

Stock Codes: 600801

Stock Abbreviations: Huaxin Cement

Huaxin Cement Co., Ltd.
2021 Annual Report Abstract

I. Important Notice

1. To fully understand the Company's operating results, financial condition and future

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	
H Share	Hongkong Stock Exchange	Huaxin Cement	06655	

Liaison Information	Secretary to Board	Securities Affairs Representative
Name	Mr. Ye Jiaying	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
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2. The Company's main business during the reporting period

II. Industry situation of the reporting period

Huaxin falls into the building materials industry, specifically, cement.

In 2021, overall Chinese economy trend continues to be stable with good momentum. GDP growth rate was 8.1%, ranking among the top in global economies. Major macro statistics were within a reasonable range. Nevertheless, the consumption related to cement, like fixed asset, real estate, infrastructure have showed an obvious weak trend. Overall cement consumption features "high and low afterwards". For the whole year, cement output stood at 2.363 billion tons, down by 1.2% year on year. Cement production cost rose drastically due to the dual control on energy consumption and intensity, the limit on electricity and production and surge in coal price. Cement price rose after fell. Industry profit remained a relatively good level. Total operating revenue in the cement industry was 1075.4 billion yuan, up by 7.3% against last year. Total profit was 169.4 billion yuan, down by 10% over last year. (data source: National Statistics Bureau and Material Department of the Ministry of Industry and Information)

According to the statistics of China Cement Association Information Research Center, 2021 cement clinker capacity utilization rate was 74%. Overcapacity remained a major problem in the cement industry. Insufficient utilization will lead to shrink demand

Dual control on the energy consumption and intensity is the major grip to reach carbon peak and carbon neutrality, and main grasp of overcapacity and phasing out backward capacity, as a traditional industry with high consumption and intensity, is a focus of the dual control. Since the second half of 2021, National Development and Reform Commission and relevant departments issued "Improve the dual control system of energy consumption intensity and total volume" and "Several Opinions on Strengthening Energy Efficiency Constraints to Promote Energy Conservation and Carbon Reduction in Key Fields" to strictly control high energy consumption and high emission projects, and resolutely curb the blind development of "two high" projects; The new version of "Energy Consumption Limits for Cement Product Per Unit" further enhances the energy consumption limit of cement products, coupled with the requirements of "Energy Efficiency Benchmark Level and Benchmark Level in Key Fields of High Energy-consuming Industries (2021 Edition)", the government will promote the projects to up to standard according to the comprehensive energy consumption in the kiln line. Projects below the benchmark level will be upgraded and phased out within a time limit; the "Action Plan for Strict Energy Efficiency Constraints to Promote Energy Conservation and Carbon Reduction in Key Metallurgy and Building Materials Industries (2021-2025)" required that by 2025, through the implementation of energy conservation and carbon reduction actions, the industry's capacity reaching the benchmark level will exceed 30%. With the continuous progress of the "dual carbon" strategy, the impact on the cement industry mainly includes: inefficient capacity phased out progressively; boosting the green development of energy conservation and carbon reduction in the industry; promoting cement enterprises to extend the industrial chain; stimulating the industry to increase investment in innovation, promote the coordinated utilization, digitalization and deployment of new energy in the industry, increase the use of alternative energy; promote the research and development of carbon reduction technologies in the industry, and build a collaborative mechanism for carbon reduction in the industry.

According to the top 100 clinker production capacity list of Cement.com, by the end of 2021, the company's total clinker production capacity ranks fourth in the country, of which domestic clinker production capacity ranks fifth in the country, and overseas clinker production capacity ranks second in the country.

(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. For over twenty 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-based high-tech building material, cement kiln co-processing of wastes, EPC for both home and abroad cement projects, equipment business and project contracting regarding the cement kiln co-processing technology 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 2021, the Company owns almost 270 subsidiaries in 14 provinces and cities including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shanxi and Hainan as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania,

Zambia and Malawi with total cement capacity of 116 million tons/year (grinding capacity, capacity in joint ventures are included), cement equipment manufacturing capacity of 50,000 tons/year, commercial concrete capacity of 43.80 million m³/year, aggregate capacity of 154 million tons/year, composite eco wall material of 540 million units/year, aerated concrete products (brick, board) of 850,000 m³/year, mortar production capacity of 300,000 tons/year, UHPC 40,000 m³/year, civil building curtain wall slab of 800,000 m²/year, industrial use anti-corrosion tiles of 3 million lime m²/year, lime of 690,000 tons/year, cement packaging bag capacity of 700 million bags/year and wastes disposal capacity of 5.53 million tons/year (including CIPs).

In 2021, the cement business revenues accounted for 79% of the total operating revenues of the Company. The share of non-cement business gradually goes up.

(II) Operation model of the Company

1. Model of management

The company has established a matrix and flat organization structure of "regional management" + "business operation" + "functional management", and through establishing a technology institute, it implements the company's business portfolio strategy through two different directions: "regional management" (horizontal) and "business operation" (vertical), to form an efficient operation model that promotes and supports each other and achieves the company's established goals.

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, and direct operation of some core areas, industry zones and plants are operated as a unit, importance on both direct sales and distributions. 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. The Company continues to develop and maintain direct supply strategic resources; all the office supplies, IT consumables and some industry products are procured by internal framework agreement and external e-commerce. 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

1. Cement products

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.

Huaxin has established a cement production network in southwest, central China, eastern China, southern China and countries along “Belt Road Initiative” and Africa. As of the end of 2021, the Company's domestic cement production bases are located in 9 provinces and cities including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Guangdong and Henan. Huaxin has been at an advantageous status in central China and is the main supplier in southwest China. As one of the first Chinese cement companies to go global, the company has achieved capacity expansion in eight countries in Central Asia, Southeast Asia and Africa. Especially in Central Asia, the company has become a leader in the local cement market. By the end of 2021, the cement capacity of overseas is expected to reach 10.83 million tons/year.

The well-known brand and excellent quality make the company's products widely trusted by users. The top ten buildings in Beijing in the 1950s, Beijing Asian Games Village, Gezhouba Dam, Beijing-Zhuhai Expressway, many highways and railway bridges in the middle and lower reaches of the Yangtze River, the world-renowned Three Gorges Project, Hong Kong-Zhuhai-Macao Bridge and other national key projects all use Huaxin Cement.

2. Concrete products

Concrete is a mixture of cement slurry and aggregate. Cement slurry is formed from cement and water and is used to wrap the surface of coarse and fine aggregates. After a chemical action called hydration, the grout hardens and reaches certain strength to form concrete. The concrete products are widely used in real estate projects and infrastructure construction.

Aggregate is a granular bulk material that acts as a skeleton or filler in concrete, providing structural integrity in buildings formed from concrete.

Huaxin is the first enterprise in China's cement industry to build a large-scale and environmentally friendly aggregate plant. After more than ten years of exploration and expansion, the scale of the aggregate business has been greatly expanded, and the production capacity is distributed in 7 provinces including Hubei, Yunnan, Chongqing, Hunan, Sichuan, Guizhou and Tibet.

3. Financial Statements Summary and Financial Indicators for company

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

Unit: Yuan

	2021	2020	Change over last year (%)	2019
Total assets	52,549,618,050	43,928,509,151	19.63	36,645,386,717
Net assets attributable to shareholders of the Company	26,729,911,468	23,571,375,317	13.4	21,309,042,690
Operating revenue	32,464,083,379	29,356,515,691	10.59	31,439,214,600
Net profit attributable to shareholders of the Company	5,363,525,692	5,630,598,812	-4.74	6,342,304,317
Net profit attributable to shareholders of the Company after extraordinary items	5,304,878,118	5,553,708,292	-4.48	6,179,988,412
Net cash flow from operating activities	7,594,957,122	8,405,472,760	-9.64	9,679,185,865
Return on net assets, weighted average (%)	21.30	25.03	Down by 3.73 percentage points	33.63
Basic Earnings per share (yuan/share)	2.58	2.69	-4.09	3.03

Diluted earnings per share (yuan/share)	2.58	2.69	-4.09	3.03
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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	6,189,376,312	8,555,009,760	7,709,476,944	10,010,220,363
Net profit attributable to shareholders of the Company	734,258,721	1,704,065,558	1,125,021,084	1,800,180,329
Net profit attributable to shareholders of the Company after extraordinary items	727,212,130	1,668,698,488	1,128,335,171	1,780,632,329
Net cash flow from operating activities	287,961,671	2,004,122,969	1,274,965,676	4,027,906,806

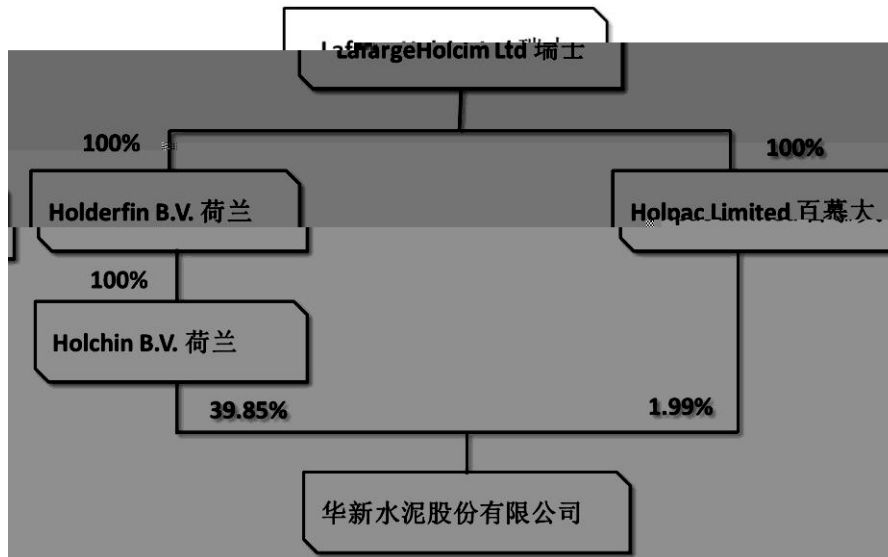
4. Capital stock and Shareholders

4.1 Common stock holder number and Top Ten Shareholders

Unit: Share

Total number of shareholders at the end of reporting period	88,708						
Total number of shareholders at the end of the last month before the disclosure of the Annual Report	81,804						
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	835,543,825	39.85	0	nil	0	Foreign corporation
Huaxin Group Co., Ltd.	0	338,060,739	16.12	0	nil	0	State-owned corporation
Hong Kong Securities Clearing Company Ltd.	-35,348,098	59,787,210	2.85	0	nil	0	Unknown
HOLPAC LIMITED	0	41,691,843	1.99	0	nil	0	Foreign corporation

Huaxin Cement
Co., Ltd. -
2020-2022 Core
Employee Stock
Ownership Plan



Huaxin Cement Co., Ltd.

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	Date of expiry	Bond balance	Coupon rate
2020 overseas bonds	HXCEME	XS2256737722	Nov.18,2025	19.02	2.25%
2021 public bonds for professional investors	21HX01	188650	Aug 24, 2024	12.98	3.26%

Corporate bond redemption and interest payment

Bond	Redemption and issuance
2020 Overseas bonds	Payment on time and in full
2021 public bonds for professional investors (1 st tranche)	Not yet to pay interest

Credit rating result

Bonds	Agency	Credit rating	Outlook change	Reason of change
2020 overseas bonds	MOODY'S INVESTORS SERVICE	Baa1	No change	Not applicable
2021 public bonds for professional investors	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable

5.2 Financial highlights for the last 2 years

Item	2021	2020	Change over last year (%)
Asset-liability ratio (%)	44.1	41.4	2.7
Net profit after extraordinary items	5,304,878,118	5,553,708,292	-4.48
EBITDA/total liabilities	0.42	0.54	-22.22
Interest Protection Multiples	24.82	33.76	-26.48

III. Key Matters

The Company should disclose any matter that bears great impact on the operation or is expected to bear great impact.

The annual operating revenue was 32.464 billion yuan, up by 10.59% year-on-year; the total profit was 7.373 billion yuan, and the net profit attributable to shareholders of the parent company was 5.364 billion yuan, down by 3.79% and 4.74% respectively from the same period last year.