

**Huaxin Cement Co., Ltd.**

**600801**

**Annual Report 2017**

## Important Notice

I. The Board of Directors of the Company and its members, the Board of Supervisors of the Company and its members and Top Management members 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.

II. All the Directors attended the Board Meeting.

III. PricewaterhouseCoopers Zhong Tian CPAs LLP issued standard audit report with unmodified opinion for the Company.

IV. Chairman of the Company Mr. Xu Yongmo, Legal Representative and CEO Mr. Li Yeqing, person in charge of accounting Ms. Kong Lingling, and Chief of Accounting Department Mr. Wu Xin declare and confirm that the Financial Statements contained in the Annual Report are true, accurate and complete.

V. 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.

VI. Future plan, development strategy and other forward-looking description in this Report are not essential commitments of the Company to its investors. Investors are kindly requested to note the investment risk.

VII. There was no frequent fund occupation by the controlling shareholders or their related parties.

VIII. All the external guarantees provided by the Company are in compliance with the decision-making procedures.

IX. Significant Risk Warning

The existing industry risks have been described in detail in this Report, please refer to the possible risks and countermeasures included in the Company's future

development discussion and analysis in Chapter 4 - Discussion and Analysis on Business Operation.

X.Others

None

## Chapter 1 Interpretation

### I. Interpretation

In this Report, unless otherwise requires, the below terms have the following meanings:

Interpretation of the common words		
The Company, Company and Huaxin Cement	means	Huaxin Cement Co., Ltd.
Reporting period	means	Year 2016
Yuan, K Yuan, 10 K Yuan, mio Yuan, 100 mio Yuan	means	RMB, RMB K Yuan, RMB 10000 Yuan, RMB million Yuan, RMB 100 million Yuan, China's legal currency
LH	means	LafargeHolcim Ltd.
Tibet Shannan 3 <sup>rd</sup> phase	means	The 3 <sup>rd</sup> clinker production line project of Huaxin Cement (Tibet) Ltd.
Shigatse 2 <sup>nd</sup> phase	means	The 2 <sup>nd</sup> clinker production line of Tibet Shigatse High-tech Snow Lotus Cement Ltd.
Three Excellences	means	Cost excellent, customer excellent, staff excellent
NO <sub>x</sub>	means	Nitrogen oxide (s)
SNCR	means	Selective non-catalytic reduction
SO <sub>2</sub>	means	Sulfur dioxide
KPI	means	Key Performance Indicators

## Chapter 2 General and Key Financial Indicators

### I. Company Information

Name of the Company in Chinese	华新水泥股份有限公司
Abbreviation in Chinese	华新水泥
Name of the Company in English	Huaxin Cement Co., Ltd.
Abbreviation in English	HUAXINCEM
Legal Representative	Mr. Li Yeqing

### II. Liaison Information

	Secretary to the 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
Tel	02787773896	02787773898
Fax	02787773992	02787773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

### III. Basic Information

Registered location of the Company	897 Huangshi Avenue, Huangshi City, Hubei Province
Post code of the registered location	435002
Administrative location of the Company	Building B, Huaxin Building, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Post code of the administrative location	430073
Website of the Company	<a href="http://www.huaxincem.com">www.huaxincem.com</a>
E-mail	<a href="mailto:investor@huaxincem.com">investor@huaxincem.com</a>

#### IV. Information Disclosure and Place Available

Press for Information Disclosure	China Securities Journal, Shanghai Securities News
Annual Report available on the Internet website appointed by CSRC	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Place available	Securities Department of the Company

#### V. Company Stock

Company Stock			
Type	Place of listing	Abbreviation	Stock code
A share	Shanghai Stock Exchange	Huaxin Cement	600801
B share	Shanghai Stock Exchange	Huaxin B share	900933

#### VI. Other Information

Certified Public Accountants (domestic) appointed by the Company	Name	PricewaterhouseCoopers Zhong Tian CPAs LLP
	Address	11th floor, PricewaterhouseCoopers Centre, No. 202, Hubin Road, Shanghai
	Appointed accountants	Mr. Chen Yuntao Mr. Chen Wenfeng

#### (I) VII. Financial Statements Summary and Financial Indicators for the Last Three Years

##### (I) Financial Statements Summary

Unit: Yuan

Item	2017	2016	Change over last year (%)	2015
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 shareholders of the Company after extraordinary items	1,803,520,260	464,128,509	288.58	60,043,329
Net cash flow from operating	3,904,076,048	3,096,150,887	26.09	2,753,246,189

activities				
	At the end of 2017	At the end of 2016	Change over last year (%)	At the end of 2015
Net assets attributable to shareholders of the Company	11,899,804,274	9,994,864,233	19.06	9,605,669,251
Total assets	30,499,323,197	27,426,749,410	11.2	25,486,671,762

## (II) Financial Highlights

Item	2017	2016	Change over last year (%)	2015
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
Basic earnings per share after extraordinary items (Yuan/share)	1.20	0.31	287.10	0.04
Return on net assets, weighted average (%)	18.98	4.61	Increased by 14.37 percentage points	1.06
Return on net assets after extraordinary items, weighted average (%)	16.47	4.74	Increased by 11.73 percentage points	0.62

## VIII. Differences between Accounting Data under Overseas Accounting Standard and Accounting Data under Domestic Accounting Standard

Applicable  Inapplicable

## IX. Quarterly key financial indicators of 2017

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

## X. Non-routine items and Amount

Unit: Yuan

Non-routine items	2017 Amount	Note (if applicable)	2016 Amount	2015 Amount
Gains/losses from disposal of non-current assets	-11,752,301		-108,998,664	-13,254,253
Government subsidies, excluding regular fixed amount government subsidies	60,150,469		77,426,359	60,214,044
Gains from the investment costs for obtaining subsidiaries, joint ventures and cooperative enterprises being less than the fair value of the identifiable net assets of the investee when the investment is obtained	257,243,520			
In addition to the effective hedging business related to the normal business of the Company, gains and losses on changes in fair value arising from tradable financial assets and tradable financial liabilities, as well as the investment income from disposal of tradable financial assets, tradable financial liabilities and available-for-sale financial assets	2,697,595		862,070	
Reversal of provisions for assets impairment of accounts	14,680,766		15,303,006	10,724,623
Trust fee income from the entrusted business	-		7,165,029	-
In addition to the above items, other non-operating income and expenses	-14,635,746		-9,619,533	-10,844,871
Impacts from minority shareholders' interests	-26,662,074		-4,411,338	8,337,797
Impacts from income tax	-7,601,921		10,084,975	-12,464,625
Total	274,120,308		-12,188,096	42,712,715

(II)

**XI. Item measured by Fair Value**

Unit: Yuan

Item	Period beginning	Period end	Change in the period	Impacts on the profits of the period
Financial assets at fair value	801,555,568	453,990,407	-347,565,161	8,877,529



through profit or loss				
Available for sale financial assets- equity instrument	29,267,459	38,418,708	9,151,249	1,374,675
Available for sale financial assets- debt instrument	28,255,500	21,055,500	-7,200,000	1,765,094
Total	859,078,527	513,464,615	-345,613,912	12,017,298

## Chapter 3 Brief Introduction on the Company's businesses

### I. Main Business, Operation Model of the Company and Industry Situation 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.

## II. Major assets changes of the Company during the reporting period

Unit: Yuan

Item	Period beginning	Period end	Change	Change (%)	Remarks
Construction in progress	771,069,947	1,248,084,829	477,014,882	62%	Increased investment in Eco business and newly added cement production lines.
Construction materials	36,837,335	54,877,711	18,040,376	49%	Procurement of equipment for new projects.
Fixed assets	127,920	1,721,313	1,593,393	1246%	Corporate M&A

pending for disposal					
Intangible assets	2,295,250,101	3,026,753,484	731,503,383	32%	Corporate M&A

In which: overseas assets of 2,096,880,073 Yuan (unit: CNY), accounting for 6.88% of the total assets.

### III. Core Competitiveness

Established in 1907, the Company enjoys a long history and profound culture heritage and it is one of the top 100 large scale Companies listed in “China’s 500 Most Valuable Brands”. By unswervingly taking efforts in management and technological innovation and scientific development, the Company has always been one of the most influential enterprises in the building materials industry with strong comprehensive competitiveness.

During the reporting period, the Company accurately seized the opportunities brought by supply side structural reform. Performance was significantly improved and asset structure was further perfected. Through technology innovation, Eco business, aggregate, newly advanced building materials and other businesses expanded, laying a solid foundation for sustainable development in the future and core competitiveness was strengthened and enhanced further.

#### 1. Advantages in scale operation and integral industry chain

The Company lowers the cost by scale effect, channels the upstream and downstream of the industry chain and gives play to the whole industry chain so as to form relatively strong competitiveness.

Since being listed, the Company has been equipped with 90 million tons of capacity in 10 provinces, cities in China and neighboring countries including Tajikistan and Cambodia. In the meantime, the Company advocates and fulfills the development concept of “Rational Competition, Industrial Integration and Environmental Transformation”. Depending on the Company’s major business of cement, the Company steadily developed RMX, aggregate, building materials equipment and engineering businesses, new building materials and Cement Kiln Co-processing, realizing vertically integral development earlier than other companies and forming coordinated competitiveness of synergy in both upstream and downstream.

#### 2. Advantages in technology innovation

The Company has a strong and professional technology R&D team which maintains its leading place in technology innovation. The Company now has the overall contracting capacity in R&D, designing, manufacturing, installation, commissioning and “Turnkey Projects” of cement production facilities. It also has the capacity of technology exploring in cement kiln co-processing of wastes, as well as the capacity of applying the relevant technologies into real industrial production practice.

The Company was awarded the Second in the 2016 National Science and Technology Progress Awards. By the end of 2017, the Company obtained 38 patents for invention derived from productive practice and 93 patents of utility model.

During the reporting period, the Company was rated as “The Best Practice in Delivering Sustainable Development as a Chinese Enterprise in 2017” by UN Global Compact Network China; In the National Cement Kiln Co-processing Innovation Conference, wholly owned subsidiary Huaxin Environmental Engineering Co., Ltd won the award of Outstanding Contribution in Technology Innovation of Cement Kiln Co-processing. Wuxue Company and Zigui Company were rated as demonstration projects in cement kiln co-processing in cement industry.

### 3. Advantages in Trademark and Brand

“Huaxin Castle” is a Chinese well-known trademark owned by the Company, and it is one of the oldest cement brands in China. The century old trademark and brand are well-known and highly recognized in the industry.

In 2017, the Company ranked 90th in the “China’s 500 Most Valuable Brands”, 25% rise in brand value over last year. Meanwhile, the Company ascended into the ranking list of Asian Top 500 Brands for the third year in a row climbed to 178th place this year, 2 places ahead of last year. In addition, Huaxin Cement stood at the 370th place in Chinese Manufacturing Enterprises Top 500 and 33rd place in Hubei Top 100 Enterprises.

### 4. Advantages in product quality

The Company was selected as one of the national “Quality Model” Enterprises. The Company is the first enterprise in cement industry which passed the GB/T19001—ISO9001 quality system authentication. All 15 types cement products were in the roll of the first batch of National Quality Inspection-Free Products and the quality of its cement products has been among the best in the national cement quality competition. The cement products of the Company have been used as building material in construction of the national landmark buildings and key projects such as the Great Hall of the People, Wuhan Yangtze River Bridge, Jingzhu Expressway, Qinghai-Tibet Railway and Three Gorges Dam etc. and have won widespread acclaim.

## Chapter 4 Discussion and Analysis on Business Operation

### I. Discussion and Analysis on Business Operation

In 2017, GDP in China increased by 6.9% year-on-year, up by 0.2 percentage point in growth speed. Fixed asset investment for the whole year across China growth is 7.2%, down by 0.9 percentage points over the same period of last year. Instead, the national infrastructure investment (excluding electric power) increased by 19% year on year, up by 1.6 percentage points over the same period of last year.

Economic growth rate and infrastructure investment maintained high growth, securing the stable demand of cement. In 2017, cement output in China was 2.316 billion tons, still at the high point of plateau. Benefiting from strengthening efforts on prevention and control on air pollution, environmental supervision and quarry compliance regulation and expansion of peak shifting production areas, cement price rebounded and continued to rise. In 2017, revenue of cement industry reached 914.9 billion Yuan, an increase of 17.89% over the same period of last year. The total profit was 87.7 billion Yuan, up by 94.41% year on year. (Data source: National Bureau of Statistics)

In 2017, the Company implemented policies of supply side structural reform, environmental supervision and peak shifting production, exerting itself to implement the strategy of “Environmental Transformation, Overseas Expansion, E-commerce Innovation, and Newly Advanced Building Materials”. On the basis of safe production, grasping “Three Excellences” and orienting towards innovative development, the Company accelerates new business growth including Eco, aggregate and new materials. During the reporting period, the Company’s business performance once again hit a record high.

Improved safe management system, eliminated potential compliance risks. During the reporting period, the Company finished safety audit, rectification and re-examination for many plants. It launched the work of establishing a standard enterprise with national first class and safe production. After inspection, safe production took a leading role in the industry. The Company also strengthened property right management, trouble shoot existing risks and tracked them dynamically. It orderly promoted the application for licenses of pollution discharge. By now, all domestic plants of Huaxin have been licensed.

Strict management in cost benchmarking, optimized procurement control system. During the reporting period, through more stringent control over internal cost benchmarking, the Company set the best value for each plant in cement, aggregate variable cost and made them the management and assessment goals. Therefore, cost was further lowered. Pilot plant was the first to adopt 100% alternative fuel to coal at the head and end of the kiln, gaining experience for promoting in other plants to significantly save fuel cost. Strict third tier procurement monitoring system enhanced the standardization of procurement business.

Kept innovating marketing management, improve performance through differentiated competition strategy. During the reporting period, through flexible application of direct

sale and distribution, channel vitality was enhanced and bond with end customer was strengthened. Sales volume to core customers increased by 12% for the whole year. The Company boosted innovation in marketing, orienting towards client and value creation. Quality home decoration cement has been expanded to markets in Wuhan, Chongqing, Kunming and other municipalities and capital cities as well as some medium-sized cities. The sales volume of quality home decoration cement increased by 36% year on year.

Boosted efficiency in supply in whole industry chain. During the reporting period, the Company obtained permission for cement clinker capacity replacement projects including Tibet Shannan Third Phase 3,000 tons/day, Shigatse Second Phase 3,000 tons/day, Yunnan Luquan 4,000 tons/day and Huangshi 2.85 million tons/year. Among them, Tibet Shannan Third Phase and Shigatse Second Phase have started construction, Yunnan Luquan and Huangshi Capacity Replacement will start construction in 2018 consecutively. For Eco business, there are 5 completed projects and 9 projects are under way. Within the year, Chibi 1 million tons/year and Fumin 1 million tons/year aggregate will be put into operation and construction licenses for 2-6 million tons/year aggregate projects were approved. In addition, with the policy guidance on “quality development”, the Company cooperated with LafargeHolcim Group and started to unfold business in cement-based new materials such as insulated leakage prevention wall materials, mortar and concrete with special function.

Vigorously advanced technology innovation, strengthened enterprise competitiveness. During the reporting period, the Company gained strength in information technology. Built on the e-commerce platform of Huaxin Mall, the Company developed system in distribution, Huaxin Driver and salesman to further improved the Internet marketing eco-system of Internet + traditional industry. In terms of technology innovation, Huaxin have been awarded 4 patents licensing (2 patents for innovation), 9 notices of acceptance. The Company presided over and attended 7 industry standard formulation at both national and local level, obtained the Second Prize in Technology Innovation in Building Material Industry at national level and two First Prizes in provincial level.

## **II. 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.

### **(I) Major Operations**

Changes of Items in the Income Statement and Cash Flow Statement

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Sales revenue	20,889,291,990	13,525,759,490	54.44
Cost of sales	14,716,492,598	9,971,000,727	47.59
Selling and distribution expenses	1,402,119,400	1,105,521,093	26.83
General and administrative expenses	1,204,019,321	939,281,428	28.19
Financial costs	660,630,215	569,399,572	16.02
Net cash flows from operating activities	3,904,076,048	3,096,150,887	26.09
Net cash flows from investing activities	-1,634,307,187	-2,004,536,441	18.47
Net cash flows from financing activities	-2,359,485,781	679,952,145	-447.01
R&D expenditures	91,134,634	73,129,345	24.62

**1. Revenue and Costs**

During the reporting period, the sales revenue was 20.889 billion CNY, an increase of 54.44% over last year; cost of sales was 14.716 billion CNY, up by 47.59% year on year. Growth rate of sales revenue is higher than that of sales cost, the main reason of which is during the reporting period, price of main products of the Company rose higher than cost. Meanwhile, the Company has achieved progress in the efficiency of production organization and marketing management.

**(1) Major business performance according to different sectors, products and areas**

Unit: Yuan

Major business performance according to sectors						
Sectors	Operating revenue	Operating costs	Gross profit rate %	Operating revenue over last year %	Operating costs over last year %	Gross profit rate over last year %
Cement	18,528,750,912	13,109,410,508	29.25	55.54	48.27	+3.47 percentage points
Concrete	942,026,198	739,484,598	21.5	32.8	39.63	-3.84 percentage points
Aggregate	513,278,808	242,647,625	52.73	107.04	56.54	+15.26 percentage points



Others	905,236,072	624,949,867	30.96	38.01	40.49	-1.23 percentage points
Total	20,889,291,990	14,716,492,598	29.55	54.44	47.59	+3.27 percentage points

Major business performance according to products

Products	Operating revenue	Operating cost	Gross profit rate%	Operating revenue over last year %	Operating costs over last year %	Gross profit rate over last year %
32.5 type cement	5,984,137,143	4,035,716,626	32.56	34.65	23.83	+5.89 percentage points
42.5 type and above cement	11,806,874,962	8,459,922,307	28.35	70.79	67.43	+1.44 percentage points
Commercial clinker	737,738,807	613,771,575	16.8	32.9	15.84	+12.25 percentage points
Concrete	942,026,198	739,484,598	21.5	32.8	39.63	-3.84 percentage points
Aggregate	513,278,808	242,647,625	52.73	107.04	56.54	+15.26 percentage points
Others	905,236,072	624,949,867	30.96	38.01	40.49	-1.23 percentage points
Total	20,889,291,990	14,716,492,598	29.55	54.44	47.59	+3.27 percentage points

Major business performance in different areas

Areas	Operating revenue	Operating cost	Gross profit rate%	Operating revenue over last year %	Operating costs over last year %	Gross profit rate over last year %
Hubei	7,162,860,801			26.38		
Hunan	1,989,545,345			4.88		
Sichuan	970,058,489			74.33		
Yunnan	3,934,393,346			271.69		
Tibet	778,282,039			5.86		
Chongqing	1,519,940,224			154.06		
Henan	454,168,147			19.05		
Jiangsu	506,231,338			113.51		

Jiangxi	567,051,615			233.07		
Anhui	311,188,473			81.25		
Shanghai	332,487,197			65.79		
Guangxi	163,751,236			16.34		
Guangdong	483,224,358			36.18		
Guizhou	504,189,679			404.23		
Overseas	1,187,550,173			-2.22		
Others	24,369,529			-41.37		
Total	20,889,291,990			54.44		

## (2). Output and sales volume

Unit: 10000 tons

Product	Output	Sales volume	Storage volume	Output change over last year (%)	Sales volume change over last year (%)	Storage volume change over last year (%)
Cement	6,611	6,531	142	32.35	32.53	12.83
Clinker	5,230	341	117	32.06	-0.29	2.04

## (3) Cost Analysis

Unit: Yuan

Classification according to products							
Product	Cost item	Current period amount	% of the total cost	Same period of last year	% of the total cost	Change over the same period of last year (%)	Remarks
Cement	Raw materials	2,145,851,362	17	1,401,993,539	17	53	
	Fuel and power	7,005,810,091	56	4,392,715,221	53	59	
	Depreciation and amortization	1,177,979,129	9	1,047,372,960	13	12	
	Labor and Others	2,165,998,351	18	1,469,617,389	17	47	
Clinker	Raw materials	56,303,142	9	58,374,623	11	-4	
	Fuel and power	395,248,214	64	307,891,956	58	28	

	Depreciation and amortization	55,210,295	9	66,503,825	13	-17	
	Labor and Others	107,009,924	18	97,092,490	18	10	
RMX	Raw materials	641,297,383	87	448,379,835	85	43	
	Fuel and power	6,277,476	1	6,864,246	1	-9	
	Depreciation and amortization	30,385,415	4	34,755,295	7	-13	
	Labor and Others	61,524,324	8	39,604,937	7	55	

#### (4) Information of major clients and major suppliers

Sales volume of the Top 5 clients totaled 509.48 million Yuan, accounting for 2.4% of the annual total sales volume; no related party transaction was included in the total Top 5 clients' sales volume, accounting for 0% of the annual total sales volume.

Procurement amount of the Top 5 suppliers totaled 1293.76 million Yuan, accounting for 9.9% of the annual total procurement volume; USD 24.9122 million related party transaction was included in the total Top 5 suppliers' procurement volume, accounting for 1.3% of the annual total sales volume.

## 2. Expenses

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Selling and distribution expenses	1,402,119,400	1,105,521,093	26.83
General and administrative expenses	1,204,019,321	939,281,428	28.19
Financial costs	660,630,215	569,399,572	16.02

## 3. R&D expenses

Unit: Yuan

R&D expenses calculated as expenses	91,134,634
R&D expenses calculated as capital expenditure	-
Total R&D expenses	91,134,634
% in sales revenue	0.44

## 4. Cash flows

Unit: Yuan

Item	Current period	% in investment revenue	Last year same period	% in investment revenue	Remarks
Cash received from returns on investments	1,157,200,000	87	30,013,282	23	Currency fund transaction volume increased for this period.
Cash received from profits on investments	62,537,786	5	16,779,872	13	
Net cash received from disposal of fixed assets and intangible assets	28,626,285	2	36,180,007	28	
Net cash received from disposal of subsidiaries and other operating units	-	-	4,287,302	3	
Cash received relating to other investing activities	83,528,027	6	42,169,323	33	
Subtotal of cash inflow from investing activities	1,331,892,098	100	129,429,786	100	

Item	Current period	% in investment spending	Last year same period	% in investment spending	Remarks
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,121,968,095	38	1,212,058,252	57	
Cash paid for investments	800,205,327	27	826,105,489	39	
Cash paid for acquiring subsidiaries	1,044,025,863	35	95,802,486	4	Some of Lafarge's assets in Yunnan, Guizhou and Chongqing were merged in this period and equity payment was paid.
Cash paid relating to other			-	-	

investing activities					
Net Cash outflow from investing activities	2,966,199,285	100	2,133,966,227	100	

Item	Current period	% in financing revenue	Last year same period	% in financing revenue	Remarks
Cash received from capital contributions	6,000,000	0	2,003,905	0	
Cash received from borrowings	2,985,363,377	93	3,285,612,317	71	
Cash received from issuance of debenture	-	-	1,193,500,000	26	Performance was improved and there was enough funds.
Cash received from other financing activities	217,951,576	7	154,195,344	3	
Cash inflows from financing activities	3,209,314,953	100	4,635,311,566	100	

**(II) Significant profit change due to non-core business**

Applicable  Inapplicable

**(III) Assets and Liabilities**

**1. Assets and Liabilities**

Unit: Yuan

Item	31 December 2017	% in the total assets	31 December 2016	% in the total assets	Change over the 31 December 2016(%)	Remarks
Notes receivable	1,711,160,593	5.61	828,792,121	3.02	106.46	Corporate M&A, operation expansion
Advances to suppliers	225,637,668	0.74	66,412,138	0.24	239.75	Advance payment for fuel increased
Other receivables	379,786,691	1.25	211,761,982	0.77	79.35	Corporate M&A, operation expansion
Inventories	1,621,482,745	5.32	1,174,261,964	4.28	38.09	Corporate M&A, fuel price increased
Construction in progress	1,248,084,829	4.09	771,069,947	2.81	61.86	Eco investment increased and new cement production lines
Construction materials	54,877,711	0.18	36,837,335	0.13	48.97	Equipment purchased for new projects.
Fixed assets pending for disposal	1,721,313	0.01	127,920	0	1,245.62	Corporate M&A
Intangible assets	3,026,753,484	9.92	2,295,250,101	8.37	31.87	Corporate M&A
Deferred income tax assets	378,042,451	1.24	285,152,385	1.04	32.58	Corporate M&A, operation expansion
Notes payable	14,450,000	0.05	148,902,088	0.54	-90.30	Stock of notes receivable increased, notes payable was controlled accordingly.
Accounts payable	4,139,575,215	13.57	3,132,394,785	11.42	32.15	Corporate M&A, operation expansion
Advances from customers	562,705,382	1.84	307,809,502	1.12	82.81	Corporate M&A, operation expansion
Employees remuneration payable	281,087,404	0.92	155,094,320	0.57	81.24	Good business performance for this period, performance salary increased
Taxes payable	507,945,221	1.67	245,703,466	0.90	106.73	Corporate M&A, operation expansion
Dividends payable	174,309,238	0.57	66,112,234	0.24	163.66	Dividends haven't been paid to minority shareholders from subsidiaries.
Other payables	622,919,230	2.04	453,881,372	1.65	37.24	Corporate M&A, operation expansion
Current portion of non-current liabilities	1,682,733,582	5.52	4,242,439,250	15.47	-60.34	Repay matured corporate bonds <b>and bonds zero redemption converted into long term liabilities</b>

Debentures Payable	3,295,605,346	10.81	1,992,645,597	7.27	65.39	Bonds zero redeem converted into long term liabilities
Provisions	162,893,548	0.53	114,916,662	0.42	41.75	Accrual mining reclamation fund increased
Long-term staff remuneration payable	96,353,657	0.32	27,590,864	0.10	249.22	Corporate M&A, the number of employee increased
Other comprehensive income	-20,053,747	-0.07	2,889,647	0.01	-793.99	Exchange rate of standard money of overseas subsidiaries to RMB fell
Undistributed profit	7,150,569,774	23.45	5,396,004,651	19.67	32.52	Performance improved

## 2. Major restrictions on assets by the period end

At the end of the reporting period, cash with the book value of RMB 73,937,381 was the deposit for the letters of guarantee and negotiable instruments; the note receivables with the book value of RMB 165,802,127 was guarantee provided for the finance lease; the buildings and equipment with the book value of RMB 450,978,811 and the land use rights with the value of RMB 15,816,767 was the collateral for bank borrowings.

### (IV) Industrial operation information analysis

Applicable Inapplicable

### (V) Investments

#### 1. External equity investment

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Financial assets at fair value through profits or losses	453,990,407	801,555,568	-43.36
Available-for-sale financial assets	71,198,874	69,247,625	2.82
Long-term equity investments	435,003,431	387,513,512	12.26

**(1) Major equity investment**

Unit: Yuan

Invested party	Main business	Investment proportion (%)
Tibet Gaoxin Building Materials Group Co., Ltd.	Manufacture and sales of cement	43
Shanghai Wanan Huaxin Cement Co., Ltd.	Manufacture and sales of cement	49

**(2) Major non-equity investment**Applicable Inapplicable**(3) Financial Assets valued by fair value**

Unit: Yuan

Stock investment:

Stock code	Stock abbreviation	Original investment (Yuan)	Equity proportion (%)	Book value at period end (Yuan)	Profits/ losses during the reporting period	Change of owners' equity during the reporting period	Accounting title
601328	Bank of Communication	3,165,725	0.0029%	13,566,708	593,134	961,249	Available-for-sale financial assets
601601	China Pacific Insurance	696,000	0.0066%	24,852,000	781,541	8,190,000	Available-for-sale financial assets
Total		3,861,725	/	38,418,708	1,374,675	9,151,249	/

Unit: Yuan

Investment	Original investment	Purchased during the reporting period	Redeemed during the reporting period	Capital at period end	Profits/ losses during the reporting period	Fair value changed at period end
Monetary fund	800,000,000	800,000,000	1,150,000,000	450,000,000	6,171,533	2,923,248

**(VI) Major assets and equity sale**Applicable Inapplicable



## (VII) Major holding and joint stock companies

Unit: Yuan

Company name	Major product and service	Registered capital	Total assets	Net assets	Net profit	Sales revenue
Tibet Gaoxin Building Materials Group Co., Ltd.	Production and sales of cement	272,760,000	1,083,280,852	719,842,195	742,611,260	236,224,294
Huaxin Cement (Tibet) Co., Ltd.	Production and sales of cement	50,000,000	1,017,095,118	735,161,483	762,091,304	220,761,215
Huaxin Cement (Zhaotong) Co., Ltd	Production and sales of cement	75,000,000	429,637,297	205,619,621	429,436,986	88,074,527
Huaxin Cement Hongta (Jinghong) Co.,	Production and sales of cement	179,610,000	457,029,062	290,667,566	396,002,241	81,947,377
Huaxin Cement (Yovon) Co., Ltd	Production and sales of cement	98,200,000 TJS	1,296,495,949	86,815,661	641,942,447	12,789,740

## (VIII) Structural main body changes controlled by the Company

Applicable Inapplicable

## III. Discussion and analysis on the future development of the Company

### (I) Industrial competition pattern and trend of development

#### 1. Macroeconomic forecast

The year 2018 marks the first year to kick off our efforts to put all the guiding principles from the 19th CPC National Congress into action, and the year in which the effectiveness of the supply side structural reform continues to be reflected. The Report of the 19th CPC National Congress pointed out that China's economy has shifted from a stage of rapid growth to a stage of high-quality development. The focus of economic development must be placed on the real economy. While maintaining a stable economic development, we must set and implement the concept of "Lucid waters and lush mountains are invaluable assets", adhere to the basic national policy of conserving resources and protecting the environment, and implement the strictest eco-environmental protection system to make our skies blue again.

According to the "Report on the Work of the Government," China's GDP growth rate is about 6.5% in 2018 and FAI for the whole society increases by about 7%. China's economy still insists on "making progress while maintaining stability" as its general tone of development.

## 2. Prospect on cement industry development

### (1) Demand remains stable

China's urbanization rate is still in rapid growth, which is the rigid support of cement demand. In addition, with the appeal of the central "targeted poverty relief", investment growth rate of infrastructure in poor areas is expected to continue to maintain at a high level. It is expected that in 2018, China's overall cement demand will not see a substantial change, it will maintain at a high level in a period.

### (2) Supply side structural reforms will continue to deepen

According to the three-year plan of "make our skies blue again" by the Ministry of Environmental Protection, the State will continue to step up its efforts in the prevention and control of atmospheric pollution and environmental remediation. The provinces, municipalities and regions where peak shifting production occurs will be further expanded. According to the guidance of "Measures for the Implementation of Capacity Replacement in Steel, Cement and Glass Industry" issued by Ministry of Industry and Information Technology, in 2018, "de-capacity" will be the dominant theme in cement industry in China. Means for cement industry to curb overcapacity will shift from the current unified peak shifting production to joint actions of peak shifting production, capacity elimination and M&As, and the industry concentration will be further improved.

### (3) Product and service upgrade is an irresistible trend

About 50% of China's cement products are grade 32.5 and below, while grade 52.5 and above products account for less than 1% of the consumption. The unbalanced product structure has an impact on the quality of extended products, thus it is imminent to phase out low-grade cement. Research and development of low-carbon cement, eco-cement, dry mortar and other cement-based new materials, become requirements for achieving high-quality development of the industry to meet the new market demand for the times.

### (4) Green development

Although the level of energy consumption control in China's cement industry is quite advanced, due to the huge energy consumption and emissions brought by the huge capacity scale, under the most stringent environmental protection system, the national and local governments will introduce more stringent emission and energy consumption control standards. Therefore, "de-capacity" is the core measure to reduce the total energy consumption and emissions of the industry. A large number of unqualified and uncompetitive enterprises in the industry will withdraw from the market.

### (5) Cement prices rebounds and industry profit reaches a reasonable level

With the gradual implementation of supply side structural reform policies and measures such as de-capacity production, strict control and prevention of air pollution, and peak shifting production and the enhancement of industry concentration, the cement price in China is still likely to maintain at a reasonable level in 2018 and the industry performance is expected to continue to be improved.

## **(II) Development strategy of the Company**

In 2018, the Company will adhere to the values of "safety first, customer centric, result orientated, act with integrity, ensure sustainable growth and people oriented", to achieve development by innovation and growth by transformation. Through the implementation of the "Cement and Environmental Transformation Strategy, Overseas Development Strategy for Cement Business, Innovation Strategy of Traditional Industry + Internet and Business Development Strategy of High-tech Building Materials ", on the basis of further expanding and strengthening the main business of cement, the Company shall seize the opportunity to rapidly promote the development of aggregate industry , continue to innovate and increase the R&D and market expansion of Eco business and high-tech construction materials, to realize the rapid synergy development of cement, aggregate, Eco and new materials and continue to enhance the Company's operating performance and market competitiveness.

## **(III) Business Plan**

### **1. Completion of the 2017 business plan**

In 2017, affected by factors such as the production and sales growth of the Company and the significant operation improvement, the Company achieved operating revenue of 20.889 billion Yuan, up by 54.44% over the previous year and completing 115% of the annual budget. Of which: sales revenue of cement and clinker completed 136% of the budget; concrete sales revenue completed 104% of the budget; aggregate sales revenue completed 139% of the budget; the Eco sales revenue completed 122% of the budget.

In 2017, the actual budget completion on overall investment was 68%. By the end of 2017, total assets of the Company was 30.5 billion Yuan and the asset-liability ratio was 56.87%.

### **2. Business Plan for 2018**

Estimated revenue of 2018 is 21.5 billion CNY, an increase of 2.9% over the actual revenue of 20.889 billion CNY of 2017..

In 2018, the Company plans to invest 3.7 billion CNY on capital expenditure. Among them, the capital expenditure for cement business is 2.83 billion CNY, the capital expenditure for aggregate, RMX and other business is 550 million CNY and the capital expenditure for Eco business is 320 million CNY.

In 2018, total asset of the Company is predicted to be about 31.3 billion CNY and the asset-liability ratio is about 56%.

To achieve above business objectives, the Company will take the following initiatives:

(1) Strengthen production and operation management and expand value-added services for procurement. Make full use of the Company's "optimized project library" to formulate targeted cost improvement programs and to ensure the actual cost of each plant reaching the cost benchmark. Continue to implement such measures as direct power supply, system optimization and upgrading, and increase the amount of alternative energy used to ensure the reduction of energy costs. Further strengthen strategic cooperation with large-scale

domestic coal enterprises and increase coal purchase of direct supply. Improve the procurement efficiency and coverage of the online direct purchase platform of Huaxin and reduce the purchase costs.

(2) Further optimize the functions of Huaxin Mall to enhance customer purchasing convenience, and gradually build an "Internet +" marketing ecosystem. Continue to consolidate and expand the competitive home decoration cement market, develop and promote pilot civil structural cement, and further leverage the Company's competitive edge in product differentiation.

(3) Speed up project construction and consolidate the foundation for sustainable development. Promote the construction of Tibet Shannan Phase III, Shigatse II, Huangshi and Luquan cement replacement projects as planned. Speed up the construction of aggregate projects and ensure the operation of aggregate projects such as Changyang, Tibet, Quxian, Kaiyuan, Huaping and Chenzhou. Achieve operation of such Eco projects as Changshankou MSW, Shiyan and Zhuzhou hazardous waste disposal centers to further improve the layout of the Company's Eco industry. Promote construction of cement-based new materials projects such as special functional concrete and mortar in Chongqing and Huangshi on schedule.

(4) In strict accordance with the capital expenditure management concept of "light assets and efficient operation", accurately formulate the capital expenditure budget, and strengthen the capital expenditure process control and effectiveness of evaluation. Strictly control all expenses, lower sales and administrative expenses.

**The above business plan does not constitute a commitment of the Company on its performance to investors, and investors should have adequate risk awareness and should understand the difference between the business plan and the performance commitment.**

#### **(IV) Potential Risks**

##### 1. Business risks caused by serious overcapacity in the industry

In 2017, with the nation's efforts to enhance environmental protection and environmental law enforcement and under the guidance of de-capacity policies such as deepening the supply side structural reform, cement price recovered and the industry prosperity rebounded. However, the de-capacity policies for cement industry were just released, and the current situation of serious overcapacity in the whole industry has not changed completely. If the supply side structural reform for cement industry is not well implemented and measures of de-capacity are not well carried out, the risks of vicious competition caused by overcapacity and decline of cement prices will still exist.

Countermeasures: (1) To resolutely implement the document No.34 [2016] of the State Council and relevant policies and documents of local governments at each level, demonstrate the firm attitude of implementation as a "large enterprises", and promote our business performance to achieve steady-state growth. (2) To strengthen the study and judgment on market trend, adhere to the marketing strategy of "one region, one policy, and one plant, one policy", stabilize operation of each plant by raising and stabilizing the market share, and reduce the impact from market price fluctuations on the Company. (3) Adhere to the marketing concept of "customer-centric", optimize the marketing business management

system and process, and gradually build a marketing ecosystem of "Internet +", to strengthen contact with customers and enhance convenience for customer purchasing. (4) Focus on differentiated competitive strategy, to create differentiated competitive advantages by consolidating and expanding the competitive home decoration cement market, and by researching, developing and piloting civil structural cement.

## 2. Risks from energy price fluctuations

In terms of cement products, the purchase cost of coal, electricity and other energy consumption accounts for about 60% of the total cost of the products. In the past one or two years, it shows an obvious upward trend of coal price. In the future, if energy prices rise sharply due to impacts from policy changes or market supply and demand, the Company will face the pressure of production costs increase. If cement prices cannot be synchronized with the rise of energy prices, it will have a negative impact on the profits of the Company.

Countermeasures: (1) Continuously implement cost benchmarking management, identify problems and shortcomings, formulate targeted cost improvement plans and gradually narrow the gap with the cost benchmark. (2) Continuously implement measures such as direct electricity supply and system optimization and upgrading to reduce consumption, stabilize operation and achieve continuous reduction of power cost by strictly controlling the consumption of ball, oil, wear-resistant and heat-resistant spare parts, power and heat. (3) Further increase strategic cooperation with large-scale domestic coal enterprises and increase procurement of direct-supply coal. (4) Continue to promote technology upgrade regarding the use of alternative energy and increase the use of alternative fuels.

## 3. Risks on rising costs due to strict environmental control

Cement industry is an industry which may give negative impact on the environment. In recent years, the government has been stricter in controlling environmental emissions from overcapacity industries such as cement. Some provincial and municipal governments have requested cement companies in the region to implement the "Special Emission Standards for Air Pollutants". Although currently the Company meets the standards for environmental indicators, the national and local governments may formulate more stringent environmental standards under the new situation of universal call for improving the environment quality, thus the Company will face greater production cost pressure on environmental protection in the future.

Countermeasures: (1) Attach great importance to the management of environmental emissions, do a good job in daily production and operation management and equipment maintenance, and ensure that all environmental emission targets meet the requirements of national and local laws and regulations. (2) Continue to do a good job of clean and civilized production, increase investment and endeavor to create garden-type ("clean, green, bright and beautiful") plants, so as to make our plants become positive contributors to the ecological and environmental protection in the regions where they are located, and win the trust of local governments, customers and surrounding residents.

## 4. Risks of increasing competition in overseas business

Tajikistan's cement market, where the Company's overseas business is located, experienced a period of overcapacity, fierce competition and sharp price declines in the

previous period, but new entrants still tried to enter this market. In 2018, the Cambodian cement market is about to enter the overcapacity situation due to the new capacity being put into operation.

Countermeasures: (1) In Tajikistan market, on the one hand, the "de-capacity" of the domestic cement industry in Tajikistan should be promoted; on the other hand, the export channels to its neighboring countries should be actively expanded. Gradually recover the cement prices through joint efforts of "stabilizing internal market" and "extending outside market". (2) In view of the situation that the new capacity will be put into operation in Cambodia, the Company will further reduce costs, enhance market competitiveness of its products and minimize impacts from new capacity by consolidating the brand and market share in the main and core markets.

**IV. Situation and reason analysis for the Company's not disclosing the relevant issues according to the principles which are inapplicable or for other special reasons**

Applicable Inapplicable

## Chapter 5 Major Events

### I. Common dividend distribution or capital reserve

#### (I) The formulation, implementation and adjustment of Cash dividend policy

On April 20, 2017, the Annual Shareholder's General Meeting 2016 reviewed and approved the Profit Distribution Plan 2016 of the Company. The Company distributed cash dividend accordingly of 0.1 Yuan (tax included) per share, totaled 149,757,133 Yuan to all shareholders based on the number of total shares of the Company at the end of 2016, namely 1,497,571,325 shares, and the surplus profits was retained as undistributed profits of the Company. There was no conversion of capital reserve into share capital in the year of 2016.

The profits distribution plan was fully implemented on June 20, 2017.

#### (II) Plan or proposal of common dividend distribution, conversion of capital reserve into share capital in the past 3 years (including the reporting period)

Unit: Yuan

Year	Bonus share for 10 shares (share)	Dividends for 10 shares (Yuan) (incl. tax)	Stock split for 10 shares (share)	Cash dividends amount (incl. tax)	Net profit attributable to the shareholders of the Company in the Consolidated Financial Statement	% in Net profit attributable to the shareholders of the Company in the Consolidated Financial Statement
2017	0	2.8	0	419,319,971	2,077,640,568	20
2016	0	1.0	0	149,757,133	451,940,413	33.14
2015	0	0.5	0	74,878,566	102,756,044	72.87

#### (III) The Company shall disclose in details the reason for having not cash dividend distribution plan though the profits attributable to common shareholders in the reporting period is positive

Applicable Inapplicable

### II. Execution of Commitments

Applicable Inapplicable

### III. Capital occupation and debts clearing up progress during the reporting period

Applicable Inapplicable

### IV. Company's Explanation on Non-standard Audit Report from the CPAs

Applicable Inapplicable

### V. Company's Explanation on Reasons and Impact of Changing Account Policies, Account Estimation or Correction of Important Account Mistakes

#### (I) Analysis of the Reasons and Effects of the Change in Accounting Policy and Accounting Estimate

Applicable Inapplicable

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

**(II) Analysis of the Reasons and Effects of the Company's Correction of Major Accounting Errors**

Applicable  Inapplicable

**(III) Communication with Former Certified Public Accountants**

Applicable  Inapplicable

**(IV) Other Instructions**

Applicable  Inapplicable

**VI. Appointment of Certified Public Accountants**

Unit: Yuan

	Current
Name of domestic CPA	PricewaterhouseCoopers Zhong Tian CPAs LLP
Payment of domestic CPA	3,850,000
Age of domestic CPA	13

	Name	Payment
External Auditor for Internal Control	PricewaterhouseCoopers Zhong Tian CPAs LLP	480,000



**VII. Risk of Stock Trade Suspending**

Applicable  Not applicable

**VIII. Situation and reason for Termination of Stock Listing**

Applicable  Not applicable

**IX. Related Issue on Bankruptcy and Reform**

Applicable  Not applicable

**X. Material Lawsuit or Arbitration**

Applicable  Not applicable

**(I) Lawsuits and arbitrations that had been disclosed in extraordinary announcements and had no further progress**

Applicable  Not applicable

Events summary and type	Reference
Project construction contract dispute between Northern Heavy Industries Group Co., Ltd and Huaxin Cement (Enping) Co.,Ltd	For detailed information, please refer to Item 10 “Material Lawsuit or Arbitration” in the Chapter 5 of Huaxin Cement Co., Ltd. Annual Report 2016 at <a href="http://www.sse.com.cn">www.sse.com.cn</a> .
Sales contract dispute between Hubei Guoxin Properties Co., Ltd and Huaxin Concrete (Wuhan) Co., Ltd	
The Company accused Tianxing Group Co, Ltd., YongkangTianyi Enamelware Co., Ltd., Zhejiang Hengtai Aluminum Industry Co., Ltd., WuyiHuaou Furniture Co., Ltd., shareholders of Guanghan Sanxingdui Cement Co., Ltd., including Mr. Xu Weiqiang, Mr. Liu Liguu, Mr. Xu Liansheng, Mr. Lin Kuande, Ms. Liu Mingyan, Mr. Cheng Dongqing, Mr. Xu Lianmeng, Mr. Sun Fusong and Mr. Li Yuanhong etc. as well as Mr. Ying Tianxing about shareholding transfer dispute	For detailed information, please refer to Item 8 “Material Lawsuit or Arbitration” in the Chapter 5 of Huaxin Cement Co., Ltd. Annual Report 2015 at <a href="http://www.sse.com.cn">www.sse.com.cn</a> .
Jiangsu Huohua Steel Structure Group Co., Ltd. accused Huaxin Cement (Enping) Co., Ltd. about project construction contract dispute	
Huaxin Concrete Xiangyang Co., Ltd. accused XiangyangJianshan Technology Co., Ltd about contract dispute	
Xiangyang Jianshan Technology Co., Ltd accused Huaxin Concrete (Wuhan) Co., Ltd, Xiangyang Xingshida Plastics Co., Ltd., Mr. Liu Jianshan and Huaxin Concrete Xiangyang Co., Ltd. about shareholding transfer contract dispute	
Xiangyang Xingshida Plastics Co., Ltd. accused Huaxin Concrete (Wuhan) Co., Ltd, Xiangyang Jianshan Technology Co., Ltd, Mr. Liu Jianshan and Huaxin Concrete Xiangyang Co., Ltd. about shareholding transfer contract dispute	

**(II) Lawsuits and arbitrations that were not disclosed in extraordinary announcements or that had further progress**

Unit: 0000 Yuan

Plaintiff	Appellee	Party bearing joint liability	Type	Basic Information	Amount	Is there any estimated debt and the amount	Progress
Huaxin Concrete Xiangyang Co., Ltd.	Xiangyang Jianshan Technology Co., Ltd.		Civil Action	For detailed information, please refer to the Annual Report 2015 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>	2477.39	No	In May, 2015, People's Court of Xiangyang High-tech Development Zone made its first –instance judgment, rejecting the plaintiff's appeal. The plaintiff instituted an appeal. In February 2018, Xiangyang Intermediate People's Court revoked the first-instance judgment and the case was remanded to the first-instance court.
Xiangyang Jianshan Technology Co., Ltd.	Huaxin Concrete Xiangyang Co., Ltd.		Civil Action	For detailed information, please refer to the Annual Report 2015 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>	1000	No	In January, 2018, People's Court of Xiangyang High-tech Development Zone adjudicated to revoke the plaintiff's prosecution.
Mr. Liu Jianshan	Huaxin Concrete (Wuhan) Co., Ltd, Xiangyang Jianshan Technology Co., Ltd., Xiangyang Xingshida Plastics Co., Ltd, Huaxin Concrete Xiangyang Co., Ltd		Civil Action	For detailed information, please refer to the Annual Report 2015 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>		No	The plaintiff withdrew the accusation in December, 2017. In January, 2018, People's Court of Xiangyang High-tech Development Zone approved the request of dismissal.

**XI. Punishment on Directors, Supervisors, Senior Managers, Controlling Shareholder, Actual Controller or purchaser and the rectification**

Applicable Not applicable

**XII. Explanation on the credibility and integrity of the Controlling Shareholder and the Actual Controller of the Company in the Reporting period**

Applicable Not applicable

**XIII. Equity Incentive Plan of the Company and its impacts**

**(I) Events that were disclosed in extraordinary announcements and that had no progress or changes during the further implementation**

Applicable Not applicable

**(II) Incentives that were not disclosed in extraordinary announcements and that had progress or changes during the further implementation**

Equity incentive

Applicable Not applicable

Others

Applicable Not applicable

Employee holding shares plan

Applicable Not applicable

Other incentive measures:

Applicable Not applicable

Long-term Incentive Plan of Huaxin Cement for Top Management 2017-2019 of Huaxin Cement Co., Ltd has was reviewed and approved by the Board Meeting on December2, 2016 and Shareholder's General Meeting on April 20, 2017 consecutively.

On April 25, 2017, the Twenty Second Meeting of the Eighth Board of Directors of the Company reviewed and adopted the "Proposal on the Grant Date, Price and Number of "Phantom Performance Stock (PPS)" 2017 (the First Grant) for the Top Management Team". Board of Directors, authorized by the Shareholders' General Meeting, defined the grant date and price of the "Phantom Performance Stock (PPS)" 2017 (the First Grant), as well as amount and number for the Top Management for 2017 (the First Grant).

**XIV. Important Related Transaction**

**(I) Related Transactions in Connection with Daily Operation**

1. Events that were disclosed in extraordinary announcements and that had no progress or changes during the further implementation

Applicable Not applicable

2. Events that were disclosed in extraordinary announcements but had progress or

changes during the further implementation  
 Applicable  Not applicable

Related party	Transaction	Transaction amount
LafargeHolcim Energy Solutions S.A.S.	Fuel procurement	24,912,249 US dollars

3. Items that were not disclosed in extraordinary announcements  
 Applicable  Not applicable

**(II) Related Transactions involve Purchasing or selling Assets or Share Equity**

1. Events that were disclosed in extraordinary announcements and that had no progress or changes during the further implementation

Applicable  Not applicable

2. Events that were disclosed in extraordinary announcements but had progress or changes during the further implementation

Unit: Yuan

Related party	Transaction	Transaction
Lafarge China Cement Ltd	Equity merger and acquisition	321,000,000
Prime Allied Ltd.	Equity merger and acquisition	977,000,000
TH Industry II Ltd.	Equity merger and acquisition	77,000,000

On January 24, 2017, the control of the acquired targets was totally transferred to the Company.

3. Items that were not disclosed in extraordinary announcements

Applicable  Not applicable

4. If the Company has performance commitment, it should disclose the performance fulfilment in the reporting period

Applicable  Not applicable

**(III) Related Transactions involve Joint Investments**

Applicable  Not applicable

**(IV) Related Claims and Debts**

Applicable  Not applicable

1. Events that were disclosed in extraordinary announcements but had no progress or changes during the further implementation

Applicable  Not applicable

2. Events that were disclosed in extraordinary announcements and that had progress or changes during the further implementation

Applicable  Not applicable

3. Items that were not disclosed in extraordinary announcements

Applicable  Not applicable

**(V) Others**

Applicable  Not applicable

**XV. Major Contracts and Implementation**

**(I) Entrustment, Contract and Leasing**

Applicable  Not applicable

**(II) Guarantee**

Unit: CNY

Guarantee provided by the Company (excluding guarantee for its subsidiaries)													
Guarantor	Relationship with the Listed Company	Be guaranteed	Guarantee amount	Guarantee date (signing date)	Starting date	Maturity date	Guarantee type	Has the guarantee been completed	Is the guarantee overdue	Amount overdue	Is there a counter-guarantee	Is the guarantee provided for related party	Relation
Huaxin Cement (Tibet) Co., Ltd.	Controlled by the Company	Tibet Shigatse High-tech Snow Lotus Cement Ltd.	102,700,000	Feb 28, 2014	Feb 28, 2014	Feb 27, 2022	Joint liability guarantee	No	No	0	Yes	Yes	Other related party
Total guarantee amount during the reporting period (excluding guarantee for subsidiaries)									-40,800,000				
Guarantee amount left at the reporting period end (A) (excluding guarantee for subsidiaries)									102,700,000				
Guarantee provided by the Company for its controlling subsidiaries													
Guarantee amount for subsidiaries occurred during the reporting period									-427,552,111				
Guarantee amount for subsidiaries left at the reporting period end (B)									2,365,600,769				
Total guarantee amount (including guarantee for its subsidiaries)													
Total guarantee amount (A+B)									2,468,300,769				
% in net assets of the Company									20.74				
Including:													
Guarantee amount provided to the shareholders, actual controller and its related parties (C)									0				
Debt guarantee amount provided directly or indirectly to subjects whose debt ratio is over 70% (D)									1,047,113,712				
Guarantee amount exceeded 50% of the net assets (E)									0				
Total guarantee amount of the above three (C+D+E)									1,047,113,712				
Explanation of Guarantee								The guarantee amount for Tibet Shigatse High-tech Snow Lotus Cement Ltd., provided by Huaxin Cement (Tibet) Co., Ltd. is 130,000,000 Yuan, which is listed in accordance with shareholding ratio.					

### (III) Cash assets management entrusted to other

#### 1. Entrusted Assets Management

Applicable Not applicable

#### 2. Entrusted Loan

Applicable Not applicable

#### 3. Others

Unit: Yuan

Investment type	Contract party	Investment amount	Period	Product type	Earning	Lawsuit involved or not
RMB money market funds	China International Fund Management Co., Ltd.	800,000,000			9,094,781	No

The above investment has been approved by the Thirty Third Meeting of the Seventh Board of Directors and the Twenty First Meeting of the Eighth Board of Directors. In 2017, the Company redeemed the 1,150,000,000 Yuan Monetary Market Funds.

### (IV) Other Major Contracts

Applicable Not applicable

### XVI. Explanation on Other Major Issues

Applicable Not applicable

### XVII. Obligation Performance in Social Responsibility

#### (I) Poverty alleviation work of the listed Company

##### 1. Targeted poverty alleviation plan

To further implement the Central Government's strategy and spirit of poverty alleviation through development, the Company made targeted poverty alleviation plan:

The first, according to the principle of government lead, society involved, self-relied and poverty alleviation through development, the Company made efforts in environment improvement constructions, and mainly on road hardening, dilapidated house renovation, water conservancy facilities construction and mine rehabilitation.

The Second, the Company adapted itself to the local situation and guaranteed low price cement supply to the relocation project as part of the targeted poverty alleviation program.

The third, the Company partnered with villages and families to help the impoverished disabled people, orphans and stay-at home children.

The fourth, the Company carried out poverty alleviation program of labour resources transfer, absorbed targeted people to work in our plants and trained them occupational skills.



The fifth, the Company promoted the work on “save the people in emergency and difficulty” and temporary special activities for helping poor families caused by illness, disaster and disability.

## 2. Outline of targeted poverty alleviation of the year

In 2017, the targeted poverty alleviation work of the Company mainly carried out through the partnership of subsidiaries and branches with local governments, targeting at social poverty alleviation, infrastructure construction in poor villages and industry support to effectively implement corporate poverty alleviation.

In 2017, Branch companies and subsidiaries that participated in local targeted poverty alleviation program included Yangxin Company, Chibi Company, Yichang Company, Zigui Company, Fangxian Company, Xiangcheng Company, Changyang Company, Sangzhi Company, Quxian Company, Yunlong Company and Dongchuan Company. These companies carried out targeted poverty alleviation work including donating cement, electricity and earthwork for road and infrastructure construction, flood prevention, farming land, forest land, industry land, relocating land, centralized house building of disadvantaged people and house renovation of poverty groups in government recognized impoverished villages; donating fund to help poverty groups purchase tree seeds, in an effort to inject blood for the industry poverty alleviation; pair with specific person in the village and help disabled people, orphans, children left at home; through the work of “Help serious and extreme poverty”, those companies conducted special relief work for poor families caused by disease, disaster, disability and other expenditure reasons and tided them over.

In the year of 2017, the Company pooled 2.1522 million Yuan in targeted poverty alleviation program, including 67.3 thousand Yuan in cash, donated goods worth 2.0849 million Yuan, and helped 111 government recognized poor people get rid of poverty.

## 3. Targeted property alleviation situation statistic table of the listed Company in 2016

Unit: 0000 Yuan

Indicators	Number and situation
I. the overall situation	
include: 1. Funds	6.73
2. material discount	208.49
3. help to build the file for poor people out of poverty (person)	111
II. sub-investment	
1. Industry development poverty alleviation	
include: 1.1 industry poverty alleviation project type	<input type="checkbox"/> Agriculture and Forestry Industry Poverty Alleviation <input type="checkbox"/> tourism poverty alleviation <input type="checkbox"/> E-commerce Poverty Alleviation <input type="checkbox"/> asset income poverty alleviation <input type="checkbox"/> science and technology poverty alleviation <input checked="" type="checkbox"/> other
1.2 Number of industrial poverty alleviation projects (unit)	1
1.3 Amount of investment in poverty alleviation	1.78

projects	
1.4 help to build the file for poor people out of poverty (person)	13
2. poverty alleviation through transfer of employment	
2.1 Amount of investment of vocational skills training	
2.2 Number of vocational skills training (person / time)	
2.3 help to build the file for poor people out of poverty by employment(person)	
3.Relocation poverty alleviation	
include: 3.1 number of relocated poor people employment (person)	
4. Educational poverty alleviation	
Include:4.1 Amount of investment of helping poor students	
4.2 Number of poverty students(person)	
4.3 Amount of investment in improving educational resources in poor areas	
5.Heatly poverty alleviation	
Include 5.1 Amount of investment in medical resources	
6. Ecological protection Poverty alleviation	
Include: 6.1 Project name	<input type="checkbox"/> carry out ecological protection and construction <input type="checkbox"/> Establishment of compensation for ecological protection <input type="checkbox"/> set up ecological public welfare positions <input type="checkbox"/> others
6.2 Amount invested	
7. Basic living security	
7.1 investment for helping “children, seniors and women left behind”	
7.2 Number of “children, seniors and women left behind”	
7.3 Investment for helping poor people with disabilities	1.91
7.4 Number of poor people with disabilities	28
8. Social poverty alleviation	
8.1 Investment in coordinated	4.11
8.2 Investment in fixed-point poverty alleviation work	206.82
8.3 Poverty alleviation fund	
9. Other projects	
9.1 Number of projects	1
9.2. Amount invested	0.6
9.3 Number of people who are in the file of poverty population	98
9.4 Other projects	
III. Awards received (Title, level)	

#### **4. Follow-up targeted poverty alleviation**

(1) Focus on social poverty alleviation of infrastructure construction including road traffic, dilapidated building renovation, water conservancy facility, mining restoration, farming/forest/industry land, relocating.

(2) Carry out poverty alleviation through transfer of employment to absorb targeted people to work in our plants and trained them occupational skills.

(3) Timely carry out donation activities to raise funds for educational poverty alleviation.

(4) To continue to respond to "thousands of enterprises to help thousands of villages targeted poverty alleviation", "100 enterprises to help 100 villages targeted poverty alleviation", connect each enterprise with each village or household, and implement the safeguard helping of disabled people, rural orphans and children left behind etc..

(5) In conjunction with volunteer activities, we will further promote the "help meet an urgent need" and through carrying out temporary relief activities to provide temporary special assistance to the poor families who are affected by the special causes of illness, disaster, and disability.

#### **(II) Corporate Social Responsibility**

The CSR Report 2017 of the Company shall be published through other approach.

#### **(III) Description of Environmental Protection of Listed Companies and Their Subsidiaries in Heavy Polluting Industries Provided by National Environmental Protection Departments**

In 2017, the Company continuously implemented the environment audit system, formulating a whole procedure environmental management evaluation and control standard from feasibility study, environmental assessment, inspection to stable operation. Through problems of pollutants emission control in plants and environment management system and mining reclamation, plants will formulate effective and practical rectification plan and the Company will urge plants to implement the plan and make rectification, realizing system upgrade and improvement in environmental management system and pollution prevention and control thus environmental protection management will scale to a new height.

In 2017, through strengthened control over pollutant control and treatment, the consumption of resources and energy the emission of dust, SO<sub>2</sub> and NO<sub>x</sub> etc. all reached the required standards. Subsidiaries including Lincang, Zhuzhou and other companies regarded as key pollutant emission control units, according to the requirements of hygienic production and hygienic production assessment system, successfully finished stipulated hygienic production review and check.

In 2017, the Company continued to push forward the "low nitrogen burning reform+ technical optimization + SNCR system optimization" to reduce NO<sub>x</sub> emission, and transformed the spray gun of the desulfurization system and spraying points of ammonium hydroxide so the usage of ammonium hydroxide steadily goes down while achieving stable standard emission of NO<sub>x</sub>.

In the year of 2017, through preventive and daily maintenance, strengthened control and stable technical operation methods, the Company maintained the best condition of kiln head electrostatic precipitator. Through regular cleaning, clean system to reduce the impact of dust emission on the environment, particulate matter in all emission outlets reached standard. Among them, particulate matter in main outlets of Enping, Fuling and other plants reached the requirement on limit of particulate matter air pollutant in cement industry (20mg/Nm<sup>3</sup>).

In 2017, the Company controlled the emission of SO<sub>2</sub> from the root source by using low sulfur coal and controlling the SO<sub>2</sub> contents in raw materials. Besides, the Company further reduced SO<sub>2</sub> emission by using new water aqua composite de-sulfur technology and optimization of wet process de-sulfur. In 2017, branches and subsidiaries reached standard of main pollutant emission, and step up efforts in Garden Plant construction, namely, addressing internal problems in an integral and systematic way. Through “beautifying” plants, plants environment has been improved greatly and internal environment management reached a leading level in the industry.

Meanwhile, strictly abiding by the requirements of environmental departments, all the cement plants disclosed the emission data and received the supervision from the public periodically on the information disclosure platform of cities and provinces. Through electric displays, plants broadcasted pollutants emission to receive residents and other related parties’ supervision. In strict accordance with the national and local government requirements, the Company’s subsidiaries used the methods of stop production, limit production and other means to support the Government to fight the Blue Sky Battle and minimize harm caused by the heavy pollution of the weather.

All the subsidiary plants of the Company formulated environmental emergency plan, set up a steering group for emergency handling of abrupt environmental pollution, and organized periodical training and drill of the emergency plans. Based on that, all cement plants finished pollutant emission license approval according to the requirements of Pollutant License Approval and Review Guidance -Cement Industry and formulated detailed self-supervision plan according to Pollutant Self Supervision Guidance-Cement Industry to control pollutants.

#### **XVIII. Convertible Corporate Bond**

Applicable Not applicable

## Chapter 6 Changes in Common Share Capital and Shareholders

### I. Changes in Common share Capital Structure

#### (I) Changes in the Common Share Capital

##### 1. Changes in the Common Share Capital

There is no change in the total common share capital and the shareholder structure during the reporting period.

##### 2. Changes of Shares Subject to Conditional Sales

Applicable  Not applicable

### II. Securities Issuance and Listing

#### (I) Securities Issuance in the reporting period

Applicable  Not applicable

#### (II) Change in Total Common Shares, Shareholders, Assets and Liabilities Structures

Applicable  Not applicable

#### (III) There is no Staff Shares during the Reporting Period

Applicable  Not applicable

### III General Information of Shareholders and Actual Controller

#### (I) Total Number of Shareholders

Total number of shareholders at the end of reporting period	60,503
Total number of shareholders at the end of the month before the disclosure of the Annual Report	67,137

#### (II) Top Ten Shareholders and Top Ten Holders of Shares not subject to conditional sales

Unit: share

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
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
Top ten holders of shares not subject to conditional sales							
Names of Shareholders	The amount of shares	Shares type and amount					
		Type	Amount				
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
HOLPAC LIMITED	29,779,888	Domestic listed foreign investment shares	29,779,888
Central Huijin Investment 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
National Social Security Fund 412	9,119,501	RMB ordinary shares	9,119,501
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	9,084,567	Domestic listed foreign investment shares	9,084,567
Wuhan Railway Bureau	8,064,000	RMB ordinary shares	8,064,000
Huang Jianjun	7,318,006	RMB ordinary shares	7,318,006
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>		

#### IV. General Information of the Largest Shareholder and Its Actual Controller

##### (I) Largest Shareholder

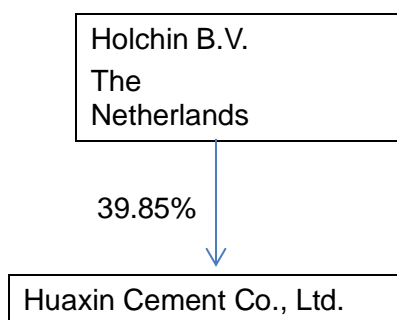
##### 1. Corporation

Name	Person in charge or legal representative	Date of incorporation	Business range	Other controlling and shareholding situation in other listed companies both in and abroad during the reporting period
Holchin B.V.		Jun 16, 1998	Setting up companies and other enterprises; acquiring, administrating, monitoring and transferring equity and other rights and interests of corporations, companies or enterprises.	During the reporting period, the largest shareholder, Holchin B. V. had no new shareholding activity in other listed companies both in and abroad during the reporting period

**2. Index and the date of the modification of the largest shareholder during the reporting period**

Applicable  Not applicable

**3. Ownership and Controlling Relationship between the Company and the Controller**



**(II) Actual controller of the largest shareholder**

**1. Legal representative**

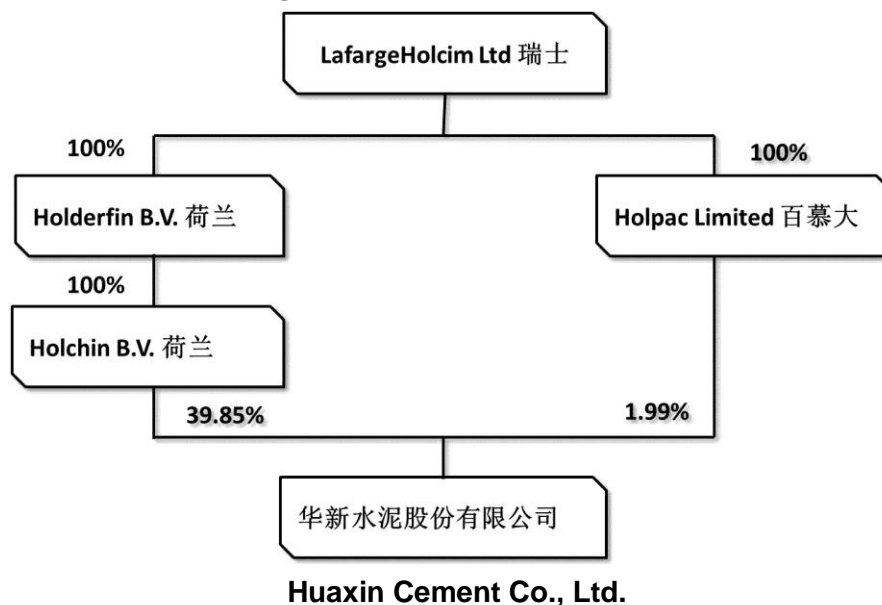


Name	Person in charge or legal representative	Date of incorporation	Business range	Other controlling and shareholding situation in other listed companies both in and abroad during the reporting period
LafargeHolcim Ltd		July 15, 2015	Production and sales of cement, concrete(gravel and sand) and concrete	By the end of the reporting period, LafargeHolcim Ltd indirectly holds 133,952,742 shares of Sichuan Shuangma Cement Co., Ltd. accounting for 17.55% of its total share capital.

**2. Index and the date of the modification of the controller of the largest shareholder during the reporting period**

Applicable  Not applicable

**3. Property right and controlling relationship between the Company and the controller of the largest shareholder**



**V. Other Corporate Shareholders Holding over 10% Shares**

Unit: Yuan

Name	Legal Representative	Registered capital	Date of incorporation	Registered Number of the Representative Business License	Business range
Huaxin Group Co., Ltd.	Mr. Liu Fengshan	340,000,000	Nov 14, 1996	17843892—3	Manufacture and sales of cement product, parts of machines, development of real estate, commerce, service, etc.

**VI.Explanation on the Restricted Shareholding Reduction**

Applicable Not applicable

**Chapter 7 Preferred Stock**

Applicable Not applicable

## Chapter 8 Directors, Supervisors, Senior Management and Employees

### I. Shareholding and Remuneration Information

#### (I) Shareholding and Remuneration Information of Directors, Supervisors and Senior Management

Unit: Share

Name	Position	Gender	Age	Starting	Ending	Shares held at begin year	Shares held at year end	change	Reason for change	Payment from the Company (10k Yuan) before tax	Remuneration / allowance from shareholder company or other related Company
Xu Yongmo	Chairman	M	61	Apr 23, 2015	Apr 23, 2018					-	No
Li Yeqing	Director/CEO	M	53	Apr 23, 2015	Apr 23, 2018	344,614	344,614			411.14	No
Liu Fengshan	Director/VP	M	52	Apr 23, 2015	Apr 23, 2018	80,000	80,000			191.12	No
Daniel Bach	Director	M	54	Nov 9, 2016	Apr 23, 2018					18	Yes
Ian Riley	Director	M	59	Apr 23, 2015	Apr 23, 2018					18	Yes
Martin Kriegner	Director	M	56	Apr 20, 2017	Apr 23, 2018					12	Yes
Liu Yan	Independent Director	F	44	Apr 23, 2015	Apr 23, 2018					30	No
Simon Mackinnon	Independent Director	M	56	Apr 23, 2015	Apr 23, 2018					30	No
Wang Liyan	Independent Director	M	60	Apr 23, 2015	Apr 23, 2018					27	No
Peng Qingyu	Chairman to the Board of Supervisor	M	57	Apr 23, 2015	Apr 23, 2018	212,880	212,880			225.64	No
Fu Guohua	Supervisor	M	54	Apr 23, 2015	Apr 23, 2018					3.6	Yes
Yu Yousheng	Supervisor	M	54	Apr 23, 2015	Apr 23, 2018					40.26	No
Yang Xiaobing	Supervisor	M	47	Apr 23, 2015	Apr 23, 2018					27.91	No
Zhang Lin	Supervisor	M	45	Mar 24, 2017	Apr 23, 2018					49.75	No
Wang Ximing	VP/Secretary to the Board	M	58	Apr 23, 2015	Apr 23, 2018	193,960	193,960			196.08	No
Kong Lingling	VP	F	53	Apr 23, 2015	Apr 23, 2018	196,752	196,752			230.12	No
Ke Youliang	VP	M	52	Apr 23, 2015	Apr 23, 2018	157,480	157,480			233.81	No
Hu Zhenwu	VP	M	49	Apr 23, 2015	Apr 23, 2018	78,680	78,680			197.57	No
Chen Bing	VP	M	50	Jan 1, 2016	Apr 23, 2018					175.12	No
Du Ping	VP	M	47	Jan 1, 2016	Apr 23, 2018					193.82	No

Liu Yunxia	VP	F	49	Jan 1, 2016	Apr 23, 2018	41,600	41,600			170.83	No
Mei Xiangfu	VP	M	45	Jan 1, 2016	Apr 23, 2018	18,900	18,900			185.15	No
Xiong Guangwei	VP	M	54	Jan 1, 2016	Apr 23, 2018					208.31	No
Yuan Dezu	VP	M	54	Jan 1, 2016	Apr 23, 2018					189.83	No
Yang Hongbing	VP	M	45	Jan 1, 2016	Apr 23, 2018					189.84	No
Ron Wirahadiraksa	Director	M	57	Nov 9, 2016	Feb 6, 2017					1.5	Yes
Hu Chao	Supervisor	M	42	Apr 23, 2015	Feb 6, 2017					9.47	No
Khoon-Cheng Yeoh	VP	M	59	Jan 1, 2016	Jul 31, 2017					229.71	No
Total	/	/	/	/	/	1,324,866	1,324,866		/	3,495.58	/

Name	Main work experience
Mr. Xu Yongmo	Mr. Xu Yongmo, born in April 1956, Master of Engineering, Doctor and Post Doctorate who had studied in UK. 1982 ~ 1983, assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant; 1986 ~ 1988, the principal of RMX laboratory of Concrete and Housing Building Materials Institute of China Building Materials Academy; 1988~1991, vice director of Technical Information Centre of China Building Materials Academy; 1998 ~ 2002, VP of China Building Materials Academy; from April 2002 to April 2017, VP of China Building Materials Federation; from June 2006 to December 2016, president of China Concrete & Cement Product Association; from December 2016 till now, executive president of China Concrete & Cement Product Association; from March 2007 till now, director-general of China Construction Units Association; from October 2007 till now, VP of China Cement Association; from December 2011, director-general of China Silicate Association. He became Independent Director of the Company from April 2009 to March 2012. He became the Chairman of the Company from April 2012.
Mr. Li Yeqing	Mr. Li Yeqing, born in February 1964, doctor, senior engineer. He currently takes the positions of CEO, Secretary of the Party committee of both the Company and Huaxin Group Co., Ltd.. From July 1984, Mr. Li Yeqing successively graduated from Silicate Major of Wuhan Building Material Institute as Bachelor of Engineering, Industrial Management Major of Wuhan University of Technology as Master of Engineering; and Management Science and Engineering Major of Huazhong University of Science and Technology as Doctor of Business Administration. July 1984 ~ October 1987, Wuhan University of Technology Portland Engineering Department, teacher, League Committee vice secretary. He entered Huaxin Cement Plant (former name of the Company) in November 1987, taking position of quality control engineer of Central Lab, vice manager of Limestone Quarry, vice director of Extension Office and manager of production technology, and became vice manager of Huaxin Cement Plant in January 1993, he became Deputy General Manager of the Company at June 1994, General Manager of the Company in December 1999 (he was renamed as CEO of the Company since March 2004). He took the position of Director of the Company from April 1994. He concurrently took the positions of Vice Chairman of China Building Materials Federation since March 2009 and Vice Chairman of China Cement Association since May 2000. He became Chairman of Hubei Building Materials Federation since Jan 2014.
Mr. Liu Fengshan	Mr. Liu Fengshan, born in November 1965, master degree of public relations from Singapore Nanyang Technological University. Mr. Liu graduated from Kunming Engineering College in July 1987 and got bachelor degree of engineering. From 1987 to August 1998, he took the position of technician of Chimashan Quarry, workshop manager, deputy quarry manager, quarry manager and secretary of the Party Committee of

	<p>Daye Non-ferrous Metal Company successively. From August 1998 to August 1999, he took the positions of quarry manager of Tonglushan Quarry and secretary of Party Committee of Daye Non-ferrous Metal Company. From August 1999 to January 2002, he was deputy secretary of Party Committee and secretary of Discipline Inspection Committee of Daye Non-ferrous Metal Company. From January 2002 to April 2004, he took the position of deputy secretary of Discipline Inspection Commission of Huangshi City. From April 2004 to October 2006, he was the deputy secretary of Daye Municipal Party Committee and Mayor of Daye. From October 2006 to November 2006, he was deputy secretary general of Huangshi Municipal Party Committee. From November 2006 to September 2011, he took the positions of director general and secretary of Leading Party Group of Bureau of Civil Affairs of Huangshi City. Since September 2011, he took the positions of Chairman and General Manager of Huaxin Group Co., Ltd., as well as deputy secretary Party Committee of both Huaxin Group Co., Ltd. and Huaxin Cement Co., Ltd.. He became Director of the Company from April 2012. He became VP of the Company from June 2012.</p>
Mr. Daniel Bach	<p>Mr. Daniel Bach, born in 1963, Swiss, dipl. Masch.-Ing. and Dr. sc. techn. from Swiss Federal Institute of Technology (ETH). From 1989 to 1993, he was an assistant at the Institute of Mechanics, ETH; from 1994 to 2014, he successively took positions of Project Manager in the Investment Project Department and Assistant to the Head of “Business Risk Management” of Holderbank Management and Consulting Ltd. (Switzerland), Technical Director of PT Semen Cibinong Tbk (Indonesia), Assistant to Member of the Executive Committee of Holcim Ltd. (Switzerland), Senior Vice President Manufacturing of Holcim Philippines, Inc. and CEO of Holcim (Romania) SA; from Apr 2005 to Mar 2008, he was also a Director of the Company; from 2014 to 2016, he was Area Manager of South East Asia, LafargeHolcim Ltd. / Holcim Ltd. (Singapore); and he took the position of Area Manager South East Asia and China (Huaxin), LafargeHolcim Ltd. (Singapore) since July 2016. He became the Director of the Company since Nov, 2016.</p>
Mr. Ian Riley	<p>Mr. Ian Riley, born in March 1958, British, Engineering Master from Cambridge University, England. From December 1998 to May 2000, he was appointed Managing Director in Tenbridge Ltd. (Shanghai). From May 2000 to February 2003, he was appointed as CEO of Asialink Technologies (Shanghai). From April 2003-September 2006, he was appointed as General Manager Consulting in SIP (Shanghai). From September 2006 to June 2008, he was appointed CIO of Huaxin Cement. From July 2008 to Feb 2011, he was the person in charge of Holcim China and the AVP in Huaxin Cement. He was VP of the Company from March 2011 to March 2014. Since 2014, he was the head of Holcim Group in Greater China, in 2015, he was the head of LafargeHolcim Group in Greater China after Lafarge and Holcim completed their global merger. He became a Director of the Company from Apr 2014.</p>
Mr. Martin Kriegner	<p>Mr. Martin Kriegner, born in Sep 1961, Austrian. Doctorate of Law from University of Vienna (1985), MBA from University of Economics Vienna (1990) and he joined Lafarge in 1998. From 1998 to 2001, he served as the Country CEO, Head of Lafarge cement, RMX concrete and aggregates business in Austria, Hungary, Slovakia, Slovenia and Croatia. From 2002 to 2005, he was the CEO Cement, Head of newly acquired cement operations in India. From 2005 to 2012, he served as the Regional President Asia and SW Asia Cement. From 2012 to 2015, he was the Country CEO, Head of all Lafarge businesses in India. In 2015, he became the Area Manager of Central Europe for LafargeHolcim Group covering the Central European markets of Switzerland, Italy, South Germany, East of France, Austria, Croatia and Serbia. Since March 2016, he became the Head of India. Since August 2016, he became the Head of India &amp; South East Asia and a member of the Executive Committee of LafargeHolcim Group. He became a Director of the Company from Apr 2017.</p>
Ms. Liu Yan	<p>Ms. Liu Yan, born in January 1973, received her Bachelor law degree and LL.M. degree from Peking University Law School. She also received</p>

	her second LL.M. degree from New York University School of Law. Ms. Liu is admitted to practice law in China and in the State of New York, U.S.A. She joined Tian Yuan Law Firm in 1995 and became a partner in 2002. Ms. Liu's main practice areas are: domestic and overseas public offerings and listings, PE, mergers and acquisitions, foreign direct investment. She became Independent Director of the Company from Sep 2014.
Mr. Simon Mackinnon	Mr. Simon Mackinnon, born in January 1961, British, Oxford University BA, MA, University of Pennsylvania MA MS. He was the Chairman of Sinophi Healthcare since 2010, Non-Executive Chairman of Modern Water PLC, MW China since 2011, Non-Executive Chairman of Xeros Technology Group PLC, Xeros China since 2012, Vice Chairman of Governors of Wellington College International Tianjin and Shanghai since 2009, Non-Executive Director of London Bridge Capital and Venture Partner of SMC Capital China, part of Simon Murray Capital since 2008.; He became Independent Director of the Company from Sep 2014.
Mr. Wang Liyan	Mr. Wang Liyan, born in Feb. 1957, Professor of Accounting at Guanghua School of Management, Peking University. Chief Editor of China Management Accounting Journal, Head of the Environment Audit Committee of Chinese Society for Environmental Sciences, Associate Director of Environmental Accounting Committee, the Accounting Society of China, Member of Professional Ethics Committee of China CPA Association. He became an Independent Director of the Company in April 2015.
Mr. Peng Qingyu	Mr. Peng Qingyu, born in June 1960, Senior Economist. He graduated from Western Economics Major of Huazhong University of Science and Technology and got Master degree of Economics at April 2004. Mr. Peng Qingyu entered Huaxin Cement Plant at January 1979 and used to be Chief in Sales Department, Vice Manager and Manager of Huaxin Nantong Trading Company, Director of Shanghai Office, Manager of Sales Department of the Company and vice manager of Sales Company. He took position of DGM of the Company and manager of Sales Company from April 2000. He had been the Vice Present of the Company from March 2004 to Mar 2015. Since April 2015, he has become the Discipline inspection commission secretary, Chairman of the Union and the Chairman of the Board of Supervisors.
Mr. Fu Guohua	Mr. Fu Guohua, born in July 1963, Bachelor, Statistician, China Commerce Operating Manager (CCOM). He entered Huaxin Cement Plant (former name of the Company) in July 1983, he successively took the positions of comprehensive statistician and investment planner of the Planning Department, Chief of Assets Management Division of the Planning and Development Department. He joined Huaxin Group Co., Ltd. in January 2001 and successively took the positions of vice director and director of the General Office, general vice manager, Secretary of the General Party Branch. He once concurrently took the position of Manager of the Huaxin Group Real Estate Development Co., Ltd.. He is now the Vice President of Huaxin Group Co., Ltd. and Vice Chairman of the Labor Union of Huaxin Cement Co., Ltd. He took the position of Supervisor from April 2012.
Mr. Yu Yousheng	Mr. Yu Yousheng, born in July 1963, Bachelor, Political Engineer. He entered the Company in October 1989, served as secretary to the Party Committee Office, secretary to the Company Office, Chief of Policy Research Office; assistant administration manager, administration manager, vice Party secretary, Chairman of labor union of Xiangfan Company; vice director of Party Office, director of Labor Union Office, manager of corporate social responsibility team. Currently, he is the deputy secretary to the Discipline Committee, vice director of Supervisory Office, chairman of Labor Union of the Headquarter. He took the position of Supervisor from April 2012.
Mr. Yang Xiaobing	Mr. Yang Xiaobing, born in July 1970, bachelor's degree, Human Resources Professional. He joined the Company in March 1992, he once

	served as investigator of the Planning & Development Department; deputy chief and chief of the Business Administration Division of the Corporate Office; chief of the Human Resources Development of Huaxin Golden Cat Company, human resources manager of the Company, Professional Assistant Deputy Director of Southwest BU. He currently takes the position of the Chief of the Labor Union Office. He took the position of Supervisor from April 2013.
Mr. Zhang Lin	Mr. Zhang Lin, born in September 1972, MBA, CPA. He graduated from Hangzhou Business School, Zhejiang Business Administration University, majoring in accounting in June 1995; graduated from Huazhong University of Science and Technology, majoring in Business Administration in December 2002. He joined the company in July 1995, served as the Company's accountant, Chief of Plan and Finance Department of Xiantao Company and Yichang, Financial Manager of Zhaotong Company, member of HARP project, vice manager of ERP Department, Director of Internal Control Department, Deputy Financial Director of Overseas BU and he is currently the Chief of the Internal Control and Internal Audit Department of the Company. He took the position of Supervisor from Mar 2017.
Mr. Wang Ximing	Mr. Wang Ximing, born in October 1959, MBA, Senior Economist. He graduated from Chemistry Major of Wuhan Steel Institute (Wuhan University of Science) and got Bachelor of Science in February 1982; he graduated from Business Administration Major of Renming University of China and got MBA degree in 1993. Mr. Wang Ximing entered Huaxin Cement Plant in 1982 and used to be teacher in Huaxin Technique School, vice secretary of Youth League Committee of Huaxin Cement Co., Ltd., cadre of Organization Department of CPC Huangshi Committee, Vice manager of Labor and Personnel Department of Huaxin Cement Plant, Vice Manager of Planning Department, Vice Manager, Manager of Securities Department of the Company, Secretary to the Board. He took position of DGM and Secretary to the Board of the Company from April 2000. He has become Vice Present and Secretary to the Board of the Company from March 2004.
Ms. Kong Lingling	Ms. Kong Lingling, born in June 1964, Master of Economics, Senior Economist. She graduated from Wuhan University of Technology and got Bachelor degree of Science in 1985; and graduated from Enterprise Administration Major of Fudan University and got Master degree of Economic in 1992. Ms. Kong Lingling entered Huaxin Cement Plant at July 1985 and used to be engineer in Research Firm of Huaxin Cement Plant, vice secretary of Youth League Committee, Vice Manager of Financial Department, Vice Manager of Planning Department and Manager of Financial Department. She became DGM of the Company from April 2000 and VP of the Company from March 2004.
Mr. Ke Youliang	Mr. Ke Youliang, born in April 1965, Doctor of Management, Senior Economist. He graduated from Industry and Corporate Administration major of Huangshi University of Technology in July 1985, and graduated from Industry Economy Administration major of Zhongnan University of Finance and Economics in 1992, graduated from Industry Economy Administration major of Wuhan University of Science and got Master Degree of economy, graduated from Management Science and Engineering of Wuhan University of Science and got Doctor Degree of Management in 2007. Mr. Ke Youliang entered Huaxin Cement Plant in 1985 and used to be assistant manager of Investment Department, manager of Engineering Administration Department, vice manager of Comprehensive Administration Department of Engineering Division and manager of Planning and Development Department. He was appointed Assistant GM and Manager of Planning and Development Department at November 2001 and DGM of the Company from April 2003. He became VP of the Company from March 2004.
Mr. Hu Zhenwu	Mr. Hu Zhenwu, born in September 1968, Master and Senior Engineer. Mr. Hu Zhenwu majored in silicate engineering in Wuhan Building Material Institute (now renamed as Wuhan University of Technology), where he obtained a Bachelor Degree in Engineering in 1991; and later

	<p>Master Degree in Materials Engineering from Wuhan University of Technology in 2002. Mr. Hu Zhenwu joined Huaxin Cement Plant (former name of the Company) in 1991, taking the positions of Assistant Processing Engineer, Processing Engineer, Head of Technical Department in Engineering Department, and head of Engineering Department, Deputy Director of Technical Center; he was appointed as assistant to the CEO in Sep 2006. He became VP of the Company from March 2011.</p>
Mr. Chen Bing	<p>Mr. Chen Bing, born in Dec 1967, MBA. In 1989, he graduated from the School of Water Resources and Hydropower Engineering of Wuhan University, majored in industrial and civil construction, bachelor's degree. In 2000, he graduated from Huazhong University of Science and Technology, master's degree in business administration. He entered Huaxin Cement Plant (predecessor of the Company) in 1987. From Sep 1989 to Mar 2000, he successively took the positions of civil technician of the Extension and Restructuring Office of the Company, Head of Engineering Department of Huaxin Cement Nantong Co., Ltd., chief engineer of Engineering Department of Huaxin Cement Co., Ltd, manager of Technical Service Department and chief of clinker section of Huaxin Cement Sales Company. From Mar 2000 to Feb 2003, he was the manager of Wuhan Market Department of Huaxin Cement Sales Company. From February 2003 to Jan 2009, he concurrently took the positions of DGM of Huaxin Cement Sales Company, GM of Wugang Huaxin Cement Co., Ltd. and Huaxin Cement Wuhan Company. From Jan 2009 to Oct 2011, he concurrently took the positions of Executive DGM of RMC&amp;AGG Business Unit of the Company and GM of Aggregate Company. Since Mar 2014, he is the GM of RMC&amp;AGG Business Unit of the Company. He is vice chairman of China Concrete and Cement Products Association since 2014. Since 2011, He serves as vice chairman of Hubei Concrete and Cement Products Association. In 2015, he serves as vice chairman of China Aggregates Association. He became VP of the Company from Jan, 2016.</p>
Mr. Du Ping	<p>Mr. Du Ping, born in Aug 1970, Master of Management. In 1993, he graduated from Zhongnan University of Economics, majored in Investment Principles. In 2003, he graduated from Zhongnan University of Economics and Law, majored in Enterprise Management and got Master of Management. He entered Huaxin Cement Co., Ltd in Jul 1993 and successively took positions in Investment and Development Department, Advisory Department and Technical Centre, Planning and Development Department and then he was assistant to the Manager and Vice Manager of Planning and Development Department. From Jan 2003 to Jan 2011, he successively took positions of executive DGM and GM in Huaxin Cement (Tibet) Co., Ltd., GM of Tabei Gaoxin Building Materials Group, Administration Manager of Southwest Region of Huaxin. In Sep 2012, he was selected in "123 Key Talent Program of Hubei Province" (first batch). Since Feb 2011, he was AVP of the Company, GM of Hubei East Cement Business Unit. Now he is also a member of Hubei Youth Federation. He became VP of the Company from Jan, 2016.</p>
Ms. Liu Yunxia	<p>Ms. Liu Yunxia, born in September 1968, MBA, Senior Engineer. In 1989, she graduated from Wuhan University of Technology, majored in cement of silicate engineering, Bachelor of Engineering. In 2006, she graduated from Wuhan University of Technology and got MBA degree. She entered the Huaxin Cement Plant (predecessor of the Company) in July 1989 and was a teacher of technology in the Trade School of Huaxin. From Feb 1993 to Jan 2000, she was an engineer of the Engineering Department. From Jan 2000 to Jun 2012, she successively took the positions of vice manager and manager of the Development Department, and the GM of Tajikistan Plant. Since Jul 2012, she became an AVP of the Company, vice director of the Strategy and Development Center and GM of the Hong Kong Investment Company. She became VP of the Company from Jan, 2016.</p>
Mr. Mei Xiangfu	<p>Mr. Mei Xiangfu, born in Jul 1972, Master of Engineering and MBA. He graduated from Nanchang Institute of Aeronautical Technology, majored in Machine Manufacturing Processes and Equipment and got Bachelor of Engineering. In 2002, he graduated from Wuhan University of</p>



	<p>Technology, majored in Mechanical and Electrical Engineering and got Master of Engineering. In 2011, he graduated from Huazhong University of Science and Technology and got MBA. He entered Huaxin Cement Co., Ltd. in 1994, and took the positions of technician, vice manager of Equipment and Power Department, DGM of Yangxin Company, DGM and GM of Wuxue Company, GM of Southeast Region, GM of Zhuzhou Company, GM of Maintenance Company. Since Feb 2011, he is AVP of the Company, GM of Hunan and Guangdong Cement Business Unit, Head of the Growth and Innovation Business. He became VP of the Company from Jan, 2016. He became the Head of Operation and Cost Business since April, 2016.</p>
Mr. Xiong Guangwei	<p>Mr. Xiong Guangwei, born in Mar 1963, Doctor of Civil Engineering. He graduated from Tsinghua University and got Bachelor of Engineering in 1984. In Apr 1995, he graduated from Swiss Federal Institute of Technology and got Doctor of Civil Engineering. From May 1995 to Dec 2004, he successively took positions of assistant engineer, business development and market assistant director and project director in Swiss Holcim Cement Group. From Jan 2005 to Dec 2006, he was Director GM of Topmost China AGG Business in Anglo American. From Feb 2007 to Dec 2015 he successively took the positions of Director of Lafarge Guizhou Project, GM of Lafarge Chongqing Operation Unit and GM of Lafarge Yunnan Operation Unit, GM of Hunan BU. He became VP of the Company from Jan, 2016.</p>
Mr. Yuan Dezu	<p>Mr. Yuan Dezu, born in Sep 1963, Bachelor degree. In 1986, he graduated from Central TV University Huaxin Branch Campus, junior college education majored in Industrial Accounting. In 1997, he graduated from Hubei Communist Party School, majored in Enterprise Management and got Bachelor of Management. From 1998 to 2000, he had a correspondence course in Party School of Central Committee of the Communist Party. In Jul 1981, He entered Huaxin Cement Plant (predecessor of the Company), and successively took the positions of planner in Sales Department, deputy chief of Administration Section of Sales Department, vice manager of Sales Management Department, manager of Logistics Department, DGM of Sales Company, Marketing GM of Hubei East Region, Marketing Director of Hubei East Region. Since Feb 2011, he has been an AVP of the Company. From Feb 2011 to Apr 2015, he was GM of Hubei Northwest Cement Business Unit. Since Apr 2015, he became the GM of Hubei West Cement Business Unit. He is now the Executive Vice Chairman and Secretary General of Hubei Cement Association. He became VP of the Company from Jan, 2016.</p>
Mr. Yang Hongbing	<p>Mr. Yang Hongbing, born in September 1972, Bachelor of Engineering. In 1995, he graduated from School of Mechanics of Huazhong University of Science and Technology majored in Forging and Pressing, and then joined in Huaxin Cement Co., Ltd., he successively took the positions of engineer in Mechanics and Power Department, chief engineer in Dry Processing plant, assistant of the General Manager in Yichang Company, Deputy General Manager in Yichang Company and Project Manager for the phase II construction, Executive General Manager of Yichang Company, Executive General Manager of Zigui Company, Regional Production Director in Hubei West, General Manager of Hubei West Region. Since Jan 2012, he has been an AVP of the Company and General Manager of Hubei Southwest Cement Business Unit. Since May 2015, he has been the GM of Huaxin Environmental Engineering Co., Ltd. He became VP of the Company from Jan, 2016.</p>
Mr. Ron Wirahadiraksa	<p>Mr. Ron Wirahadiraksa, born in 1960, Dutch national, he graduated with a Doctoral in Business Economics in 1987 and as a Certified Registered Controller in 1990 from the Free University of Amsterdam, the Netherlands. From 2008 to 2011, he was Executive Vice President &amp; Chief Financial Officer, Andover, Massachusetts and Board Member of Philips Medical Capital, US and Europe of Philips Healthcare Sector. From 2011 to 2015, he was Executive Vice President &amp; Chief Financial Officer Amsterdam, Netherlands of Royal Philips. He has been CFO of LafargeHolcim Ltd since December 1, 2015. He had been a Director of the Company from Nov 9, 2016 to Feb. 6, 2017.</p>

Mr. Hu Chao	Mr. Hu Chao, Born in September 1975, Bachelor degree, Chinese CPA, probationary member of the Association of Chartered Certified Accountants (ACCA), Certificated Internal Auditor. He served as audit manager in Ernst & Young Accounting Firm Wuhan Branch. He joined the Company in August, 2011, and now is the head of the Internal Audit Department. He had been a supervisor of the Company from April, 2015 to Feb,2017.
Mr. Khoon-Cheng Yeoh	Mr. Khoon-Cheng Yeoh, a Malaysian, was born in June 1958, Certified Public Accountant of Malaysia. From 1987 to 2011, he held various positions in Malayan Cement covering finance, regional investments for Asia-Pacific, M&A and corporate secretary, Executive Director and Chief Financial Officer. From 2011 to Dec. 2015, he was posted to Lafarge Shui On in China as the Chief Financial Officer and also served as Board Director of the Sichuan Shuangma Co. Ltd.. He had been a VP and CFO of the Company from Jan, 2016 to Jul 2017.

## II. Positions of Director, Supervisor and Senior Management

### (I) Position at Shareholder Company

Name	Name of shareholder Company	Position	Starting	Ending
Li Yeqing	Huaxin Group Co., Ltd.	Party Secretary	Sep. 7, 2001	
Liu Fengshan	Huaxin Group Co., Ltd.	Chairman/GM	Sep. 21, 2011	
Peng Qingyu	Huaxin Group Co., Ltd.	Chairman of Labor Union/ Secretary to the Disciplinary Committee	Apr. 23, 2015	
Fu Guohua	Huaxin Group Co., Ltd.	DGM/ Secretary of General Party Branch	Feb. 8, 2006	

### (II) Positions at Other Companies/Units

Chairman Mr. Xu Yongmo, Director Mr. Martin Kriegner, Mr. Daniel Bach, Mr. Ian Riley, Independent Directors Ms. Liu Yan, Mr. Simon Mackinnon and Mr. Wang Liyan as well as the resigned Director Mr. Ron Wirahadiraksa have their positions respectively at other companies/units (please see the above career experiences).

## III. Remuneration for Directors, Supervisors and Senior Management

Decision procedures of remuneration for Directors, Supervisors and Senior Management	Remunerations for Senior Management shall be proposed by the Remuneration and Assessment Committee of the Board, discussed and decided by the Board of Directors; annual remuneration for Directors and Supervisors shall be approved by the Shareholders' General Meeting.
Basis for deciding remunerations for Directors, Supervisors and Senior Management	Based on the basic salary and Short-term Incentives for Directors, Supervisors and Senior Management approved by the Board Meeting and Shareholders' General Meeting, combined with the operating performance actually fulfilled by the Company, the Remuneration and Assessment Committee proposed the basic salary and Short-term Incentives for Senior Management, and then submitted them to the Board for approval. <i>Proposal in Respect of 2016 Short-term Incentives for Senior Management</i> was reviewed and adopted by the Twenty First Meeting of the Eight Board of Directors convened on March 22, 2017. <i>Proposal in Respect of 2017 KPIs for Senior Management of the Company</i> was reviewed and adopted by the Twenty Second Meeting of the Eight Board of Directors convened on April 25, 2017. The above-mentioned proposals respectively clarified 2016 short term incentives, 2017 basic salaries and KPIs for the Senior Management of the Company in a scientific and objective way.

Remuneration payable of Directors, Supervisors and Senior Management	At the end of the reporting period, remuneration payable (before tax) of Director, Supervisor and Senior Management is 34,955.8 thousand Yuan.
Actual Payment of Remuneration of Directors, Supervisors and Senior Management	At the end of the reporting period, actual payment (before tax) of remuneration of Directors, Supervisors and Senior Management is 34,955.8 thousand Yuan.

#### **IV. Changes of Directors, Supervisor or Senior Management**

Name	Position	Change	Reason
Martin Kriegner	Director	Elected	Fill the vacancy in the Board of Directors
Zhang Lin	Supervisor	Elected	Fill the vacancy in the Board of Supervisors
Ron Wirahadiraksa	Director	Left	For other commitments
Hu Chao	Supervisor	Left	For personal reasons
Khoon-Cheng Yeoh	Vice President	Left	For retirement

#### **V. Punishments from securities supervising authorities**

Applicable     Not applicable

## VI. Employees of the Parent Company and Subsidiaries

### (I) Employees

Employees at Parent Company	1,007
Employees at major subsidiaries	15,417
Total Employees	16,424
Pension Employees	0
Major Structure	
Type	Number
Production staff	11,422
Sales staff	1,284
Technique staff	1,836
Financial staff	610
Administrative staff	1,272
Total	16,424
Education	
Education level	Number
Master Graduate and above	150
Bachelor	1,692
Junior College	3,462
Others	11,120
Total	16,424

### (II) Remuneration Policy

During the reporting period, the Company further improved employee's remuneration through the total remuneration management, to stimulate the total remuneration assessment plan according to cement, Eco, concrete and aggregate sectors and closely link the performance with the people's remuneration.

### (III) Training Plan

In 2017, the Company provides online and offline learning programs based on organizational business strategy and talent development system in professional fields such as management, technology, marketing, procurement and safety, accelerating the cultivation of key talents and continuously improving the core competitiveness of the Company.

In 2017, the Company promoted the leadership of all levels of management personnel through projects such as Mini-MBA, senior management training, mid-level management training and online management courses. Through the continuous development of cement manufacturing courses, junior/intermediate/senior maintenance engineers, lubrication workers and welders, trainer training, team leader training and other training projects, to enhance the staff's professional and technical theoretical knowledge and practical operating skills. Through the implementation of e-commerce, logistics, and price system knowledge training, the professional skills that need to be mastered in different functions of the marketing system are strengthened. Focusing on the topics of product, organization, supplier management, market management and contract management, procurement expertise training will be conducted. Through the organization and implementation of health and safety TtT training programs covering high-level operations,

road transportation, mobile equipment, limited space, and contract party safety management, to enhance our employees' safety awareness and ability to prevent risks.

**(IV) labor outsourcing**

Unit: Yuan

Total remuneration paid for outsourcing labor	27,132,524.08
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## Chapter 9 Corporate Governance

### I. Company Governance Information

Corporate governance structure of the Company was in accordance with the requirements of the modern enterprise system and Governance Rules of Listed Companies. In strict compliance with the requirements of the rules and regulations in Company Law, Securities Law, Governance Rules of Listed Companies and Stocks-Listing Rules of SSE, and combined with the actual situation, the Company continuously improved its corporate governance structure and operated regularly.

### II. Shareholders' General Meeting

Name	Date	Disclosing website	Disclosing Date
ASGM 2016	April 20, 2017	www.sse.com.cn	April 21, 2017

### III. Performance of Functions by Directors

#### (I) Directors Present at Board Meetings and Shareholders' General Meetings

Name	Independent Director or not	Present at BM						Present at SGM
		Meeting number should attend	Present in person	Present in circular resolution	Present by proxy	Absent	Absent or present by proxy successively for 2 times or not	Present at SGM
Xu Yongmo	No	7	7	2	0	0	No	1
Li Yeqing	No	7	7	2	0	0	No	1
Liu Fengshan	No	7	7	2	0	0	No	1
Martin Kriegner	No	6	4	2	2	0	No	0
Daniel Bach	No	7	7	2	0	0	No	0
Ian Riley	No.	7	7	2	0	0	No.	1
Liu Yan	Yes	7	7	2	0	0	No	1
Simon Mackinnon	Yes	7	7	2	0	0	No	1
Wang Liyan	Yes	7	6	2	1	0	No	1

Board Meetings convened in 2017	7
Including: Meetings on-site	3
Meetings in circular resolution	2
Meetings On-site plus circular resolution	2

#### (II) Objection from Independent Directors on Relevant Issues of the Company

During the reporting period, Independent Directors did not raise any objection on proposals of Board Meetings or other non-Board Meeting proposals.

#### **IV. Important Opinions and Suggestions proposed by Special Committees to the Board of Directors during their duty performance, issues with objections and detailed situation that shall be disclosed**

During the reporting period, All the Special Committees to the Board of Directors have proposed important opinions and suggestions and diligently performed their duties.

##### **(1) Duty performance of the Strategy Committee**

During the reporting period, the Strategy Committee convened 2 meetings, conducted professional discussion on the current situation of supply side reform in China cement industry, opportunity of package system upgrade, Company and BU development strategy, overseas development strategy, Eco business development strategy and strategic planning on information security and provided comments and suggestions.

##### **(2) Duty performance of the Audit Committee**

During the reporting period, the Audit Committee convened meetings for 3 times, reviewed the Work Report 2016 of the Audit Committee, 2016 Financial Statement Audit Report (draft), 2016 Financial Report (draft) of the Company, 2016 Internal Control Assessment Report, the Proposal in respect of Appointing the Accounting Firm for 2017 Annual Report and External Auditor for Internal Control and the 2017 Half Year Financial Report of the Company etc. and formed resolutions. The Committee also heard the Auditor's work plan for the Audit of 2016 Annual Report, Annual Conclusion and Progress Report on Internal Audit and Control, Report on Preliminary Review of 2017 Financial Report, 2018 Work Plan on Internal Audit and Control, Regulations on Appointing the Accounting Firm by Listed Company and related party transaction between the Company and LafargeHolcim on day-to-day transaction of petcoke procurement and intended Africa joint investment. In respect of the audit work for the Annual Report, work plan of internal audit and control, external audit institution assessment and annual audit institution appointment/replacement, the Committee members shared their opinions and suggestions.

##### **(3) Duty performance of the Nomination Committee**

During the reporting period, convener interviewed with the nominated director candidates within the tenure of the Eighth Board of Directors and the Committee issued written comments for the nomination. In December, the Nomination Committee convened a panel discussion on the nomination of the Ninth Board of Directors, Independent Directors in particular, studying the compliance of nomination process.

##### **(4) Duty performance of the Remuneration & Assessment Committee**

During the reporting period, the Remuneration & Assessment Committee convened 1 meeting. Based on the 2016 KPI Result of the top management team, the Committee discussed the 2017 KPI Assessment Plan and shared comments and suggestions on the grant of long term incentive plan-"phantom performance stock (PPS)" 2017 (the First Grant) for the Top Management Team.



(5) Duty performance of the Governance & Compliance Committee

During the reporting period, the Governance & Compliance Committee convened 3 meetings and had face-to-face discussions for related departments. The Committee heard Status Report and 2017 Work Plan on Internal Audit and Control, assessed problems of compliance risk management in departments of legal, asset management, supervision office and environmental protection and accordingly formulated action logs. In addition, the Committee put forward comments and suggestions for improving corporate governance structure and promoting compliance operation of business.

**V. Risks of the Company Discovered by the Board of Supervisors**

The Board of Supervisors achieved unanimity on the monitoring issues of the Company.

**VI. Explanation on the inability to keep independence in business, personnel, assets, organization or finance related to the controlling shareholder.**

Applicable    ✓ Not applicable

Horizontal competition, counter measures, progress and follow up plan.

Applicable    ✓ Not applicable

## **VII. Senior Management Assessment and Incentive Mechanism**

According to the Proposal in Respect of 2016 Short-term Incentives for Senior Management, Proposal in Respect of 2017 KPIs for Senior Management of the Company approved by the Board of Directors, the Remuneration and Assessment Committee to the Board assessed the performance of the Senior Management combined with the actual annual operating performance of the Company, submitted the assessment results to the Board for approval and then implemented remuneration plans accordingly.

During the reporting period, the Annual Shareholders' General Meeting 2016 reviewed and adopted the *Proposal in Respect of Implementing 2017-2019 Long Term Incentive Plan for the Core Management* on April 20, 2017. The Twenty Second Meeting of the Eighth Board of Directors reviewed and adopted the *Proposal on the Grant Date, Price and Number of "Phantom Performance Stock (PPS)" 2017 (the First Grant) for the Top Management Team* on April 25, 2017.

## **VIII. Disclosure on internal control self-assessment report**

Detailed information of the 2017 Internal Control Assessment Report please refers to the website of Shanghai Stock Exchange: [www.sse.com.cn](http://www.sse.com.cn).

## **IX. Statement of Internal Control Audit Report**

PricewaterhouseCoopers Zhong Tian CPAs LLP appointed by the Company conducted audit on the effectiveness of internal control focusing on financial reports, and issued an unqualified opinions.

The Annual Internal Control Audit Report was disclosed at the same time as the Annual Report 2017. For detailed information, please log on the website of Shanghai Stock Exchange: [www.sse.com.cn](http://www.sse.com.cn).

Disclosure of the Internal Control Audit Report: Yes

## Chapter 10 Corporate Bonds

### I. 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)	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

#### 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).

#### Other information about the corporate bonds

1. The Maturity of 12 Huaxin 02 is 7 years, with options of coupon rate adjusting by the issuer and put provision by investors at the end of fifth year since issuance. In 2017, the

Company could adjust its coupon rate and it is the option period for investors to sell back options. The Company did not exercise the option to adjust the coupon rate, and no investor chose to sell back.

2. The Maturity of 12 Huaxin 03 is 7 years, with options of coupon rate adjusting by the issuer and put provision by investors at the end of fifth year since issuance. In 2017, the Company could adjust its coupon rate and it is the option period for investors to sell back options. The Company did not exercise the option to adjust the coupon rate, and no investor chose to sell back.

3. The Maturity of 16 Huaxin 01 is 5 years.

## II. Contact information of the corporate bond trustee and credit rating organization

Corporate bond trustee	Name	CITIC Securities Co., Ltd.
	Address	22 <sup>nd</sup> Floor, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contacts	Song Yilan
	Number	010-60833626
Corporate bond trustee	Name	Essence Securities Co., Ltd.
	Address	A02 at the 35 <sup>th</sup> floor and 28 <sup>th</sup> floor of Anlian Tower, Jintian Road 4018#, Futian District, Shenzhen
	Contacts	Xiao Jun
	Number	010-83321292
Credit rating organization	Name	China ChengXin Rating Co., Ltd.
	Address	8 <sup>th</sup> floor, Anji Tower, No. 760 Xizang South Road, Huangpu District, Shanghai

Corporate bond trustee for 12 Huaxin 02 and 12 Huaxin 03 is CITIC Securities Co., Ltd., Corporate bond trustee for 16 Huaxin 01 is Essence Securities Co., Ltd.

## III. Use of the raised funds from the corporate bonds

Issuance amount of 2012 first tranche of corporate bonds totaled 2 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raise funds from 2012 first tranche of corporate bonds have been used up. Issuance amount of 2012 second tranche of corporate bonds totaled 1.1 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raise funds from 2012 second tranche of corporate bonds have been used up. Issuance amount of 2016 first tranche of corporate bonds totaled 1.2 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raise funds from 2016 first tranche of corporate bonds have been used up.

## IV. 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.

#### **V. Credit updating mechanism for the corporate bonds, the repayment plan and other relevant information during the reporting period**

During the reporting period, there is no change on the credit updating mechanism for the corporate bonds, the repayment plan and other safeguards for the repayments. In order to sufficiently and effectively safeguard the interests of the bondholders, the Company has made a series of arrangements for the timely and full repayment to the bonds, including the appointing specialized departments and personnel, arranging funds for the repayment, establishing and strictly implementing the fund management plan.

#### **VI. Meeting held for the bondholders**

During the reporting period, the Company did not hold any meeting for the bondholders.

#### **VII. Performance of duties of the corporate bond trustee**

The bond trustee of 2012 corporate bonds (the first tranche) and 2012 corporate bonds (the second tranche) was CITIC Securities Co., Ltd., it had disclosed "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the first tranche) Trustee's Report (2016)" and "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the second tranche) Trustee's Report (2016)" on the website of Shanghai Stock Exchange on April 22, 2017. Profiles of two tranches of corporate bonds, annual operations and financial condition of the issuer in 2016, use of the raised funds, interest repayment and meetings for the holders were disclosed. CITIC Securities shall disclose the Trustee's Report 2017 on the website of Shanghai Stock Exchange within one month after 2017 audit report is disclosed, the bondholders have the right to look up the disclosed Trustee's Report at any time.

The bond trustee of 2016 corporate bonds (the first tranche) was Essence Securities Co., Ltd., it had disclosed "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Trustee's Report (2016)" and "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the second tranche) Trustee's Report (2016)" on the website of Shanghai Stock Exchange on June 10, 2017. Profiles of corporate bonds, annual operations and financial condition of the issuer in 2016, use of the raised funds, interest repayment and meetings for the holders were disclosed. Essence Securities shall disclose the Trustee's Report 2017 on

the website of Shanghai Stock Exchange before June 30, 2018, and the bondholders have the right to look up the disclosed Trustee's Report at any time.

### VIII. Financial highlights for the last 2 years by the reporting period end

Unit: Yuan

Item	2017	2016	Change over last year (%)	Reason for the change
EBITDA	4,939,292,252	3,024,500,833	63.31	
Liquid ratio	0.95	0.76	25	
Quick ratio	0.77	0.64	20.31	
Asset-liability ratio (%)	57	59	-2	
EBITDA/total liabilities	0.28	0.19	47.37	
Interest Protection Multiples	6.01	2.50	140.4	
Cash Interest Protection Multiples	8.16	7.53	8.37	
EBITDA Interest Protection Multiples	8.89	5.79	53.54	
Loan repayment rate (%)	100	100	-	
Interest repayment rate (%)	100	100	-	

### IX. Interest repayment of other bonds and debt financing instruments

On February 13, 2017, the Company repaid the interest payable for 2015 private placement bonds (the first tranche). For detailed information, please refer to the related announcement published on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on February 7, 2017.

### X. Bank credit of the Company during the reporting period

By end of the reporting period, bank credit amount of the Company was 14.885 billion Yuan, and the usable credit amount was 4.634 billion Yuan. The Company has timely and sufficiently repaid both principal and interest of the bank loans in 2017.

### XI. Execution of the relevant stipulations or commitments in the Prospectus of Corporate Bonds during the reporting period

During the reporting period, the Company strictly fulfilled the relevant contents in the Prospectus of Corporate Bonds, used the raised funds compliantly, timely repaid the interest, and there was no harm to the interests of bond investors.

### XII. Major issues and the impact on operations and repayment ability of the Company

Applicable Not applicable

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## **Chapter 11 Financial Report**

Please refer to the attachment- FINANCIAL STATEMENTS AND AUDITOR'S REPORT.

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## **Chapter 12 Documents for Inspection**

1. Financial Statements carrying the signatures of the legal representative, administrative leader of accounting and chief of accounting department.
2. Original Auditor's Report, audited and signed by the CPAs.
3. All original copies of the public notice and documents that were published on presses designated by CSRC.

Chairman: Xu Yongmo  
Legal Representative: Li Yeqing  
Huaxin Cement Co., Ltd.  
March 22, 2018