

HUAXIN CEMENT CO., LTD.

**Third Quarter Report 2018**  
**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 Director Mr. Ian Riley did not attend the Board Meeting due to personal reasons.

1.3 Chairman of the Company Mr. Xu Yongmo, Legal representative and CEO Mr. Li Yeqing, Chief of the Accounting 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 financial statements of the Company for the third quarter have not been audited.

## II. Overview of the Company

### 2.1 Financial Highlights

Unit: Yuan

	Reporting period end	Last year end	Change (%) of reporting period end vs last year end
Total assets	32,255,216,259	30,499,323,197	5.76
Net assets attributable to shareholders of the Company	14,905,392,478	11,899,804,274	25.26
	Year beginning to reporting period end (Jan-Sep)	Same period of last year	Change (%) of the reporting period vs same period of last year
Net cash flow from operating activities (Yuan)	5,151,088,183	2,001,015,721	157.42
	Year beginning to reporting period end (Jan-Sep)	Same period of last year	Change (%) of the reporting period vs same period of last year
Sales revenue	19,040,138,370	14,349,891,455	32.68
Net profit attributable to shareholders of the Company (Yuan)	3,411,384,548	1,049,728,320	224.98
Net profit attributable to shareholders of the Company after extraordinary items (Yuan)	3,376,360,586	1,000,904,944	237.33
Return on net assets, weighted average (%)	25.41	10.05	Increased by 15.36 percentage points
Basic earnings per share (Yuan/share)	2.28	0.70	225.71
Diluted earnings per share (Yuan/share)	2.28	0.70	225.71

Extra-ordinary items and amount:

Applicable  Not Applicable

Unit: Yuan

Item	Current period (Jul-Sep)	Year beginning to reporting period end (Jan-Sep)	Remarks
Net loss on disposal of non-current assets	-5,678,048	-10,109,743	
Government subsidies, excluding regular fixed amount government subsidies	10,206,761	40,785,477	
Negative goodwill	-	4,489,836	
Reversal of the provision on receivables assessed for impairment on an individual basis	-12,847	3,978,611	
Other non-operating income and expenditures	9,200,773	3,306,524	
Impacts from minority shareholders' interests (after tax)	1,942,495	425,324	
Impacts from income tax	2,205,739	-7,852,067	
Total	17,864,873	35,023,962	

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

Unit: share

Total number of shareholders				48,013		
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.	596,817,018	39.85	0	nil		Foreign corporation
Huaxin Group Co., Ltd	239,685,714	16.01	0	nil		State corporation
Hong Kong Securities Clearing Company Ltd	37,359,177	2.49	0	nil		unknown
HOLPAC LIMITED	29,779,888	1.99	0	nil		Foreign corporation
UBS AG	24,040,777	1.60	0	nil		unknown
Central Huijin Asset Management Ltd.	21,768,700	1.45	0	nil		unknown
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	13,235,738	0.88	0	nil		unknown

TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	9,955,953	0.66	0	nil		unknown
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	9,084,567	0.60	0	nil		unknown
China Railway Wuhan Group Co.,Ltd	8,064,000	0.54	0	nil		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.	596,817,018	RMB ordinary shares	322,380,858
		Domestic listed foreign investment shares	274,436,160
Huaxin Group Co., Ltd	239,685,714	RMB ordinary shares	239,685,714
Hong Kong Securities Clearing Company Ltd	37,359,177	RMB ordinary shares	37,359,177
HOLPAC LIMITED	29,779,888	Domestic listed foreign investment shares	29,779,888
UBS AG	24,040,777	RMB ordinary shares	24,040,777
Central Huijin Asset Management Ltd.	21,768,700	RMB ordinary shares	21,768,700
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	13,235,738	Domestic listed foreign investment shares	13,235,738
TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	9,955,953	Domestic listed foreign investment shares	9,955,953
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	9,084,567	Domestic listed foreign investment shares	9,084,567
China Railway Wuhan Group Co.,Ltd	8,064,000	RMB ordinary shares	8,064,000
Remarks on relationship or concerted actions of the above shareholders	<p>1. Holpac Limited is the party acts 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>		

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	September 30, 2018	Dec 31, 2017	Change	%	Remarks
Advances to suppliers	452,498,648	225,637,668	226,860,980	101%	Advances to fuel suppliers increased
Construction in progress	2,273,405,674	1,302,962,540	970,443,134	74%	Investment increase in cement, eco and new building materials projects
Short term borrowings	614,500,000	1,141,500,000	-527,000,000	-46%	Cash flow improves, fall in current borrowings
Advances from customers	971,156,635	562,705,382	408,451,253	73%	Cement supply demand relation improved, advances from customers increased.
Employee benefits payable	467,287,327	281,087,404	186,199,923	66%	Performance rose significantly, employee benefits payable rose substantially, but not paid yet.
Taxes and levies payable	698,835,707	507,945,221	190,890,486	38%	Profit increase leads to tax increase.
Current portion of non-current liabilities	2,458,500,765	1,682,733,582	775,767,183	46%	Increase in long term borrowings due
Long term borrowings	2,779,818,621	4,058,959,121	-1,279,140,500	-32%	Cash flow improved, fall in borrowings and loans will be due and transferred to current liabilities.
Debentures payable	2,296,525,157	3,295,605,346	-999,080,189	-30%	One debenture was transferre to be due within one year.
Other comprehensive income	-6,530,120	-20,053,747	13,523,627	-67%	Change in the exchange rate of the overseas standard money to RMB
Undistributed profits	10,142,634,351	7,150,569,774	2,992,064,577	42%	Profit increased

##### 3.1.2 Changes of Major Financial Indicators in the Income statement

Unit: Yuan

Item	From year beginning to reporting period end (Jan-Sep 2018)	Same period of last year (Jan-Sep 2017)	Change	%	Remarks
Sales revenue	19,040,138,370	14,349,891,455	4,690,246,915	33%	Cement products price rose
Tax and surcharges	355,846,295	205,811,249	150,035,046	73%	Income scale rose, newly levied environmental protection tax
Finance expenses	360,531,701	534,521,340	-173,989,639	-33%	Liabilities with interest and foreign exchange loss fell substantially
Investment income	85,970,675	61,387,688	24,582,987	40%	Profit of associates increased
Other incomes	161,391,029	70,661,690	90,729,339	128%	Increase in tax refund for resource comprehensive usage
Non-operating revenue	21,477,223	72,183,034	-50,705,811	-70%	Decrease in government subsidy
Income tax expenses	893,565,340	262,178,126	631,387,214	241%	Cement product price rose and profit increased
Net profit attributable to shareholders of the Company	3,411,384,548	1,049,728,320	2,361,656,228	225%	Cement product price rose and profit increased

### 3.1.3 Changes of Major Financial Indicators in the Cash flow statement

Unit: Yuan

Items	From year beginning to reporting period end (Jan – Sep 2018)	Same period of last year (Jan – Sep 2017)	Change	%	Remarks
Net cash flows from operating activities	5,151,088,183	2,001,015,721	3,150,072,462	157%	Cement product price rose, revenue scale increased
Net cash flows from investing activities	-1,325,024,023	-905,098,045	-419,925,978	-46%	Construction project investment increased
Net cash flows from financing activities	-3,056,330,262	-1,805,934,608	-1,250,395,654	69%	New borrowings decreased

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

Applicable       Not Applicable

### 3.3 Implementation of commitments made by the Company and its shareholders holding over 5% shares

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

Government's vigorous promotion of supply side structural reform, de-output and de-capacity within the industry lead to the improvement of demand and supply relationship. The price of the Company's main products cement and clinker gained a significant rise over that of last year, plus optimization of operation and management. It is predicted that the net profit attributable to the shareholders of the Company in 2018 will be up by more than 130% over the same period of last year.

Huaxin Cement Co., Ltd.  
Legal Representative: Mr. Li Yeqing  
October 24, 2018