

Stock Codes: 600801

Stock Abbreviations: Huaxin Cement

Huaxin Cement Co., Ltd.
2022 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 on the website www.sse.com.cn.

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. Ernest&Young 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

The net profit of the Company in 2022 amounted to RMB 2,238,002,243, and the consolidated net profit attributable to the shareholders amounted to RMB 2,698,868,510. The amount of profits of the Company available for distribution was RMB 8,507,891,676 as at 31 December 2022.

Based on the Company's total share capital of 2,096,599,855 shares less the shares in the repurchased securities account on the record date for the implementation of the profit distribution for year 2022, a cash dividend of RMB 0.51 per share (tax inclusive) was proposed to be distributed to all shareholders. The undistributed amount will be retained as undistributed profit for distribution in the future. No public reserve capitalization is provided in the profit distribution plan for the current financial year.

The Company's shares held by the Company's repurchased securities account shall not be included in the 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	
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
Telephone	027-87773898	027-87773898
email	investor@huaxincem.com	investor@huaxincem.com

2. The Company's main business during the reporting period

(I) External macro environment

Huaxin is in the building materials industry, specifically, cement segment.

In 2022, Chinese economy presented robust potential and resilience in spite of complexed and severe domestic and international situations and multiple unexpected factors. GDP growth rate was 3%, still faster than most major economies. However, cement demand shrank at a fast speed due to the dip of real estate market, and mounting pressure of downward economy. For the whole year, total cement output was 2.13 billion tons, decreasing by 10.5% as compared to that of 2021. Cement price was sluggish for the whole year. Compounded by soaring price of raw materials and fuels, production costs increased drastically. Overall profit for the industry was merely RMB 68 billion, down by 60% as compared with that of last year. (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, in 2022, cement clinker capacity utilization rate was 65%, declining 10 percentage points over the same period of last year. The normality of peak production, carbon peak, the control on electricity may squeeze cement supply, nevertheless, demand slide and overcapacity remained as major issues in the cement industry. Cutting capacity was still an urgent problem to be settled.

According to the top 100 clinker production capacity list of Cement.com, by the end of 2022, the Company's total clinker production capacity ranked fifth in the PRC, of which domestic clinker production capacity ranked sixth in the PRC, and overseas clinker production capacity ranked second in the PRC.

(II) Main business of the Company

At the beginning of the listing, the Company engaged in manufacturing and sales of cement, cement technical services, research, manufacturing, installation and maintenance of cement equipment, as well as trading and import and export trade. After over twenty years, through the vertical integration, eco business transformation, overseas development strategy and business expansion strategy in new building materials, the Company expanded its businesses to manufacturing and sales of ready-mixed concrete, aggregates, cement-based new building material, cement kiln co-processing of wastes, engineering, procurement and construction ("EPC") for cement projects in the PRC and overseas, equipment business and project contracting regarding the cement kiln co-processing technology etc, gradually developing into a global building material group with full industry chain integration and a global footprint.

The Company is one of the Top 500 Chinese Manufacturing Enterprises and Fortune China 500 List. By the end of 2022, the Company owned over 300 subsidiaries across 14 provinces and cities in China including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi, with total cement grinding capacity of 118 million tons/year (grinding capacity, including capacity in associates), cement equipment production capacity of 50,000 tons/year, ready-mixed concrete capacity of 68.75 million m³/year, aggregate capacity of 210 million tons/year, composite eco wall material capacity of 540 million units/year, aerated concrete product (brick, board) capacity of 950,000 m³/year, mortar capacity of 1.32 million tons/year, UHPC capacity of 400,000 tons/year, civil building curtain wall slab production of 800,000 m²/year, industrial anti-corrosion tile production of 3 million m²/year, lime production of 690,000 tons/year, cement packaging bag production of 700 million bags/year, and wastes disposal capacity of 15.71 million tons/year (including CIPs).

In 2022, the revenue attributed by the cement business accounted for approximately 67.6% of the total income of the Company, while the share of non-cement business has been gradually improves.

(III) Main products of the Company

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 2022, 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. The company has become a leader in the local cement market in Central Asia. By the end of 2022, the cement grinding capacity of overseas is expected to reach 12.37 million tons/year.

2. Concrete products

RMX 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.

Through the strategic layout of investing to build concrete mixing plants around the existing cement clinker production line, the company gradually realizes the vertical integration strategy and enhances the influence of the concrete business in the core cement market. The company's focuses on the current cutting-edge concrete technology, adopts advanced technology and equipment to provide high-quality ready-mixed general concrete and VAP innovative concrete products tailored to customer needs. It has transformed from a traditional concrete product production supplier to ready-mixed concrete and a service provider of related product design, construction and overall solutions.

The company's concrete capacity is mainly distributed in 11 provinces and cities including Hubei, Hunan, Yunnan, Sichuan, Chongqing, Tibet, Henan, Guizhou, Jiangxi, Jiangsu and Hainan. The Company has built 3 concrete mixing plants in Cambodia, Tanzania and Tajikstan with an annual capacity of 700,000 m³/year.

3. Aggregate products

Aggregate is a granular bulk material that acts as a skeleton or filler in concrete, constituting the largest share in the bulk of concrete.

Huaxin is the first enterprise in China's cement industry to build large-scale and environmentally friendly aggregate plants. 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

Item	2022	2021	Year-over year-change (%) between 2022 and 2021	2020
Total assets	64,241,676,265	52,549,618,050	22.25	43,928,509,151
Net assets attributable to shareholders of the Company	27,446,305,028	26,729,911,468	2.68	23,571,375,317
Operating revenue	30,470,382,363	32,464,083,379	-6.14	29,356,515,691
Net profit attributable to shareholders of the Company	2,698,868,510	5,363,525,692	-49.68	5,630,598,812
Net profit attributable to shareholders of the Company after extraordinary items	2,578,634,452	5,304,878,118	-51.39	5,553,708,292
Net cash flow from operating activities	4,567,694,220	7,594,957,122	-39.86	8,405,472,760
Return on net assets, weighted average (%)	10.03	21.30	Down by 11.27 percentage points	25.03
Basic earnings per share (Yuan/share)	1.30	2.58	-49.61	2.69
Diluted earnings per share (Yuan/share)	1.28	2.58	-50.39	2.69

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	6,531,000,365	7,858,448,598	7,421,469,057	8,659,464,343

Net profit attributable to shareholders of the Company	671,783,419	915,056,238	637,814,396	474,214,457
Net profit attributable to shareholders of the Company after extraordinary items	649,843,130	886,176,057	595,220,189	447,395,076
Net cash flow from operating activities	-319,399,790	1,586,408,408	1,243,662,618	2,057,022,984

4. Capital stock and Shareholders

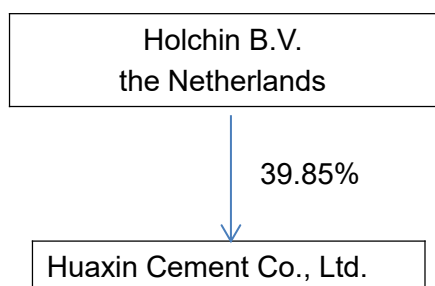
4.1 Common stock holder number and Top Ten Shareholders

Unit: Share

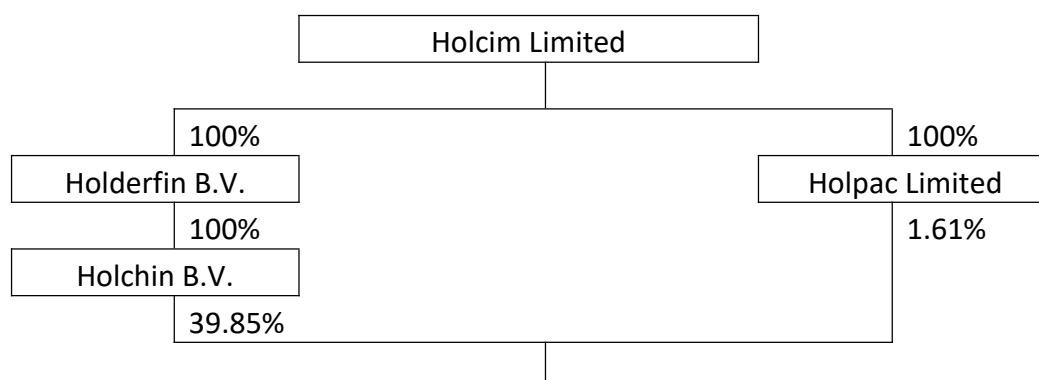
Total number of shareholders at the end of reporting period		63,357					
Total number of shareholders at the end of the last month before the disclosure of the Annual Report		53,154					
Top ten shareholders							
Full Names of Shareholders	Change during the reporting period	Shares amount at the end of the period	%	The amount of shares subject to conditional sales	Mortgage or frozen		Shareholder type
					Status	Amount	
Hong Kong Securities Clearing Company Ltd. (Agent)	734,719,989	734,719,989	35.04	0	Unknown	0	Overseas legal entity
HOLCHIN B.V.	0	451,333,201	21.53	0	None	0	Overseas legal entity
Huaxin Group Co., Ltd.	0	338,060,739	16.12	0	None	0	State-owned legal entity
Hong Kong Securities Clearing Company Ltd. (HKSCC)	1,194,571	60,981,781	2.91	0	None	0	Overseas legal entity
Huaxin Cement Co., Ltd. - 2020-2022 Core Employee Stock Ownership Plan	0	21,039,361	1.00	0	None	0	Others
China Merchants Bank Co., Ltd. - SSE Dividend Trading Open-ended Index Securities Investment Fund	17,070,110	17,070,110	0.81	0	None	0	Others

National Social Security Fund 413 Portfolio	7,200,000	15,900,000	0.76	0	None	0	Others
China Railway Wuhan Bureau Group Co., Ltd.	0	11,289,600	0.54	0	None	0	Unknown
ICBC Credit Suisse Fund - Chinese Life Insurance Co., Ltd. - Participating Insurance - ICBC Credit Suisse Fund China Life Equity Balanced Equity Portfolio Single Asset Management Plan (available for sale)	8,073,800	9,448,416	0.45	0	None	0	Others
Bank of China - ICBC Credit Suisse Core Hybrid Securities Investment Fund	264,251	7,769,985	0.37	0	None	0	Others
Remarks on relationship or concerted actions of the above shareholders	It is unknown to the Company whether there is any relationship among the shareholders or any concerted persons.						

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	Date of expiry	Bond balance	Coupon rate
2020 overseas bonds	HXCEME	XS2256737722	Nov.18,2025	20.81	2.25%
2021 public bonds for professional investors	21HX01	188650	Aug 24, 2024	12.99	3.26%
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1 st tranche)	22 HX 01	137544	July 18, 2025	4.99	2.99%
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1 st tranche)	22 HX 02	137545	July 18, 2027	3.99	3.39%

Corporate bond redemption and interest payment

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
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1 st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1 st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable

5.2 Financial highlights for the last 2 years

Item	2022	2021	Change over last year (%)
Asset-liability ratio (%)	52.0%	44.1%	7.9%
Net profit attributable to	2,578,634,452	5,304,878,118	-51.39

shareholders of the Company after extraordinary items			
EBITDA/total liabilities	0.11	0.42	-73.81
Interest Protection Multiples	9.93	24.82	-59.99

III. Key Matters

During the Reporting Period, in spite of severe and complicated external situations, the Company was committed to the development philosophy of “green and low carbon building material lifecycle”, and aim to be a leader in terms of profitability among players in the “low-carbon and sustainable industry” as the strategic goal of the Company. The Company has unwavering commitment in promoting the four corporate development strategies, namely: “Integrated Transformation Development”, “Overseas Expansion”, “New Building Materials”, as well as “Digital Innovation in Traditional Industry”. This has allowed the Company to adhere to the 3 pillars in “integrity, safety, eco-friendly” in order to manage financial, quality and compliance risks. Furthermore, the Company employed localized and timely measures in operation management to make new breakthroughs while maintained overall stability of its development.

Affected by the fast decline of the cement industry, the sales volume of cement and clinker was 60.400 million tons, a decrease of 19.76% over last year. Thanks to the integration development, the output of aggregate was 99.80 million tons, up by 112.25% over last year; the sales volume of RMX was 16.389 million m³, an increase of 81.02%; the disposal volume of eco business reached 3.31 million tons, up by 1% compared with that of the last year. The annual operating revenue was RMB 30.470 billion, down by 6.14% year-on-year; the total profit before tax was RMB 3.988 billion, and the net profit attributable to shareholders of the parent company was RMB 2.699 billion, down by 45.91% and 49.68% respectively from the same period last year.