

The Company will define the guarantee amount within the applied limit based on business operation of wholly owned subsidiaries and controlling subsidiaries. Each guarantee will be signed into agreement when it occurs.

The guarantee applications in this proposal is expected to be over 50% of the net assets audited lately, including guarantees for wholly owned subsidiaries and controlled subsidiaries with asset-liability ratio higher than 70%. And pursuant to Rules Governing the Listing of Stock on Shanghai Stock Exchange and stipulations in the Articles of Association, the Guarantees should be approved by the Shareholder Meeting. Y

V. Opinions of the Board of Directors

The targets of the above guarantee are all wholly owned subsidiaries and controlling subsidiaries, and the C Y Y Y Y repayment ability are comparatively good. The Company can effectively control its operation management, finance, investment and financing. The Company has the ability to fully grasp and monitor the operation activities of the guaranteed companies.

The Board believes that in order to meet the financing needs of the above wholly-owned subsidiaries and controlled subsidiaries, the Company provides guarantees for their credit businesses such as bank loans, establishing letters of credit, handling bank acceptances, letter of guarantee and finance lease, and the risks of guarantee are controllable. Therefore, the Board approves the above guarantee and agrees to submit such guarantee to the S Y General Meeting for approval.

VI. Total amount of external guarantees and overdue guarantees

Up to the date of the announcement disclosure, the total external guarantee amount of the company and its controlling subsidiaries was 2291.89 million RMB. The total amount of guarantee provided by the Company to its controlling subsidiaries is 2201.04 million RMB. The above amount respectively accounts for 19.6% and 18.8%

Huaxin Cement Co., Ltd.
Board of Directors
March 26, 2018