
If you are in any doubt as to any aspect of this circular or the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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 tra

enclosed proxy form as soon as possible in accordance with the instructions printed thereon. The proxy form or other authorized documents to the Company's H-share registrar in Hong Kong, Huaxin Cement Co., Ltd., at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by hand or by post to the person designated for holding the AGM or any adjournment thereof in any event; otherwise, it will not be valid. The proxy form shall be returned before 2:00 p.m. on Sunday, 21 May 2023. The completion of the proxy form shall not preclude you from attending and voting at the AGM in person or its adjournment.

* For identification purpose only

27 April 2023

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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

Latest Practicable
Date



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)

1. INTRODUCTION

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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		Closing balance of 2021		Change on a year-on-year basis
	Proportion		Proportion		
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 are 318 million RMB.

LETTER FROM THE BOARD OF DIRECTORS

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 percentage points respectively from the budget and the same period of the previous year.

(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

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.

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

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

- (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

This guarantee includes guarantees for wholly-owned and controlling subsidiaries

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

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

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 system.



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)

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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 with the requirements of the Company Law of the People's Republic of China, the Articles of Association and the Rules of Procedure of the Board of Supervisors. In

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

- for dividends received by mainland enterprise investors from investing in the

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 be in writing under the hand of the shareholder or of his/her agent duly authorized in writing. If the shareholder is a corporation, the proxy form must be either undthter uyil.nt s64161.6

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.