# Huaxin Cement Co., Ltd.

# Announcement on the Implementation of Foreign Exchange Derivatives Hedging Business in 2025

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.

**Important contents:**

- Purpose of the transaction: The Company conducts foreign exchange derivatives hedging business to avoid risks associated with fluctuations in the foreign exchange market.
- Types of transactions: Foreign exchange forwards, swaps, options, or their combination products.
- Transaction amount: The maximum amount for the foreign exchange derivatives hedging transactions proposed by the Company is 800 million USD (or equivalent currency), and the maximum margin required for the transactions or the bank credit line is 80 million USD (or equivalent currency).
- Approval procedure completed: This matter has been reviewed and approved at the Eighth Meeting of the Eleventh Board of Directors on 20 December 2024.
- Special risk reminder: The Company (including its holding subsidiaries) engages in hedging operations based on the needs of daily production and operation, not for speculative purposes. However, there is no guarantee for principal or returns in relevant hedging transactions, which carry market risk, liquidity risk, performance risk, operational risk, technical risk, policy risk, and other associated risks. Investors are advised to pay attention to investment risks.

I. Overview of the transaction

(1) Purpose and Necessity of Foreign Exchange Hedging Business

With the deepening implementation of the Company's internationalization strategy and the continuous expansion of overseas business, the Company's overseas business revenue reached approximately 3.587 billion RMB in the first half of 2024, involving 16 countries and a growing demand for hedging in corresponding currencies. Based on the status of foreign exchange assets, liabilities, and the specific circumstances of foreign exchange income and expenditure, the Company engages in foreign exchange derivatives hedging transactions closely related to daily operational needs. This approach helps control the Company's systemic foreign exchange risks, reduces the impact of foreign exchange market fluctuations on business performance, and contributes to ensuring the safety of assets and the long-term sustainable development of overseas business.

(2) Transaction Amount

The Company (including its holding subsidiaries) expects to carry out foreign exchange derivatives hedging business with a maximum amount of 800 million USD or equivalent currency in 2025, which accounts for approximately 17.54% of the

Company's most recent audited net assets. The expected maximum margin and option premiums required for the transactions (including the value of collateral provided for the transactions, estimated bank credit limits to be used, and reserves for emergency measures, etc.) will not exceed 80 million USD, accounting for approximately 18.02% of the Company's most recent audited net profit. The above limits can be rolled over within the term, but the transaction balance at any point in time during the term will not exceed 800 million USD or equivalent currency.

(3) Source of Funds

The funds for the Company's (including holding subsidiaries) foreign exchange derivatives hedging business in 2025 will come from its own funds and will not involve raised funds.

(4) Transaction Method

The foreign exchange derivatives hedging business that the Company (including its holding subsidiaries) intends to carry out is limited to currencies that are the same as or highly correlated with the main settlement currencies used in the Company's production, operation, investment and financing activities. The counterparties will be domestic and international financial institutions that possess qualification for foreign exchange derivatives trading, operate stably, and have good creditworthiness. The specific types of foreign exchange derivatives trading that the Company intends to engage in include forwards, swaps, options, or related combination products.

(5) Transaction Period

The transaction period for the foreign exchange derivatives hedging business that the Company (including its holding subsidiaries) intends to carry out will start from the date of approval by the Board of the Company and will end on 31 December 2025.

## II. Approval Procedures

The Company convened the Eighth Meeting of the Eleventh Board of Directors on 20 December 2024. Proposal on the Implementation of Foreign Exchange Derivatives Hedging Business in 2025 was approved with 9 votes in favour, 0 votes against, and 0 abstentions. The Board approved the Company to carry out foreign exchange derivatives hedging business and authorized the Management to implement it specifically. This business does not involve related party transactions.

This proposal does not need to be submitted for approval by the shareholders' general meeting.

## III. Risk Analysis and Risk Control Measures

(1) Risk analysis

1. Market risk

The difference between the exchange rate and interest rate of foreign exchange derivative contracts and the corresponding market actual exchange rate and interest rate will cause changes in the contract value. These changes form a certain hedge against the value changes of the risk assets corresponding to the contract, but there is still a market risk of losses.

2. Liquidity risk

The foreign exchange derivative hedging trading business that the Company and its subsidiaries plan to carry out is based on the Company's foreign exchange assets, liabilities, and specific foreign exchange income and expenditure business, and matches the actual foreign exchange income and expenditure. But there is still a risk that transactions cannot be completed due to insufficient market liquidity

3. Performance risk

If the counterparty of the foreign exchange derivative contract is unable to complete the transaction, there is a risk of performance.

4. Other risks

Due to changes in relevant laws and regulations or unclear terms of transaction contracts, it may result in the inability to execute contracts properly and cause losses to the Company.

(2) Risk control measures

1. The foreign exchange derivative hedging trading business proposed by the Company and its subsidiaries is closely related to daily business needs, and there is no risk speculation behaviour.

2. The Company has formulated the "Foreign Exchange Risk Management Rules" to standardize its foreign exchange derivative trading business and strengthen risk management.

3. The counterparties selected by the company are domestic and international financial institutions with qualifications for derivatives trading, stable operations, and good creditworthiness. The Company will carefully verify the contract terms signed with such counterparties and strictly implement the risk management system.

**IV. The impact of trading business on the Company**

The Company's foreign exchange derivative hedging trading business closely related to daily business needs is conducive to controlling its systemic foreign exchange risks, reducing the impact of foreign exchange market fluctuations on its operating performance, and ensuring the safety of its assets and the long-term sustainable development of overseas business.

The Company shall conduct corresponding accounting calculations for foreign exchange derivative trading business in accordance with relevant regulations and guidelines such as "Enterprise Accounting Standards No.22- Recognition and Measurement of Financial Instruments", "Enterprise Accounting Standards No.24- Hedge Accounting", "Enterprise Accounting Standards No.37- Financial Instrument Reporting", "Enterprise Accounting Standards No.39- Fair Value Measurement".

It is herewith announced.

Board of Directors of Huaxin Cement Co., Ltd
21 December 2024