

HUAXIN CEMENT CO., LTD.

Third Quarter Report 2020

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 Third 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 Third Quarter Report are true, accurate and complete.

1.4 The Third 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	39,256,899,357	36,645,386,717	7.13
Net assets attributable to shareholders of the Company	22,054,162,678	21,309,042,690	3.5
	Year beginning to reporting period end (Jan-Sept)	Same period of last year (Jan-Sept)	Change (%) of the reporting period / same period of last year
Net cash flow from operating activities (Yuan)	5,652,065,416	7,050,582,070	-19.84
	Year beginning to reporting period end (Jan-Sept)	Same period of last year (Jan-Sept)	Change (%) of the reporting period / same period of last year
Sales revenue	20,411,674,930	22,472,006,081	-9.17
Net profit attributable to shareholders of the Company	4,024,415,213	4,843,892,644	-16.92
Net profit attributable to shareholders of the Company after extraordinary items	4,000,320,975	4,800,511,154	-16.67
Return on net assets, weighted average (%)	18.01	26.65	Down by 8.64 percentage points
Basic earnings per share (Yuan/share)	1.93	2.31	-16.45
Diluted earnings per share (Yuan/share)	1.93	2.31	-16.45

Extra-ordinary items and amount:

Applicable Not Applicable

Unit: Yuan

Item	Current period (Jul-Sept)	Year beginning to reporting period end (Jan-Sept)	Remarks
Gains from disposal of non-current assets	-1,456,712	-3,210,677	
Government subsidies, excluding regular fixed amount government subsidies	27,819,376	68,973,288	
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	260,543	-6,359,274	
Other non-operating income and expenditures	-2,288,770	-25,883,128	
Impacts from minority shareholders' interests (after tax)	-2,675,608	-2,076,105	
Impacts from income tax	-5,645,362	-7,349,866	
Total	16,013,467	24,094,238	

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				83,077		
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.	113,679,565	5.42	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	23,264,754	1.11	0	nil	0	unknown
Huaxin Cement Co. Ltd Special Account for Share Repurchase	22,689,338	1.08	0	nil	0	other

Industrial and Commercial Bank of China Limited-Rongtong China Wind No. 1 Flexible Allocation Hybrid Securities Investment Fund	13,326,859	0.64	0	nil	0	unknown
China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	0	nil	0	State Corporation
Dai Deming	10,690,053	0.51	0	nil	0	Domestic Natural Person

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.	113,679,565	RMB ordinary shares	113,679,565
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	23,264,754	RMB ordinary shares	23,264,754
Huaxin Cement Co. Ltd Special Account for Share Repurchase	22,689,338	RMB ordinary shares	22,689,338
Industrial and Commercial Bank of China Limited-Rongtong China Wind No. 1 Flexible Allocation Hybrid Securities Investment Fund	13,326,859	RMB ordinary shares	13,326,859
China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	RMB ordinary shares	11,289,600
Dai Deming	10,690,053	RMB ordinary shares	10,690,053
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
Tradable financial assets	300,000,000	-	300,000,000	Not applicable	Bought monetary fund
Accounts receivable	1,184,247,466	561,894,121	622,353,345	111	Collection of receivables delayed due to the impact of COVID-19
Accounts receivable financing	826,432,571	1,308,788,934	-482,356,363	-37	Cash portion raised in receivables, notes receivable reduced
Other non-current assets	1,088,228,211	128,051,017	960,177,194	750	Equity M&A receivables and payables and advances in construction increased
Short-term borrowings	669,000,000	197,000,000	472,000,000	240	Supplement current fund
Notes payable	720,501,996	191,505,647	528,996,349	276	Decrease in stock notes, increase in new notes
Contract liabilities	1,044,916,614	-	1,044,916,614	Not applicable	Adjustment based on New Accounting Standard
Advances from customers	-	616,086,758	-616,086,758	-100	Adjustment based on New Accounting Standard
Current portion of non-current liabilities	1,636,719,187	769,685,711	867,033,476	113	Corporate bonds due soon
Long-term borrowings	3,598,284,501	2,039,543,196	1,558,741,305	76	Loan increase due to M&A and new projects
Debentures Payable	-	1,198,058,176	-1,198,058,176	-100	Corporate bonds due soon
Long-term payables	55,813,740	81,962,612	-26,148,872	-32	Part of financial leasing is due, converted into current liabilities
Treasury stock	610,051,971	-	610,051,971	Not applicable	A share repurchase for ESOP
Other comprehensive income	-159,645,784	-17,416,212	-142,229,572	-817	Difference increase due to foreign exchange

3.1.2 Changes of Major Financial Indicators in the Income statement

Unit: Yuan

Item	From year beginning to reporting period end (Jan-Sept 2020)	Same period of last year (Jan-Sept 2019)	Change	%	Remarks
Gains from changes in fair value	-6,359,274	-3,979,528	-2,379,746	-60	Holding share price fell

Loss of credit impairment	-26,214,188	20,464,153	-46,678,341	-228	Impacted by COVID-19, collection of goods payment delayed, bad debt provision increased
Gains/(Losses) on disposal of assets	10,114,587	2,988,265	7,126,322	238	Profit increase in fixed asset disposal
Non-operating expenses	59,184,925	29,122,907	30,062,018	103	Donations and epidemic prevention expenses increased

3.1.3 Changes of Major Financial Indicators in the Cash flow statement

Unit: Yuan

Item	From year beginning to reporting period end (Jan – Sept 2020)	Same period of last year (Jan – Sept 2019)	Change	%	Remarks
Net cash flows from operating activities	5,652,065,416	7,050,582,070	-1,398,516,654	-20	Affected by COVID-19, sales and production declined and profit decreased
Net cash flows from investing activities	-3,396,438,071	-2,595,675,957	-800,762,114	-31	Investment in monetary fund increased and payment of equity M&A receivables and payables
Net cash flows from financing activities	-1,658,289,925	-4,027,637,364	2,369,347,439	59	Investment and supplement of current fund borrowings increased

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, on August 11, 2020, 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" and the Eighteenth Meeting of the Board of Directors reviewed and approved the "Proposal on Adjusting the Total Fund for the A Share Repurchase By Means of Centralized Bidding". The total fund for the repurchase would not be less than 550 million Yuan (550 million Yuan is included) and not be over 610 million Yuan (610 million Yuan is included). The price of the repurchased shares would be no more than 32.03 Yuan/share (including 32.03 Yuan/share). Time limit is within 12 months after the day when the Board reviewed and approved the share repurchase plan. The shares repurchased would all be used for the ESOP or stock incentive plan. If the Company fails to finish the transfer of all repurchased shares within 3 years after the announcement on share repurchase result, the Company will perform the procedure of reducing registered capital according to law, and un-transferred shares will be cancelled.

By September 3, 2020, the Company finished the repurchase with actual repurchased shares 22,689,338, 1.08% of total shares of the Company. Total utilized fund is 609,917,786.61 Yuan (excluding trading fees).

3. Matters on Changing the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by way of Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd.

On August 20, 2020, the Nineteenth Meeting of the Ninth Board of Directors approved the Plan on Changing the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by way of Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd. The Company plans to change its 734,720,000 domestically listed foreign shares (B share) to be listed in the main board of the Stock Exchange of Hongkong by way of introduction and convert those shares into overseas listed foreign shares in Hongkong Stock Exchange (H share). Currently, agencies employed by the Company are conducting due diligence to the Company. The conversion plan is yet to be approved by Shareholder's General Meeting and application profiles are to be reviewed by China Securities Regulatory Commission, Hongkong Stock Exchange afterwards.

4. 2020-2022 Core Employee Stock Ownership Plan

The Eighteenth Meeting of the Ninth Board of Directors on August 11, 2020, and the Second Shareholders' General Meeting on September 25, 2020 approved the Proposal on 2020-2022 Core Employee Stock Ownership Plan (draft) and its Summary. Total fund of the ESOP is not over 610 million RMB with incentivized subjects not over 800. Stock sources from repurchased A shares of the Company.

As of now, the Company defined the grant date, grant price and grant quantity for the 2020 A-0 and B-0 shares of the 2020-2022 Core Employee Stock Ownership Plan. Currently the Company is processing the transfer of repurchased A shares from the special securities account to the ESOP securities account.

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
October 26, 2020