

Stock Codes: 600801, 900933

Stock Abbreviations: Huaxin Cement, Huaxin B Share

Huaxin Cement Co., Ltd. 2018 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. Director Ms. Geraldine Picaud did not attend the Meeting due to other commitments, and she authorized Director Mr. Mark Lo to attend the Meeting and vote by Power of Attorney.

4. PricewaterhouseCoopers Zhong Tian CPAs 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 2018, the Parent Company achieved net profit of 1,912,207,603 Yuan or 5,181,448,611 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, 10%, i.e. 191,220,760 Yuan will be appropriated to statutory surplus common reserve fund. Balance of statutory surplus common reserve fund at the end of this period is 889,105,333 Yuan, accounting for 59% of the share capital at the end of this period. The allocable profit of the Parent Company is 5,717,023,232 Yuan by the end of December 2018.

The Board proposes that on the basis of the total 1,497,571,325 shares, a cash dividend of 1.15 Yuan per share (incl. tax) shall be distributed to all shareholders, hence 1,722,207,024 Yuan shall be distributed (covering 33.24% of the net profit attributable to the shareholders of the Parent Company after consolidation), and the whole of the remaining shall be booked as unallocated profit.

The Board also proposes that the shares shall be increased to all shareholders by transferring capital reserves on a basis of 4 shares for every existing 10 shares. Total increased share capital is 599,028,530 shares. The total shares of the Company will increase from 1,497,571,325 shares to 2,096,599,855 shares.

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 of 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 2018, 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 and Cambodia, with total cement capacity of 100 million tons/year, commercial concrete capacity of 23.3 million m³/year, aggregate capacity of 25 million tons/year, composite eco wall material of 120 million/year, cement equipment manufacturing capacity of 50,000 tons/year, mortar capacity of 50,000 tons/year, cement packaging bag capacity of 500 million bags/year and wastes disposal capacity of 5.5 million tons/year (including CIPs).

In 2018, the cement business revenues accounted for 87% of the total operating revenues of the Company, playing a dominant role in all the business areas.

(II) Operation model of the Company

(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

In 2018, the Company launched the reform 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.

China’s cement output reached the peak in 2014. “Overall over-capacity and stable demand with downward trend” is the dominant feature for current stage. In 2018, benefiting from government’s further strengthening of supply side structural reform and environmental control, cement industry gained effective results in cutting capacity through measures of “Limiting production for environmental protection”, “Off-peak Production” and “Integral Mining Treatment”. Supply and demand relationship reached a dynamic balance, cement price around the country bounced back and increased and overall industry profit reached a historical high.

The core task of the supply side structural reform is to cut capacity, however, phase-out mechanism of capacity is still flawed, 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

	2018	2017	Change over last year (%)	2016
Total assets	33,161,505,602	30,499,323,197	8.73	27,426,749,410
Sales revenue	27,466,044,481	20,889,291,990	31.48	13,525,759,490
Net profit attributable to shareholders of the Company	5,181,448,611	2,077,640,568	149.39	451,940,413
Net profit attributable to shareholders of the Company after extraordinary items	5,127,542,064	1,803,520,260	184.31	464,128,509
Net assets attributable to shareholders of the Company	16,672,962,778	11,899,804,274	40.11	9,994,864,233
Net cash flow from operating activities	7,899,606,105	3,904,076,048	102.34	3,096,150,887
Basic earnings per share (Yuan/share)	3.46	1.39	148.92	0.30
Diluted earnings per share (Yuan/share)	3.46	1.39	148.92	0.30
Return on net assets, weighted average (%)	36.27	18.98	Increased by 17.29 percentage points	4.61

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	4,508,950,906	7,374,119,365	7,157,068,099	8,425,906,111
Net profit attributable to shareholders of the Company	530,364,403	1,537,553,470	1,343,466,675	1,770,064,063
Net profit attributable to shareholders of the Company after extraordinary items	511,995,185	1,538,763,599	1,325,601,802	1,751,181,478
Net cash flow from operating activities	596,907,873	2,092,893,015	2,461,287,295	2,748,517,922

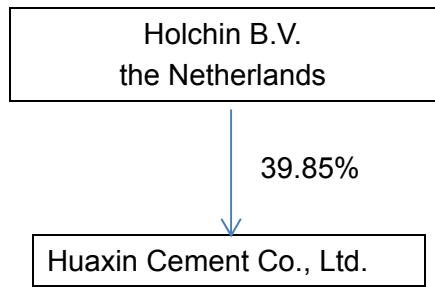
4. Capital stock and Shareholders

4.1 Common stock holder number and Top Ten Shareholders

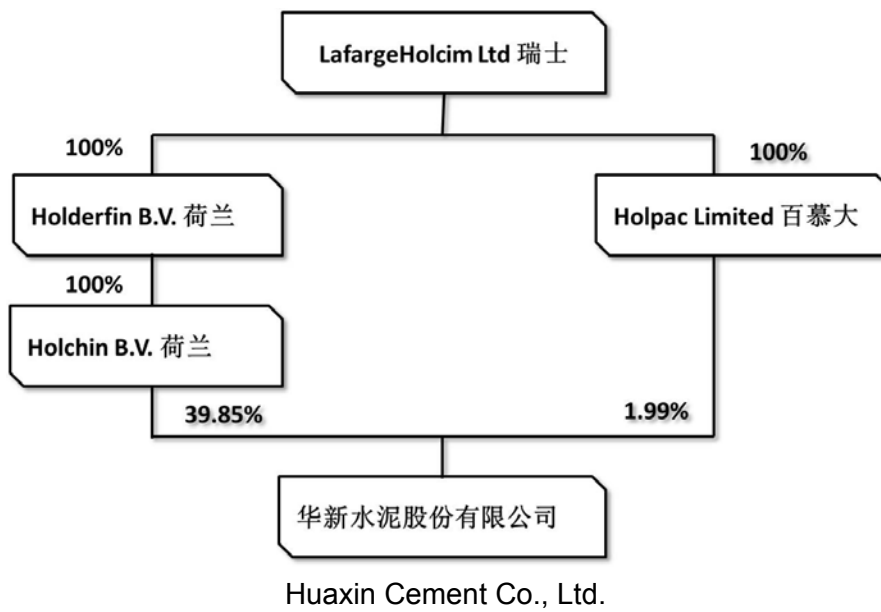
Unit: Share

Total number of shareholders at the end of reporting period					53,972		
Total number of shareholders at the end of the last month before the disclosure of the Annual Report					50,606		
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.	0	596,817,018	39.85	0	nil		Foreign corporation
Huaxin Group Co., Ltd.	0	239,685,714	16.01	0	nil		State-owned corporation
Hong Kong Securities Clearing Company Ltd.	58,209,900	59,551,513	3.98	0	nil		Unknown
HOLPAC LIMITED	0	29,779,888	1.99	0	nil		Foreign corporation
Central Huijin Investment Ltd	0	21,768,700	1.45	0	nil		Unknown
UBS AG	17,915,262	20,711,642	1.38	0	nil		Unknown
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	-1,463,400	11,772,338	0.79	0	nil		Unknown
TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	-493,820	9,462,133	0.63	0	nil		Unknown
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	-311,300	8,773,267	0.59	0	nil		Unknown
China Railway Wuhan Bureau Group Co., Ltd.	0	8,064,000	0.54	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: 100 million Yuan

Name	Abbreviation	Code	Issuing date	Date of expiry	Bond balance	Coupon rate	Principal and interest payment	Trading place
Huaxin Cement Co., Ltd. 2012 Corporate Bonds (tranche 1) (7 years)	12 Huaxin 02	122147	May 17, 2012	May 17, 2019	10.00	5.65%	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
Huaxin Cement Co., Ltd. 2012 Corporate Bonds (tranche 2) (7 years)	12 Huaxin 03	122188	Nov 9, 2012	Nov 9, 2019	11.00	5.9%	Ditto	Shanghai Stock Exchange
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%	Ditto	Shanghai Stock Exchange

5.2 Corporate bond redemption and interest payment

On May 17, 2018, the Company paid on time the interest for 2012 Huaxin Cement Co., Ltd. corporate bonds tranche 1. (Please refer to related announcement at www.sse.com.cn released on May 10, 2018).

On August 22, 2018, 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 4, 2018).

On November 9, 2018, the Company paid on time the interest for 2012 Huaxin Cement Co., Ltd. corporate bonds tranche 2. (Please refer to related announcement at www.sse.com.cn released on November 2, 2018).

5.3 Information of the credit rating organization

On April 24, 2018, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the first tranche) Tracking Rating Report" and "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the second tranche) Tracking Rating Report", both the main credit rating and bond credit rating of the Company were upgraded to AAA.

On April 24, 2018, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Rating Report", both the main credit rating and bond credit rating of the Company were

upgraded to 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	2018	2017	Change over last year (%)
Asset-liability ratio (%)	45	57	-12
EBITDA/total liabilities	0.62	0.28	121.43
Interest Protection Multiples	15.48	6.01	157.57

III Discussion and Analysis on Business Operation

1. Main Business Operation indicators of the reporting period

In 2018, cement and clinker sales volume of the Company reached 70.72 million tons, increasing by 3% year on year. Aggregate sales volume reached 14.5 million tons, increasing by 26% compared with last year. Total disposal volume of ECO business reached 2.14 million tons, up by 18% year on year. Sales volume of commercial RMX reached 3.56 million m³, increasing by 11% year on year. The overall operating revenue of the Company reached 27.466 billion CNY, increasing by 31.48% year on year. The total profits of the Company reached 7.131 billion CNY and the net profits attributable to the shareholders of the Company reached 5.181 billion CNY, increasing by 153.59% and 149.39% respectively year on 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

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
For the major subsidiaries included in the scope of consolidation in the current year, please refer to Note VII "EQUITY INTERESTS IN OTHER ENTITIES". For details of the changes in the scope of the consolidated financial statements for the current year, please refer to Note VI "CHANGING SCOPE OF CONSOLIDATION".