

HUAXIN CEMENT CO., LTD.

First Quarter Report 2020
Abstract

I. Important Notice

1.1 The Board of Directors and its members, the Board of Supervisors and its members and the Senior Management of the Company 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.

1.2 All Directors of the Company were present at the Board Meeting and reviewed the First Quarter Report 2020.

1.3 Chairman of the Company Mr. Xu Yongmo, Legal representative and CEO Mr. Li Yeqing, Chief in charge of Corporate Finance Ms. Kong Lingling and Manager of Accounting Department Mr. Wu Xin confirm that the financial statements in this First Quarter Report are true, accurate and complete.

1.4 The First Quarter Report of the Company was not audited.

II. Basic information of the Company

2.1 Financial Highlights

Unit: Yuan

	Reporting period end	Last year end	Change (%) of reporting period end / last year end
Total assets	36,335,665,690	36,645,386,717	-0.85
Net assets attributable to shareholders of the Company	21,513,488,370	21,309,042,690	0.96
	Year beginning to reporting period end (Jan-Mar)	Same period of last year (Jan-Mar)	Change (%) of the reporting period / same period of last year
Net cash flow from operating activities (Yuan)	434,960,772	1,304,929,362	-66.67
	Year beginning to reporting period end (Jan-Mar)	Same period of last year (Jan-Mar)	Change (%) of the reporting period / same period of last year
Sales revenue	3,849,201,089	5,975,730,102	-35.59
Net profit attributable to shareholders of the Company	354,137,040	1,010,896,167	-64.97
Net profit attributable to shareholders of the Company after extraordinary items	361,768,654	970,798,976	-62.73
Return on net assets, weighted average (%)	1.65	5.87	Reduced by 4.22 percentage points
Basic earnings per share (Yuan/share)	0.17	0.48	-64.58
Diluted earnings per share (Yuan/share)	0.17	0.48	-64.58

Extra-ordinary items and amount:

☒ Applicable ☐ Not Applicable

Unit: Yuan

Item	Current period (Jan-Mar)	Remarks
Gains from disposal of non-current assets	-5,955,115	
Government subsidies, excluding regular fixed amount government subsidies	14,639,609	
In addition to the effective hedging business related to the normal business of the Company, the gains and losses from changes in fair value from the holding of tradable financial assets, derivative financial assets, tradable financial liabilities and derivative financial liabilities, and investment income gained from disposal of tradable financial assets, derivative finance, tradable financial liabilities, derivative financial liabilities and other credit investments	-6,505,297	
Other non-operating income and expenditures	-11,894,928	
Impacts from minority shareholders' interests (after tax)	263,924	
Impacts from income tax	1,820,193	
Total	-7,631,614	

2.2 Total number of shareholders, top ten shareholders and top ten holders of listed shares (not subject to conditional sales) at the reporting period end

Unit: share

Total number of shareholders				89,869		
Top ten shareholders						
Names of Shareholders (full name)	Shares held at the period end	%	Shares subject to conditional sales	Mortgage or frozen		Shareholder type
				Shares condition	number	
HOLCHIN B.V.	835,543,825	39.85	0	nil	0	Foreign corporation
Huaxin Group Co., Ltd	335,560,000	16.01	0	nil	0	State corporation
Hong Kong Securities Clearing Company Ltd.	94,494,785	4.51	0	nil	0	unknown
HOLPAC LIMITED	41,691,843	1.99	0	nil	0	Foreign corporation
Central Huijin Asset Management Ltd.	30,476,180	1.45	0	nil	0	unknown
Bank of Communications- Rongtong Industry Prosperity Securities Investment Fund	25,188,856	1.20	0	nil	0	unknown
Qianhai Life Insurance Co., Ltd.-Dividend insurance product Huatai portfolio	13,136,752	0.63	0	nil	0	unknown

Industrial and Commercial Bank of China Limited-Rongtong China Wind No. 1 Flexible Allocation Hybrid Securities Investment Fund	12,042,473	0.57	0	nil	0	unknown
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	11,420,384	0.54	0	nil	0	unknown
China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	0	nil	0	unknown

Top ten holders of shares not subject to conditional sales			
Names of Shareholders	Number of shares not subject to conditional sales	Type and Number of Shares	
		Type	Number
Holchin B.V.	835,543,825	RMB ordinary shares	451,333,201
		Domestically listed foreign investment shares	384,210,624
Huaxin Group Co., Ltd	335,560,000	RMB ordinary shares	335,560,000
Hong Kong Securities Clearing Company Ltd.	94,494,785	RMB ordinary shares	94,494,785
HOLPAC LIMITED	41,691,843	Domestically listed foreign investment shares	41,691,843
Central Huijin Asset Management Ltd.	30,476,180	RMB ordinary shares	30,476,180
Bank of Communications-Rongtong Industry Prosperity Securities Investment Fund	25,188,856	RMB ordinary shares	25,188,856
Qianhai Life Insurance Co., Ltd.-Dividend insurance product Huatai portfolio	13,136,752	RMB ordinary shares	13,136,752
Industrial and Commercial Bank of China Limited-Rongtong China Wind No. 1 Flexible Allocation Hybrid Securities Investment Fund	12,042,473	RMB ordinary shares	12,042,473
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	11,420,384	Domestically listed foreign investment shares	11,420,384
China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	RMB ordinary shares	11,289,600
Remarks on relationship or concerted actions of the above shareholders	1. Holpac Limited is the party acts in concert with Holchin B.V. 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”.		

2.3 Total number of preference stock shareholders, top ten preference stock shareholders and top ten preference stock holders of shares not subject to conditional sales at the reporting period end

☐Applicable ☒ Not Applicable

III. Major Events

3.1 Status and reasons for major changes on major items and financial indicators in financial statements

☒ Applicable ☐ Not Applicable

3.1.1 Changes of Major Financial Indicators in the Balance Sheet

Unit: Yuan

Item	Period end	Year beginning	Change	%	Remarks
Financial assets held for trading	60,000,000	-	60,000,000	Not applicable	Bought monetary fund
Notes receivable	5,451,740	97,734,290	-92,282,550	-94%	Affected by the New Coronavirus Pneumonia Epidemic, notes receivable reduced
Accounts receivable	804,868,913	561,894,121	242,974,792	43%	Collection of receivables declined
Accounts receivable financing	718,793,276	1,308,788,934	-589,995,658	-45%	Decline in notes receivable
Inventories	2,541,330,913	1,949,050,780	592,280,133	30%	Increased inventories of semi-finished and finished products
Notes payable	107,885,255	191,505,647	-83,620,392	-44%	Decline in new notes
Treasury stock	83,411,595	-	83,411,595	Not applicable	Implementation of the company A share repurchase
Other comprehensive income	-83,695,977	-17,416,212	-66,279,765	-381%	Kyrgyzstan's currency Som has fallen against RMB

3.1.2 Changes of Major Financial Indicators in the Income statement

Unit: Yuan

Item	From year beginning to reporting period end (Jan-Mar 2020)	Same period of last year (Jan-Mar 2019)	Change	%	Remarks
Sales revenue	3,849,201,089	5,975,730,102	-2,126,529,013	-36%	Affected by the New Coronavirus Pneumonia Epidemic, product sales volume fell
Cost of sales	2,557,652,049	3,791,831,838	-1,234,179,789	-33%	Affected by the New Coronavirus Pneumonia Epidemic, product sales volume fell
General and administrative expenses	371,845,735	282,819,308	89,026,427	31%	Idle cost increased
Financial expenses	37,964,289	91,164,139	-53,199,850	-58%	Borrowings reduced
Investment income	-3,673,432	7,519,178	-11,192,610	-149%	Income from associated companies decline

Gains from changes in fair value	-6,798,788	-2,795,343	-4,003,445	-143%	Market value of the holding stocks fell
Non-operating income	805,612	8,381,130	-7,575,518	-90%	Long-term debt write-off reduced
Non-operating expenses	18,305,364	5,201,128	13,104,236	252%	Donations and epidemic prevention expenses increased
Income tax expenses	112,710,873	256,435,733	-143,724,860	-56%	Profits declined caused by the New Coronavirus Pneumonia Epidemic,
Net profit attributable to shareholders of the Company	354,137,040	1,010,896,167	-656,759,127	-65%	Profits declined caused by the New Coronavirus Pneumonia Epidemic,
Minority interests	25,937,083	87,007,207	-61,070,124	-70%	Profits declined caused by the New Coronavirus Pneumonia Epidemic,
Net of other comprehensive income after tax	-74,167,794	-19,688,504	-54,479,290	-277%	Kyrgyzstan's currency Som has fallen against RMB

3.1.3 Changes of Major Financial Indicators in the Cash flow statement

Unit: Yuan

Item	From year beginning to reporting period end (Jan – Mar 2020)	Same period of last year (Jan – Mar 2019)	Change	%	Remarks
Net cash flows from operating activities	434,960,772	1,304,929,362	-869,968,590	-67%	Affected by the New Coronavirus Pneumonia Epidemic, income scale shrank
Net cash flows from investing activities	-956,152,836	-470,954,141	-485,198,695	-103%	Net redemption of monetary funds decreased, and investment in projects increased
Net cash flows from financing activities	-52,477,050	-421,263,716	368,786,666	88%	Loan repayment reduced

3.2 Remarks on progress of major events, their impacts and solutions

1. Issuance of overseas bonds

On December 17, 2019, the Fourteenth Meeting of the Ninth Board of Directors of the Company reviewed and approved the "Proposal on the Issuance of Overseas Bonds through a Wholly Owned Subsidiary". The Company plans to issue overseas bonds totalling no more than US\$500 million (US\$500 million included) through a directly or indirectly wholly controlled subsidiary outside the PRC.

The issuance of overseas bonds is currently underway.

2. Repurchase of A Shares of the Company

On December 17, 2019, the Fourteenth Meeting of the Ninth Board of Directors of the Company reviewed and approved the "Proposal on the Repurchase of A Shares of the Company By Means of Centralized Bidding". The Company would repurchase its A shares through centralized bidding with self-fund. The total fund for share repurchase would not be less than 100 million

Yuan (100 million Yuan is included) and not be over 125 million Yuan (125 million Yuan is included). The price of the repurchased shares would be no more than 32.03 Yuan/share (including 32.03 Yuan/share). The shares repurchased would all be used for the ESOP or stock incentive plan. Time limit is within 12 months after the day when the Board reviewed and approved the share repurchase plan.

By March 31, 2020, the Company cumulatively repurchased 3,759,650 shares of the Company by means of centralized bidding through the trading system of Shanghai Stock Exchange. Total paid amount is 83,411,595 RMB (excluding trading fees)

3.3 Commitments that have not been fulfilled during the reporting period

☐ Applicable ☒ Not Applicable

3.4 Reason, warning and remarks in respect of that accumulative net profit is predicted to be loss or have great change compared with those of the same period of previous year from beginning of this year to end of next reporting period.

☐ Applicable ☒ Not Applicable

Huaxin Cement Co., Ltd.
Legal Representative: Mr. Li Yeqing
April 27, 2020