

Stock Codes: 600801, 900933

Stock Abbreviations: Huaxin Cement, Huaxin B Share

**Huaxin Cement Co., Ltd.**  
**2017 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. PricewaterhouseCoopers Zhong Tian CPAs LLP issued standard audit report with unmodified opinion for the Company.

5. Profit distribution proposal for the reporting period reviewed by the Board of Directors

In 2017, the Parent Company achieved net profit of 1,728,197,485 Yuan or 2,077,640,568 Yuan net profit attributable to the shareholders after consolidation. Pursuant to the relevant provisions contained in the Company Law and the Accounting Rule, 10%, i.e. 172,819,749 Yuan will be appropriated to statutory surplus common reserve fund. The allocable profit of the Parent Company is 4,415,356,360 Yuan by the end of December 2017.

The Board proposes that on the basis of the total 1,497,571,325 shares, a cash dividend of 0.28 Yuan per share (incl. tax) shall be distributed to all shareholders, hence 419,319,971 Yuan shall be distributed (covering 20% 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 no capital reserve shall be converted into share capital for 2017.

## 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	Building B, Huaxin Building, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan city, Hubei Province.	Building B, Huaxin Building, 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, overseas development strategy and the Eco business transformation strategy, 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, new products with advanced technology content etc. The Company has been listed in the Chinese Manufacturing Industry Top 500 and Fortune China Top 500. So far, the Company owns 190 subsidiaries in Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Guangdong and Henan as well as in Tajikistan and Cambodia, with total cement capacity of 90 million tons/year, cement equipment manufacturing capacity of 50 k tons/year, commercial concrete capacity of 23.8 million m<sup>3</sup>/year, aggregate capacity of 21 million tons/year, cement packing bag capacity of 400 million/year and wastes disposal capacity of 5.5 million tons/year (including CIPs).

In 2017, the cement business revenue accounted for 89% of the total operating revenue of the Company, playing a leading 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 is that under the guidance of the Headquarter, integral management from Business Unit and equal importance are 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 established a Category Procurement Management System in which procurement is managed by category and professionalism, thus realizing separation between procurement and utilization. Raw materials, fuels, auxiliary materials and spare parts for production in subsidiaries are all collectively procured by the Headquarter on a standard and process-oriented platform of procurement and bidding in a fair and transparent manner. Consequently, efficiency is improved and cost is lowered.

#### (III) Cement industry situation

Cement is an important basic building material which is widely used in national infrastructure construction including railway, highway, airport, water conservancy projects and other large infrastructure projects, as well as urban real estate development, rural infrastructure construction and civil construction.

Since 1985, China's annual cement output has been ranking the first in the world. However, with Chinese economy entering into a state of "New Normal", cement demand in China dropped after reaching the peak in 2014 and cement industry entered into a phase of overall overcapacity. Since 2016, governments started supply side structural reform and are on the way to deepen the policy. In 2017, the state government step up efforts in air pollution prevention and control in Beijing, Tianjin and Hebei as well as surrounding areas, conducted nationwide environmental supervision, quarry compliance regulation and expanded areas for peak shifting production. Therefore, environmental quality was improved to some extent. Some backward capacity has been phased out of the market. Chinese cement industry saw a periodic improvement in supply and demand and reasonable recovery in cement price, driving the prosperity to bounce back.

Early in the year, Ministry of Industry and Information and Technology issued Implementation Methods on Capacity Replacement in Steel, Cement and Glass Industry, aiming to improve supply and demand balance through strict control over new capacity and structural adjustment, which is beneficial to middle and long term development of cement industry. However, de-capacity in cement industry may still face severe situation. The way ahead 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

	2017	2016	Change over last year (%)	2015
Total assets	30,499,323,197	27,426,749,410	11.2	25,486,671,762
Sales revenue	20,889,291,990	13,525,759,490	54.44	13,271,319,219
Net profit attributable to shareholders of the Company	2,077,640,568	451,940,413	359.72	102,756,044
Net profit attributable to	1,803,520,260	464,128,509	288.58	60,043,329

shareholders of the Company after extraordinary items				
Net assets attributable to shareholders of the Company	11,899,804,274	9,994,864,233	19.06	9,605,669,251
Net cash flow from operating activities	3,904,076,048	3,096,150,887	26.09	2,753,246,189
Basic earnings per share (Yuan/share)	1.39	0.30	363.33	0.07
Diluted earnings per share (Yuan/share)	1.39	0.30	363.33	0.07
Return on net assets, weighted average (%)	18.98	4.61	Increased by 14.37 percentage points	1.06

### 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	3,876,399,209	5,497,949,954	4,975,542,292	6,539,400,535
Net profit attributable to shareholders of the Company	94,922,593	633,042,244	321,763,483	1,027,912,248
Net profit attributable to shareholders of the Company after extraordinary items	84,059,760	600,704,488	316,140,696	802,615,316
Net cash flow from operating activities	322,734,716	878,944,173	799,336,832	1,903,060,327

## 4. Capital stock and Shareholders

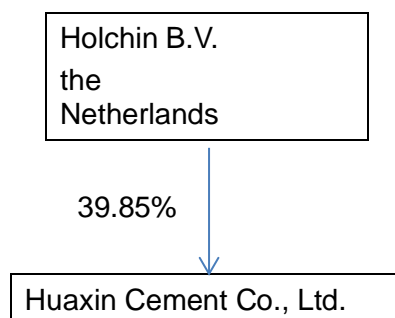
### 4.1 Common stock holder number and Top Ten Shareholders

Unit: Share

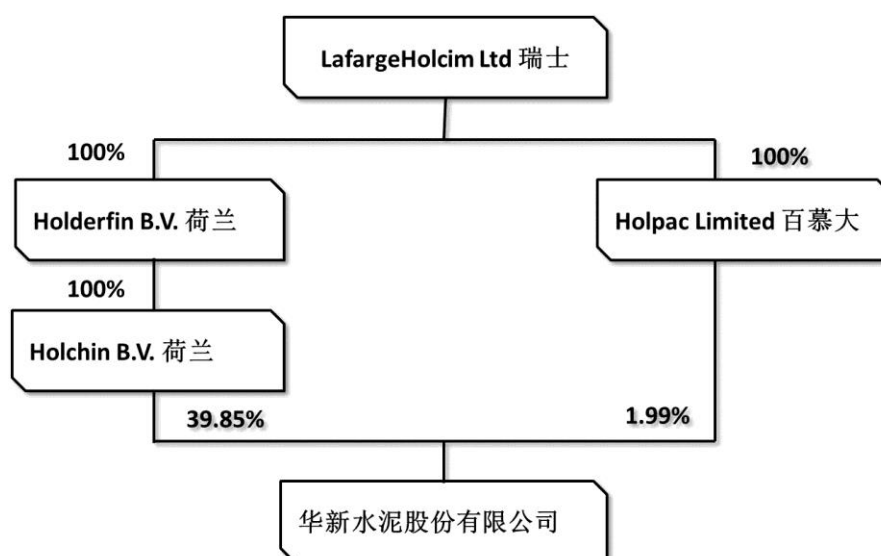
Total number of common stock holders at the end of reporting period						60,503	
Total number of common stock holders at the end of the month before the disclosure of the Annual Report						67,137	
Top ten shareholders							
Full Names of Shareholders	Change during the reporting period	Shares amount at the end of the period	%	The amount of shares subject to	Mortgage or frozen		Shareholder type
					Status	Status	

				conditional sales			
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
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
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	0	13,235,738	0.88	0	nil		Unknown
TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	9,955,953	9,955,953	0.66	0	nil		Unknown
National Social Security Fund 412	9,119,501	9,119,501	0.61	0	nil		Unknown
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	9,084,567	9,084,567	0.61	0	nil		Unknown
Wuhan Railway Bureau	0	8,064,000	0.54	0	nil		Unknown
Huang Jianjun	2,616,800	7,318,006	0.49	0	nil		Unknown
Remarks on relationship or concerted actions of the above shareholders	1. Holpac Limited is the party act 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".						

#### 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

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)	12 Huaxin 03	122188	Nov 9, 2012	Nov 9, 2019	11.00	5.9%	Ditto	Shanghai Stock Exchange
Huaxin Cement Co., Ltd. 2016	16 Huaxin 01	136647	Aug. 19, 2016	Aug. 22, 2021	12.00	4.79%	Ditto	Shanghai Stock Exchange

Corporate Bonds (tranche 1) (5 years)								
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## 5.2 Corporate bond redemption and interest payment

On May 17, 2017, the Company has paid the principal and interest of the 2012 corporate bonds tranche 1 (5 years) on time, and paid in time the interest for 2012 Huaxin Cement Co., Ltd. corporate bonds tranche 1 (7 years). (Please refer to related announcements at [www.sse.com.cn](http://www.sse.com.cn) released on May 6, 2017 and May 10, 2017 respectively).

On November 9, 2017, the Company paid in time the interest for 2012 Huaxin Cement Co., Ltd. corporate bonds tranche 2. (Please refer to related announcement at [www.sse.com.cn](http://www.sse.com.cn) released on November 2, 2017).

On August 22, 2017, the Company paid in time the interest for 2016 Huaxin Cement Co., Ltd. corporate bonds (Please refer to related announcement at [www.sse.com.cn](http://www.sse.com.cn) released on August 15, 2017).

## 5.3 Information of the credit rating organization

On April 18, 2017, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the first tranche) Tracking Rating Report (2017)" and "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the second tranche) Tracking Rating Report (2017)", both the main credit rating and bond credit rating of the Company were maintained at AA +.

On April 18, 2017, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Rating Report (2017)", both the main credit rating and bond credit rating of the Company were at AA +.

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	2017	2016	Change over last year (%)
Asset-liability ratio (%)	57	59	-2
EBITDA/total liabilities	0.28	0.19	47.37
Interest Protection Multiples	6.01	2.50	140.4

## III Discussion and Analysis on Business Operation

### 1. Main Business Operation indicators of the reporting period

In 2017, cement and clinker sales volume of the Company reached 68.716 million tons, increased by 30.4% year on year. AGG sales volume reached 11.526 million tons, increased by 53.8% compared with last year. Total disposal volume of ECO business reached 1.816 million tons, increased by 21% year on year. Sales volume of



commercial RMX reached 3.193 million m<sup>3</sup>, increased by 11.4% year on year. The overall operating revenue of the Company reached 20.889 billion CNY, increased by 54.44% year on year. The total profits of the Company reached 2.812 billion CNY and the net profits attributable to the shareholders of the Company reached 2.078 billion CNY, increased by 248.46% and 359.72% 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.

In 2017, the Ministry of Finance released the *Accounting Standard for Business Enterprises No. 42—Non-current Assets or Disposal Groups Held for Sale and Operation Termination*, revised *Accounting Standard for Business Enterprises No. 16—Government Grants* and the *Notification on Amendment to Formats of Financial Statements of General Industry* and its interpretation (Cai Kuai [2017] 30). The financial statements 2017 are prepared in accordance with the above standards and notification, and impacts are as follows:

The content and the reasons of the changes in accounting policies	The items affected	The amounts affected
		Year end 31 December 2016
The Group recorded the government grants related to operating activities (except for compensation of loan interest) in other income in 2017. The comparative financial information of 2016 was not restated.	Not applicable	Not applicable
Received compensation on loan interest deducted borrowing expenses in 2017. The comparative financial information of 2016 was not restated.	Not applicable	Not applicable
The gains or losses on disposals of fixed assets and intangible assets occurred in 2017, were recorded in gain/loss on disposals of assets. The comparative financial information of 2016 was restated accordingly.	Loss on disposals of assets Non-operating income Non-operating expenses	98,858,886 2,854,732 101,713,618

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 details of the major subsidiaries included in the scope of consolidation in the current year, please see note 8 in the financial statements of the 2017 Annual Report of the Company.

Huaxin Cement Co., Ltd.  
Chairman: Mr. Xu Yongmo  
March 22, 2018