

Stock Codes: 600801, 900933

Stock Abbreviations: Huaxin Cement, Huaxin B Share

Huaxin Cement Co., Ltd.
2020 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 2020, the Parent Company achieved net profit of 3,155,313,737 Yuan or 5,630,598,812 Yuan net profit attributable to the shareholders after consolidation. The allocable profit of the Parent Company is 7,370,600,800 Yuan by the end of December 2020.

The Board proposes that on the basis of the 2,093,874,372 shares (total shares 2,096,599,855 excludes 2,725,483 outstanding shares on the special account for the repurchase) at the end of 2020, a cash dividend of 1.08 Yuan per share (incl. tax) shall be distributed to all shareholders, total distribution of 2,261,384,322 Yuan, 40.16% cash dividend ratio. The Board also proposes that no capital reserve shall be converted into share capital for 2020. 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, gradually developing into a global building material group in China with the whole industry chain and integrated development.

The Company has been listed in the Chinese Manufacturing Industry Top 500 and Fortune China Top 500. By the end of 2020, the Company owns almost 250 subsidiaries in 13 provinces and cities including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Jiangsu, Shanghai, Jiangxi and Shanxi as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal and Tanzania with total cement capacity of 115 million tons/year (grinding capacity, capacity in joint ventures are included), cement equipment manufacturing capacity of 50,000 tons/year, commercial concrete capacity of 27.10 million m³/year, aggregate capacity of 55 million tons/year, composite eco wall material of 360 million units/year, mortar production capacity of 300,000 tons/year, UHPC curtain wall slab of 800,000 m²/year,

civil building curtain wall slab of 80,000 m²/year, lime of 300,000 tons/year, cement packaging bag capacity of 700 million bags/year and wastes disposal capacity of 6.16 million tons/year (including CIPs).

In 2020, the cement business revenues accounted for 85% 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, housing development, rural vitalization 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 2020, Chinese economy displayed high resilience and growth dynamism. Faced with the huge shock of the COVID pandemic and complex domestic and international environment, GDP growth rate still gained 2.3%, making China the only major economy with positive growth in the world. Continuous recovery and stable rebound of Chinese economy provided a good macro environment for cement industry.

In 2020, Central Government ramped up the counter-cyclical adjustment of macroeconomic policies. Proactive fiscal policies and stable monetary policies continuously took effect, especially the stimulus of special treasury bond. Cement demand related indexes including fixed asset investment, real estate investment, infrastructure investment indexes rebounded quickly. Cement industry overcame the negative impacts of the pandemic and the flood. Cement output throughout the year was 2.377 billion tons, up by 1.63%; clinker output was 1.579 billion tons, up by 3.07%. In the meantime, benefiting from supply side structure reform and environment treatment, demand and supply remained at the plateau to the dynamic balance. Total profit achieved for the year was 183.3 billion Yuan, keeping a relatively good prospect. (Data source: Digital Cement, China Cement Association)

According to the preliminary statistics of China Cement Association Information Research Center, by the end of 2020, new dry cement production line nationwide was 1,609 (excluding some shutdowns and demolished lines, or lines of daily production below 700 tons/day), designed clinker annual capacity was 1.83 billion tons while the actual clinker annual capacity was over 2 billion tons. From the statistics, supply side structure reform has been implemented for 4 years, but de-capacity is still in low progress. Healthy development and sustainable development are still challenged by overcapacity and regional unbalance.

3. Financial Statements Summary and Financial Indicators for company

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

Unit: Yuan

	2020	2019	Change over last year (%)	2018
Total assets	43,928,509,151	36,645,386,717	19.87	33,161,505,602
Operating revenue	29,356,515,691	31,439,214,600	-6.62	27,466,044,481
Net profit attributable to shareholders of the Company	5,630,598,812	6,342,304,317	-11.22	5,181,448,611
Net profit attributable to shareholders of the Company after extraordinary items	5,553,708,292	6,179,988,412	-10.13	5,127,542,064
Net assets attributable to shareholders of the	23,571,375,317	21,309,042,690	10.62	16,672,962,778

Company				
Net cash flow from operating activities	8,405,472,760	9,679,185,865	-13.16	7,899,606,105
Basic Earnings per share (yuan/share)	2.69	3.03	-11.22	2.47
Diluted earnings per share (yuan/share)	2.69	3.03	-11.22	2.47
Return on net assets after extraordinary items, weighted average (%)	25.03	33.63	Down by 8.60 percentage points	36.27

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.)
Operating revenue	3,849,201,089	8,715,746,087	7,846,727,754	8,944,840,761
Net profit attributable to shareholders of the Company	354,137,040	1,897,836,971	1,772,441,202	1,606,183,599
Net profit attributable to shareholders of the Company after extraordinary items	361,768,654	1,881,018,063	1,757,534,258	1,553,387,317
Net cash flow from operating activities	434,960,772	3,066,013,912	2,151,090,732	2,753,407,344

4. Capital stock and Shareholders

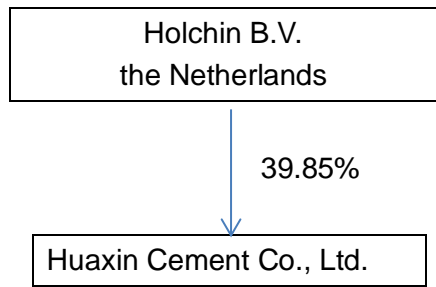
4.1 Common stock holder number and Top Ten Shareholders

Unit: Share

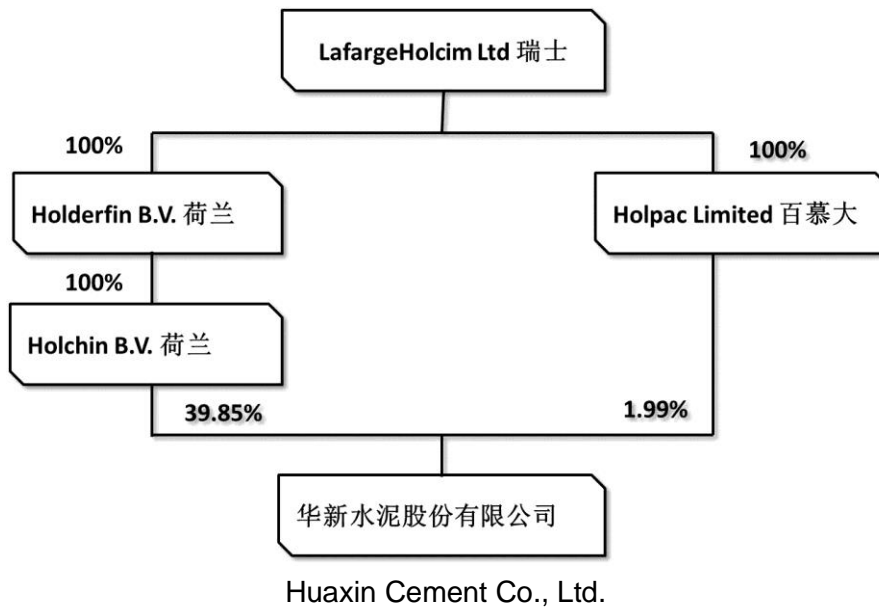
Total number of shareholders at the end of reporting period	93,907					
Total number of shareholders at the end of the last month before the disclosure of the Annual Report	98,719					
Top ten shareholders						
Full Names of Shareholders	Change during the	Shares amount at	%	The amount	Mortgage or frozen	Shareholder type

	reporting period	the end of the period		of shares subject to conditional sales	Status	Amount	
HOLCHIN B.V.	0	835,543,825	39.85	0	nil		Foreign corporation
Huaxin Group Co., Ltd.	2,500,739	338,060,739	16.12	0	nil		State-owned corporation
Hong Kong Securities Clearing Company Ltd.	-26,760,853	95,135,308	4.54	0	nil		Unknown
HOLPAC LIMITED	0	41,691,843	1.99	0	nil		Foreign corporation
Central Huijin Investment Ltd	0	30,476,180	1.45	0	nil		Unknown
Huaxin Cement Co., Ltd - 2020-2022 Core Employees Stock Ownership Plan	19,963,855	19,963,855	0.95	0	nil		Other
China Railway Wuhan Bureau Group Co., Ltd.	0	11,289,600	0.54	0	nil		Unknown
Dai Deming	-2,865,947	10,554,053	0.50	0	nil		Domestic natural person
Industrial and Commercial Bank of China Limited - RongTong ZhongguoFeng 1 Flexible Allocation of Hybrid Securities Investment Fund	1,530,656	7,513,229	0.36	0	nil		Unknown
MORGAN STANLEY & CO. INTERNATIONAL PLC	5,580,309	6,578,189	0.31	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
2020 overseas bonds	HXCEME	XS2256737722	Nov.19, 2020	Nov.18, 2025	19.73	2.25	simple interest calculation on a monthly basis, payment on a half year basis	Singapore Stock Exchange

5.2 Corporate bond redemption and interest payment

On August 13, 2020, the Company paid on time the interest for 2016 Huaxin Cement Co., Ltd. corporate bonds tranche 1. (Please refer to related announcement at www.sse.com.cn released on August 13, 2020).

5.3 Information of the credit rating organization

On June 20, 2020, 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	2020	2019	Change over last year (%)
Asset-liability ratio (%)	41.4	36.0	5.4
EBITDA/total liabilities	0.54	0.80	-32.5
Interest Protection Multiples	33.76	30.16	11.94

III Discussion and Analysis on Business Operation

1. Main Business Operation indicators of the reporting period

In 2020, the company achieved a total sales of 76.01 million tons of cement and clinker, a decrease of 1.2% from the previous year; aggregate sales of 23.05 million tons, a year-on-year increase of 31%; a total of 2.94 million tons of eco disposal, down by 3%; The sales volume of concrete was 4.61 million m³, a year-on-year increase of 9%. The annual operating revenue was 29.357 billion yuan, down by 6.6% year-on-year; the total profit was 7.664 billion yuan, and the net profit attributable to shareholders of the parent company was 5.631 billion yuan, down 12.08% and 11.2% respectively from the same period last year.

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

4.1 Change on the important accounting standard

Changes and reasons for the change of the accounting policy	Approval procedure	Remark (Item and amount affected significantly)
The Group implemented the "Accounting Standards for Business Enterprises No. 14-Revenue" (hereinafter referred to as the "New Revenue Standards") revised in 2017 by the Ministry of Finance on January 1, 2020. The new revenue standard introduces a five-step method for revenue recognition and measurement, and adds more guidance for specific transactions (or events). For detailed accounting policies for revenue recognition and measurement of the Group, please refer to 5 (24). The new income standard requires that the cumulative amount adjust the beginning of the year when the new standard was implemented (namely January 1, 2020) and retained earnings and other related items in the financial statement, no adjustments are made to comparable period information.	The change was approved by August 26, 2020 Board meeting.	Refer to 4.2

4.2 Adjustment based on the implementation of new accounting standard

Consolidate balance sheet

Unit: Yuan

Item	December 31, 2019	Reclassified	January 1, 2020
Payment in advance	616,086,758	-616,086,758	
Contract liabilities		616,086,758	616,086,758

Parent Company Balance Sheet

Unit : Yuan

Item	December 31, 2019	Reclassified	January 1, 2020
Payment in advance	9,921,984	-9,921,984	
Contract liabilities		9,921,984	9,921,984

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 Maweni Limestone Ltd into the scope of consolidation due to its acquisition of 100% equity. Due to the transfer of the 60% equity of Hunan Huaxin Xianggang Cement Co., Ltd. held by the company, Hunan Huaxin Xianggang Cement Co., Ltd. and its subsidiary Hunan Huaxiang Environmental Protection Industry Development Co., Ltd. are no longer included in the scope of consolidation.

For details, please refer to the "Financial Statement Note VI Changes in Consolidation Scope" in the company's 2020 annual report.