

Stock Codes: 600801, 900933

Stock Abbreviations: Huaxin Cement, Huaxin B Share

Huaxin Cement Co., Ltd.
2019 Annual Report Abstract

I Important Notice

1. To fully understand the Company's operating results, financial condition and future development plan, investors should carefully read the full text of Annual Report from the website of Shanghai Stock Exchange or other websites designated by China Securities Regulatory Commission.

2. The Board of Directors of the Company and its members, the Board of Supervisors of the Company and its members and members of Top Management confirm, to the best of their knowledge, that there is no false or misleading statement or material omission in this report and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its contents.

3. All the directors attended the Board Meeting.

4. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued standard audit report with unmodified opinion for the Company.

5. Profit distribution plan or proposal on surplus common reserve fund transferred to increase share capital for the reporting period reviewed by the Board of Directors

In 2019, the Parent Company achieved net profit of 2,887,942,727 Yuan or 6,342,304,317 Yuan net profit attributable to the shareholders after consolidation. Pursuant to the relevant provisions contained in the Company Law, Articles of Association and Corporate Accounting Rule, 159,194,595 Yuan will be appropriated to statutory surplus common reserve fund. The allocable profit of the Parent Company is 6,745,724,011 Yuan by the end of December 2019.

The Board proposes that on the basis of the total 2,096,599,855 shares at the end of 2019, a cash dividend of 1.21 Yuan per share (incl. tax) shall be distributed to all shareholders, 40% cash dividend ratio. The Board also proposes that no capital reserve shall be converted into share capital for 2019. The company shares held by the repurchase special account shall not be included in this profit distribution.

II. Basic information of the Company

1. Company profile

Stock information				
Stock type	Place of listing	Stock Abbreviation	Stock code	Stock Abbreviation before change
A Share	Shanghai Stock Exchange	Huaxin Cement	600801	
B Share	Shanghai Stock Exchange	Huaxin B Share	900933	

Liaison Information	Secretary to Board	Securities Affairs Representative
Name	Mr. Wang Ximing	Ms. Wang Lu
Liaison Address	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Telephone	027-87773896	027-87773898
email	investor@huaxincem.com	investor@huaxincem.com

2. The Company's main business during the reporting period

(I) Main business of the Company

At the beginning of the listing, the Company was engaging in manufacturing and sale of cement, cement technical services, research, manufacturing, installation and maintenance of cement equipment, as well as cement import and export trade. In recent years, through the vertical integration, Eco business transformation, overseas development strategy and business expansion strategy in high-tech building materials, the Company expanded its businesses to manufacturing and sales of RMX, aggregates, cement kiln co-processing of waste materials, EPC for both home and abroad cement projects, equipment business and project contracting regarding the cement kiln co-processing technology, cement-based high-tech building materials etc.

The Company has been listed in the Chinese Manufacturing Industry Top 500 and Fortune China Top 500. By the end of 2019, the Company owns almost 200 subsidiaries in 9 provinces and cities including Hubei, Hunan, Yunnan, Sichuan, Guizhou, Guangdong, Henan, Chongqing and Tibet as well as in Tajikistan, Cambodia and Kyrgyzstan with total cement capacity of 100 million tons/year, cement equipment manufacturing capacity of 50,000 tons/year, commercial concrete capacity of 22.35 million m³/year, aggregate capacity of 39.5 million tons/year, composite eco wall material of 120 million units/year, mortar production capacity of 300,000 tons/year, cement packaging bag capacity of 600 million bags/year and wastes disposal capacity of 5.7 million tons/year (including CIPs).

In 2019, the cement business revenues accounted for 86.7% of the total operating revenues of the Company, playing a dominant role in all the business areas.

(II) Operation model of the Company

1. Model of management

Guided by the management thought of corporate management and specialized operation, the Company established the organization structure of Corporate Headquarter-Business Unit-Subsidiary, forming an operation model featuring well defined power and responsibilities, high efficiency in operation and strong executive capability.

2. Model of production

Production of the Company is defined by sales volume. Subsidiaries formulate annual production and operation plan based on the demand in their respective regions.

3. Model of sale

The model of sale features guidance from the Headquarter, integral management of Business Unit and equal importance attached to both direct sale and distribution. The pursuit of quality is the core and the Company strives to promote the brand and maintain its value so as to improve competitiveness in the market.

4. Model of procurement

The Company launched the system in procurement and initiated the procurement strategy of “Unified Procurement” + “Online Procurement”. Important raw materials and fuels are procured by the Headquarter collectively. All the office supplies, IT consumables and some industry products are procured online. Raw materials, fuels, auxiliary materials and spare parts that are yet to be included in the scope of Unified Procurement and Online Procurement are procured collectively on a standard and process-oriented bidding platform of the Headquarter.

(III) Cement industry situation

Cement is an important and basic building material widely used in national infrastructure construction, municipal infrastructure and facility, real estate development, new rural village infrastructure and civil building construction. In the meantime, featuring with wide distribution of raw material and good performance in construction, cement will remain an irreplaceable construction material for quite a long time in the future.

In 2019, central government issued a series of measures to stabilize growth. GDP growth rate stood at 6.1% year round. China’s economy operated within a reasonable range. Central government sticks to the main line of supply side structural reform and is committed to fighting the battle of pollution prevention and treatment to drive high quality development of economy, thus providing a sound macro environment for the continuous operation amelioration in China cement industry. (Data source: National Bureau of Statistics)

2019 witnessed the accelerated advancement of making up weak links in infrastructure and high growth rate of real estate investment. Nationwide accumulated cement output reached 2.33 billion tons, an increase of 6.1% over last year, the fastest growth in recent 5 years. In the meantime, cement industry further benefited from national policies including supply side structural reform and environment treatment; coupled with measures to limit production including “restriction on production for the sake of environment protection”, “off-peak production” and “mining

treatment”, supply and demand in cement industry realized a dynamic balance. Cement price continues to operate at the plateau around the nation. Annual profit nationwide throughout the year reached 186.7 billion RMB, up by 19.6% over last year, a new historic high for 2 years in a row. (Data source: Digital Cement, China Cement Association)

The core task of the supply side structural reform is to cut capacity, however, phase-out mechanism of capacity is still flawed. Continuous supply increases in some areas, and the way ahead for cutting capacity is long while the task is daunting. Healthy development of the industry is still subject to grave overcapacity.

3. Financial Statements Summary and Financial Indicators for company

3.1 Financial Statements Summary and Financial Indicators for the Last Three Years

Unit: Yuan

	2019	2018	Change over last year (%)	2017
Total assets	36,645,386,717	33,161,505,602	10.51	30,499,323,197
Sales revenue	31,439,214,600	27,466,044,481	14.47	20,889,291,990
Net profit attributable to shareholders of the Company	6,342,304,317	5,181,448,611	22.4	2,077,640,568
Net profit attributable to shareholders of the Company after extraordinary items	6,179,988,412	5,127,542,064	20.53	1,803,520,260
Net assets attributable to shareholders of the Company	21,309,042,690	16,672,962,778	27.81	11,899,804,274
Net cash flow from operating activities	9,679,185,865	7,899,606,105	22.53	3,904,076,048
Basic earnings per share (Yuan/share)	3.03	2.47	22.67	0.99
Diluted earnings per share (Yuan/share)	3.03	2.47	22.67	0.99
Return on net assets, weighted average (%)	33.63	36.27	Down by 2.64 percentage points	18.98

3.2 Quarterly key financial indicators

Unit: Yuan

	The first quarter (Jan.- Mar.)	The second quarter (Apr.-Jun.)	The third quarter (Jul.-Sep.)	The fourth quarter (Oct.-Dec.)
Sales revenue	5,975,730,102	8,411,438,997	8,084,836,982	8,967,208,519
Net profit attributable to shareholders of the Company	1,010,896,167	2,151,627,390	1,681,369,087	1,498,411,673
Net profit attributable to shareholders of the Company after extraordinary items	970,798,976	2,159,853,295	1,669,858,883	1,379,477,258
Net cash flow from operating activities	1,304,929,362	2,876,099,746	2,869,552,962	2,628,603,795

4. Capital stock and Shareholders

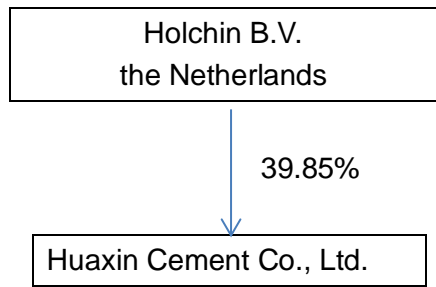
4.1 Common stock holder number and Top Ten Shareholders

Unit: Share

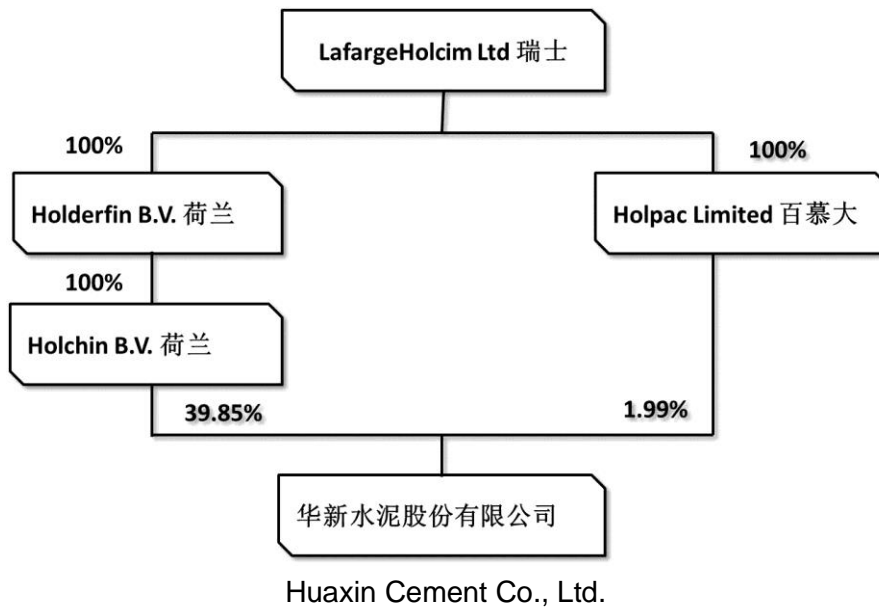
Total number of shareholders at the end of reporting period					67,928		
Total number of shareholders at the end of the last month before the disclosure of the Annual Report					89,869		
Top ten shareholders							
Full Names of Shareholders	Change during the reporting period	Shares amount at the end of the period	%	The amount of shares subject to conditional sales	Mortgage or frozen		Shareholder type
					Status	Amount	
HOLCHIN B.V.	238,726,807	835,543,825	39.85	0	nil		Foreign corporation
Huaxin Group Co., Ltd.	95,874,286	335,560,000	16.01	0	nil		State-owned corporation
Hong Kong Securities Clearing Company Ltd.	62,344,648	121,896,161	5.81	0	nil		Unknown
HOLPAC LIMITED	11,911,955	41,691,843	1.99	0	nil		Foreign corporation
Central Huijin Investment Ltd	8,707,480	30,476,180	1.45	0	nil		Unknown
Bank of Communications-Rongtong Industry Prosperity Securities Fund	15,290,382	18,631,258	0.89	0	nil		Unknown
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	2,033,055	13,805,393	0.66	0	nil		Unknown

Dai Deming	13,420,000	13,420,000	0.64	0	nil		Domestic natural person
China Railway Wuhan Bureau Group Co., Ltd.	3,225,600	11,289,600	0.54	0	nil		Unknown
Zhejiang Yiwu Tanzhen Investment Management Partnership (Limited partnership)-Zheng xingu Value China Selection Private Equity Investment Fund	10,856,560	10,856,560	0.52	0	nil		Unknown
Remarks on relationship or concerted actions of the above shareholders	<p>1. Holpac Limited is the party act in concert with Holchin B.V.</p> <p>2. It is unknown to the Company whether there is any relationship among the shareholders or any concerted persons referred in the "Administrative Measures of Disclosing Changes in Shareholding for Listed Companies".</p>						

4.2 Ownership and Controlling Relationship between the Company and the largest shareholder



4.3 Property right and controlling relationship between the Company and the controller of the largest shareholder



4.4 Preferred Stock during reporting period

Applicable Not applicable

5. Corporate Bonds

5.1 Basic information of the corporate bonds

Unit: Yuan

Name	Abbreviation	Code	Issuing date	Date of expiry	Bond balance	Coupon rate	Principal and interest payment	Trading place
Huaxin Cement Co., Ltd. 2016 Corporate Bonds (tranche 1) (5 years)	16 Huaxin 01	136647	Aug. 19, 2016	Aug. 22, 2021	12.00	4.79%	Adopt annually counted simple interest rather than compound interest. The interest shall be paid once per year, and the principal of the bonds shall be repaid in one time when matured. The last tranche of interests shall be paid together with the principal as the principal matured.	Shanghai Stock Exchange

5.2 Corporate bond redemption and interest payment

On May 17, 2019, the Company paid on time the interest and principle for 2012 Huaxin Cement Co., Ltd. corporate bonds tranche 1. (Please refer to related announcement at www.sse.com.cn released on May 10, 2019).

On August 22, 2019, the Company paid on time the interest for 2016 Huaxin Cement Co., Ltd. corporate bonds (Please refer to related announcement at www.sse.com.cn released on August 4, 2019).

On November 11, 2019, the Company paid on time the interest and principle for 2012 Huaxin Cement Co., Ltd. corporate bonds tranche 2. (Please refer to related announcement at www.sse.com.cn released on November 4, 2019).

5.3 Information of the credit rating organization

On April 27, 2019, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Rating Report", maintained the main credit rating and bond credit rating of the Company as AAA.

The periodic tracking rating report is issued once a year, and the results of the rating and the report are released within two months after the disclosure of the Company's annual report. The sustained tracking rating result is announced at the website of the rating organization (<http://www.ccxr.com.cn/index.asp>) within 10 working days after the rating report is issued.

5.4 Financial highlights for the last 2 years

Item	2019	2018	Change over last year (%)
Asset-liability ratio (%)	36	45	-9
EBITDA/total liabilities	0.80	0.62	29.03

Interest Protection Multiples	30.16	15.48	94.83
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III Discussion and Analysis on Business Operation

1. Main Business Operation indicators of the reporting period

2019 is the 70th anniversary of the founding of People's Republic of China, also an extraordinary year in the process of transforming to high quality development. During the reporting period, guided by new concept of development, the Company sticks to the lifeline of safety production and environmental compliance, strengthened control on finance, product quality and compliance risks and exerted itself to implement the strategy of "Environmental Transformation Combining Cement and Eco Business, Overseas Expansion, High-tech Building Materials Expansion and Traditional Industry + Digital innovation". The Company's business scale has been further expanded, capital structure has been improved and performance once again hit a record high, achieving high quality, high speed and high profit development.

During the reporting period, cement and clinker achieved the sales volume of 76.93 million tons, an increase of 9% over last year; sales volume of aggregate reached 17.59 million tons, 21% increase against last year; wastes disposal reached 3.03 million tons, rising 42% over last year; commercial concrete was sold 4.23 million m³, an increase of 19% over last year. Annual operation revenue stood at 31.4 billion RMB, 14% increase over last year; total profit reached 8.716 billion RMB and net profit attributable to shareholders of the Company was 6.342 billion RMB, an increase of 22.22% and 22.4% against last year respectively.

2. Reason for the suspension of listing

Applicable Inapplicable

3. Situation and reasons for the termination of listing

Applicable Inapplicable

4. Explanation on Reasons and Impact of Changing Account Policies, Account Estimation or Accounting Method.

Applicable Inapplicable

In March 2017, the Ministry of Finance revised and issued "Accounting Standards for Enterprises No.22-Financial Instrument Recognition and Measurement", "Accounting Standards for Enterprises No.23-Transfer of Financial Assets", "Accounting Standards for Enterprises No.24-Hedge Accounting" and "Accounting Standards for Enterprises No. 37-Presentation of Financial Instruments", and required domestic listed companies to implement them from January 1, 2019.

In April 2019, the Ministry of Finance issued the Notice on Revising 2019 General Enterprise Financial Report Format (No.6 2019 Financial Accounting). The regulations apply to 2019 half year report and annual report and following financial reports of non-financial enterprises implementing Enterprise Accounting Standards.

On August 22, 2019, the Eleventh Meeting of the Ninth Board of Directors reviewed and adopted the Proposal on Amending the Accounting Policies and Accounting Estimates of the Company According to the New Accounting Standards, agreed to

implement the above new accounting standards according to the requirements of the Ministry of Finance and present financial reports based on No.6 2019 Financial Accounting.

For specific amendments and impacts on the Company, please refer to Chapter 11 Financial Report /V. Significant accounting policies and accounting estimates/ 29.Changes in significant accounting policies and accounting estimates.

5. Explanation on Reasons and Impact of Correction of Important Account Mistakes

Applicable Inapplicable

6. Compared with the previous annual financial report, the Company's specific explanations on the changes in the scope of consolidation of the financial statements During the reporting period, the Company acquired 5 subsidiaries including NETNIX LIMITED(holding 100% of Yuzhno-Kyrgyzsky Cement equities) through share purchase, Yunwei Baoshan Organic Chemical Co. Ltd; cancelled 2 subsidiaries including Huaxin Cement (Nantong) Co., Ltd; added 20 subsidiaries trough new establishment.