



# 2021

HUAXIN CEMENT CO., LTD.  
ANNUAL REPORT

## 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. Deloitte Touche Tohmatsu Certified Public Accountants 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 Mr. Chen Qian, 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 plan or proposal on surplus common reserve fund transferred to increase share capital for the reporting period reviewed by the Board of Directors

In 2021, the Parent Company achieved net profit of 3,256,784,379 Yuan or 5,363,525,692 Yuan net profit attributable to the shareholders after consolidation. The allocable profit of the Parent Company is 8,364,839,311 Yuan by the end of December 2021.

The Board proposes that on the basis of the total 2,096,599,855 shares, minus the shares on the special account for the repurchase until the registration date for 2021 annual profit distribution, a cash dividend of 1.00 Yuan per share (incl. tax) shall be distributed to all shareholders. The balance will be booked as undistributed profit. The Board also proposes that no capital reserve shall be converted into share capital for 2021. The company shares held by the repurchase special account shall not be included in this profit distribution.

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 3 Discussion and Analysis of the Management.

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## **DIRECTORY OF DOCUMENTS FOR REFERENCE**

1. Financial statements with the signatures and seals of the legal representative, the person in charge of accounting and the person in charge of the agency.
2. Original of the auditor's report with the seal of the accounting firm and the signature and seal of the certified public accountant.
3. Originals of all corporate documents and announcements that have been publicly disclosed in newspapers designated by CSRC during the Reporting Period.



# 01

## Chapter 1 Interpretation



## I. Interpretation

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

Interpretation of the common words		
Reporting period	means	Year 2021
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
Holcim Group	means	Holcim Ltd.
EBITDA	means	Earnings before interest, tax, depreciation and amortization
AFR	means	Alternative fuel raw material
IT	means	Information technology
KPI	means	Key Performance Indicators
NOx	means	Nitrogen oxide (s)
SNCR	means	Selective non-catalytic reduction
VAP	means	Value-added product
ICC	means	International Chamber of Commerce
EPC	means	Engineering Procurement Contract
Kgce/t.KK	means	Kilogram standard coal/ton clinker
CO <sub>2</sub>	means	Carbon Dioxide



# 02

## 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. Ye Jiaxing	Ms. Wang Lu
Liaison Address	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Tel	02787773898	02787773898
Fax	02787773992	02787773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

## III. Basic Information

Registered location of the Company	No. 600, East Daqi Avenue, Huangshi City, Hubei Province
Change of the registered location	Registered location was Huangshi Avenue No.897 Hubei Province when it was listed; in 2018, the registered location was changed.
Administrative location of the Company	Tower B, Huaxin Tower, 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	www.huaxincem.com
E-mail	investor@huaxincem.com

## IV. Information Disclosure and Place Available

Press for Information Disclosure	China Securities Journal, Shanghai Securities News
Annual Report available on the website	www.sse.com.cn
Place available	Securities and Investor Relations Department of the Company

## V. Company Stock

Type	Place of listing	Abbreviation	Stock code
A share	Shanghai Stock Exchange	Huaxin Cement	600801
H share	Hong Kong Stock Exchange	Huaxin Cement	06655

## VI. Other Information

Certified Public Accountants (domestic) appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Address	30 <sup>th</sup> Floor, No. 222, Yanan East Road, Huangpu District, Shanghai
	Appointed accountants	Mr. Chen Jialei, Mr. Pang Yong

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

### (I) Financial Statements Summary

Unit: Yuan

Item	2021	2020	Change over last year (%)	2019
Operating revenue	32,464,083,379	29,356,515,691	10.59	31,439,214,600
Net profit attributable to shareholders of the Company	5,363,525,692	5,630,598,812	-4.74	6,342,304,317
Net profit attributable to shareholders of the Company after extraordinary items	5,304,878,118	5,553,708,292	-4.48	6,179,988,412
Net cash flow from operating activities	7,594,957,122	8,405,472,760	-9.64	9,679,185,865

	At the end of 2021	At the end of 2020	Change over last year (%)	At the end of 2019
Net assets attributable to shareholders of the Company	26,729,911,468	23,571,375,317	13.4	21,309,042,690
Total assets	52,549,618,050	43,928,509,151	19.63	36,645,386,717

### (II) Financial Highlights

Item	2021	2020	Change over last year (%)	2019
Basic earnings per share (Yuan/share)	2.58	2.69	-4.09	3.03
Diluted earnings per share (Yuan/share)	2.58	2.69	-4.09	3.03
Basic earnings per share after extraordinary items (Yuan/share)	2.55	2.65	-3.77	2.95
Return on net assets, weighted average (%)	21.30	25.03	Down by 3.73 percentage points	33.63
Return on net assets after extraordinary items, weighted average (%)	21.07	24.68	Down by 3.61 percentage points	32.77

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

## IX. Quarterly key financial indicators of 2021

Unit: Yuan

	The first quarter (Jan.- Mar.)	The second quarter (Apr.-Jun.)	The third quarter (Jul.-Sep.)	The fourth quarter (Oct.-Dec.)
Operating revenue	6,189,376,312	8,555,009,760	7,709,476,944	10,010,220,363
Net profit attributable to shareholders of the Company	734,258,721	1,704,065,558	1,125,021,084	1,800,180,329
Net profit attributable to shareholders of the Company after extraordinary items	727,212,130	1,668,698,488	1,128,335,171	1,780,632,329
Net cash flow from operating activities	287,961,671	2,004,122,969	1,274,965,676	4,027,906,806



## X. Non-routine items and Amount

Unit: Yuan Currency: RMB

Non-routine items	2021 Amount	2020 Amount	2019 Amount
Gains/losses from disposal of non-current assets	-21,001,698	-9,013,118	157,081,620
Government subsidies, excluding regular fixed amount government subsidies	98,101,667	101,892,558	74,943,476
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	10,392,602	-	3,823,563
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	7,574,169	3,744,543	12,735,027
Reversal of provisions for receivables, assets impairment of accounts	10,361,223	2,338,361	43,412,375
In addition to the above items, other non-operating income and expenses	-41,061,154	-12,559,351	-13,216,729
Minus: impact from corporate income tax	11,441,802	11,733,195	68,926,365
Impacts from minority shareholders' interests(after tax)	-5,722,567	-2,220,722	47,537,062
<b>Total</b>	<b>58,647,574</b>	<b>76,890,520</b>	<b>162,315,905</b>

## XI. Item measured by Fair Value

Unit: Yuan

Item	Period beginning	Period end	Change in the period	Impacts on the profits of the period
Tradable financial assets	1,004,581,752	711,964,323	-292,617,429	19,452,534
Financing from accounts receivable	1,020,306,419	761,050,910	-259,255,509	-
Other equity instrument investment	33,774,995	55,867,066	22,092,071	-
Other non-current financial assets	32,827,254	26,343,260	-6,483,994	-5,011,458
Bonds payable	-	128,126,596	128,126,596	-5,394,371
<b>Total</b>	<b>2,091,490,420</b>	<b>1,683,352,155</b>	<b>-408,138,265</b>	<b>9,046,705</b>





# 03

## Chapter 3 Discussion and Analysis of the Management

### I. Discussion and Analysis on Business Operation

2021 marks the beginning of Fourteenth Five Year Plan, also the first year of Carbon Neutrality and Carbon Peak Initiative. Under the circumstances of overcapacity, overweight on low carbon, energy supply crunch and drastic fluctuation of supply and demand, Huaxin still anchored the established target of Five Year Double Performance, adhered to green and low carbon development. Within the reporting period, it further implemented the strategy of "Integrated Transformation Development, Overseas Expansion, High-tech Building Materials Expansion and Traditional Industry + Digital innovation "; non-cement capacity was expanded significantly; the Company adjusted the organization structure, thus accelerating the integrated development; intensify efforts in compliance of resources, safety and environment; strictly control asset, product quality, compliance and incorruptibility risks to solidify the lifeline of an enterprise; adhered to the strategy of "stabilize price and quality and operation"; In 2021, Huaxin has made breakthrough in various aspects and achieved high quality, high speed and high profit development, revealing a good start for the Fourteenth Five Year Plan.

#### (I) Accelerating integrated strategy to drive quality development

In 2021, the Company expedited the layout in non-cement business, aiming to transform through relying on the cement business, aggregate, concrete, wall material, environmental business, packaging and equipment integrated industry chain.



**With regard to cement business**

within the year, the M&A assets in Zambia and Malawi was successfully delivered, adding 1.75 million tons of cement capacity; the Company completed the renovation of the cement grinding station of the Maveni plant in Tanzania; 2,800 t/d cement clinker line in Narayani, Nepal was commissioned on January 8, 2022 despite of many difficulties.

**In terms of aggregate business**

12 aggregate production lines including Zhaotong, Chibi Phase II and Hefeng were put into operation. 10 aggregate projects under construction, including the Yangxin 100 million tons machine-made sand project, are progressing steadily. After all the projects are put into operation, the aggregate production capacity is expected to reach 270 million tons per year, which will significantly enhance the company's competitiveness.

**The concrete integration business**

The concrete integration business has been rapidly expanded, and 20 concrete integration sites such as Chibi, Chenzhou, Shuicheng, and Zhaotong have been completed and put into operation; the integration of Yueyang and Jingzhou grinding stations + concrete integration has been completed; 2 new sites were added based on Changzhou project, adding a total new concrete production capacity of 16.7 million m<sup>3</sup>/y.

**Regarding eco business**

Shiyan domestic waste phase II was successfully expanded; Shannan household waste phase II, Chongqing Shuangqiao hazardous waste, Shigatse hazardous waste and other projects have obtained environmental impact assessment. The alternative fuel project was quickly launched, and standardized design was completed. 16 such projects were approved by the environmental impact assessment. More than 10 projects including Sangzhi, Diqing, Dongchuan, and Fangxian are in civil engineering construction.

**In terms of new business**

The production lines of Zhuzhou eco bricks and Jianchuan eco bricks were put into operation, with an additional capacity of 180 million pieces. The acquisition of the first aerated block brick/board plant in Hainan was completed and the handover was successfully achieved. Yunxian aerated block production line was successfully put into operation, with an additional capacity of 850,000m<sup>3</sup>/y. The Changyang ceramsite, Xiangyang lime and Wanyuan lime projects have been put into operation successfully, with an additional capacity of 390,000 tons/year.

**As for resource acquisition**

1.49 billion tons of new resources were added during the year, and the total resource reserves of which the company has obtained mining licenses reached 3.6 billion tons.



### (II) Consolidating technology innovation, explore the new path of green and low carbon development

The Company stuck to independent research and development, forging Huaxin Manufacture digital integration platform, industry intelligence platform and commercial intelligence platform to empower innovative development. Within the year, the Company has finished building a digital control center. The digital integration system has been promoted integrated areas and market stations. Self-developed automatic program control in Yichang plant has achieved 95% of operation rate. 27 vehicles in 11 plants have been automated. Self-developed AI safety monitoring system in Yangxin plant was a success. Intelligent patrolling and quality inspection has been applied in different plants.

Huaxin also actively pushed forward low carbon projects with fundamental theory research. Co-researched with Hunan University, the world's first Auto Production Line of Cement Kiln CO<sub>2</sub> Carbon Absorption to Produce Brick in Wuxue industrial zone was commissioned.

Huaxin has developed C140 UHPC of stable performance, which was used in Shanghai bridge projects.

### (III) Efficient operation through reform, empowered management improves efficiency

Huaxin conducted organization reform to set up a matrix and flat structure featuring Area Management+Business Operation+Function Management. The business portfolio strategy has been realized through area management and business operation in horizontal and vertical dimension, hereby formulating the management structure of mutual promotion, mutual support, flat and efficiency, all coordinating to achieve the target and ensure the implementation of the strategy.

Stick to the redline of "occupational health, standardized discharge" to consolidate development basis. Huaxin launched health and safety audit, called for healthy enterprise, produced as requested by national product quality standard and internal control system and operate with compliance, effectively guarding against and defusing the compliance risks. Within the year, Tibet plant, Chibi plant were awarded the title of National Green Plant; Wuxue plant, Zigui plant were awarded Healthy Enterprise of Hubei Province; all the plants have discharged with permission; plants along the Yangtze River discharge with almost little waste water; beautiful plants evaluation were conducted in 21 plants on site; sample test for quality by market regulatory authority has reached 100% of pass rate.

Reform on the marketing was intensified, continue to search for the integrated business mode. Huaxin has widen and broaden the marketing management, coordinated to allocate resources of plants along the river; set up area marketing supervision, daily supervision for marketing, special marketing supervision and area marketing support; further research in the business mode for new business. Within the year, Huaxin has digitized non-cement business including aggregate, wall material and launched Huaxin Mall. The Company upholds the concept of "cash is king" and the turnover rate of receivables has been best-in-class in the cement industry.

Further improve cost benchmark, reinforce performance improvement mechanism. Huaxin has elevated the proportion of unified purchase coal, promoted the direct supply of raw material to add value for purchase. Through continuous promotion of best practice and optimizing its application, improve maintenance quality and risk monitor of key equipment operation to improve the consumption of alternative energy. Traditional thermal consumption of cement products reduced by 15.7 kcal/kg; the comparable energy consumption of 11 kiln plants is lower than 100 kgce/t.

#### (IV) Human oriented, actively fulfill corporate social responsibility

Huaxin continues to implement the remuneration policy that favors front-line employees. Outstanding staff, model workers, employee awarded in skills competition were given special pay rise. The Company also called for proactive and motived culture. In spite of difficulties due to the pandemic which impeded the progress, the Company still hired 660 employees externally, contributing to social employment. 40% of dividend ratio remains to pay back to investors. The Company also stepped up efforts to fulfill information disclosure and was awarded Shanghai Stock Exchange Listed Company 2020-2021 A Level for Information Disclosure. Huaxin was the first of its kind to publish Low Carbon Development White Book, which demonstrated a continuous force to contribute to the sustainable development in cement industry, and its determination and confidence to be the avant-garde in carbon neutrality.

## II. Industry situation of the reporting period

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

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

According to the statistics of China Cement Association Information Research Center, 2021 cement clinker capacity utilization rate was 74%. Overcapacity remained a major problem in the cement industry. Insufficient utilization will lead to shrink demand and outstanding excess. Inefficient capacity phased out slowly, the ratio of advanced capacity was low, altogether with de-capacity are still urgent problems to be solved.

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

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

### III. 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. For over twenty years, through the vertical integration, eco business transformation, overseas development strategy and business expansion strategy in high-tech building materials, the Company expanded its businesses to manufacturing and sales of RMX, aggregates, cement-based high-tech building material, cement kiln co-processing of wastes, EPC for both home and abroad cement projects, equipment business and project contracting regarding the cement kiln co-processing technology etc, gradually developing into a global building material group in China with the whole industry chain and integrated development.

The Company has been listed in the Chinese Manufacturing Industry Top 500 and Fortune China Top 500. By the end of 2021, the Company owns almost 270 subsidiaries in 14 provinces and cities including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shanxi and Hainan as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi with total cement capacity of 116 million tons/year (grinding capacity, capacity in joint ventures are included), cement equipment manufacturing capacity of 50,000 tons/year, commercial concrete capacity of 43.80 million m<sup>3</sup>/year, aggregate capacity of 154 million tons/year, composite eco wall material of 540 million units/year, aerated concrete products (brick, board) of 850,000 m<sup>3</sup>/year, mortar production capacity of 300,000 tons/year, UHPC 40,000 m<sup>3</sup>/year, civil building curtain wall slab of 800,000 m<sup>2</sup>/year, industrial use anti-corrosion tiles of 3 million lime m<sup>2</sup>/year, lime of 690,000 tons/year, cement packaging bag capacity of 700 million bags/year and wastes disposal capacity of 5.53 million tons/year (including CIPs).

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

#### (II) Operation model of the Company

##### 1. Model of management

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

##### 2. Model of production

Production of the Company is defined by sales volume. Subsidiaries formulate annual production and operation plan based on the demand in their respective regions.

##### 3. Model of sale

The model of sale features guidance from the Headquarter, and direct operation of some core areas, industry zones and plants are operated as a unit, importance on both direct sales and distributions. The pursuit of quality is the core and the Company strives to promote the brand and maintain its value so as to improve competitiveness in the market.

##### 4. Model of procurement

The Company launched the system in procurement and initiated the procurement strategy of "Unified Procurement" + "Online Procurement". Important raw materials and fuels are procured by the Headquarter collectively. The Company continues to develop and maintain direct supply strategic resources; all the office supplies, IT consumables and some industry products are procured by internal framework agreement and external e-commerce. Raw materials, fuels, auxiliary materials and spare parts that are yet to be included in the scope of Unified Procurement and Online Procurement are procured collectively on a standard and process-oriented bidding platform of the Headquarter.

### (III) Cement industry situation

#### 1. Cement products

Cement is an important and basic building material widely used in national infrastructure construction, municipal infrastructure and facility, housing development, rural vitalization infrastructure and civil building construction. In the meantime, featuring with wide distribution of raw material and good performance in construction, cement will remain an irreplaceable construction material for quite a long time in the future.

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



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

#### 2. Concrete products

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

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



The company's concrete capacity is mainly distributed in 10 provinces and cities including Hubei, Hunan, Yunnan, Sichuan, Chongqing, Tibet, Henan, Guizhou, Jiangxi and Jiangsu. Overseas has built a concrete mixing plant in Cambodia with an annual capacity of 200,000 m<sup>3</sup>/year.

#### 3. Aggregate products

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

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

## IV. 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 unwaveringly 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.

Core competitiveness of the Company is reflected as followed:

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

Since being listed, through continuous merge and acquisition, the Company has been equipped with 116 million tons of capacity across 14 provinces and cities in China and in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi. In the meantime, the Company advocates and fulfills the development concept of "Rational Competition, Industrial Integration and Environmental Transformation". Relying on the Company's major business of cement, the Company steadily developed RMX, aggregate, eco wall material, cement equipment and engineering businesses, cement based new building materials and eco business relied on Cement Kiln Co-processing, realizing vertically integral development earlier than other companies and forming coordinated competitiveness of synergy in both upstream and downstream whole industry chain.

### 2. Advantages in green and low carbon development

Guided by the new development concept, the company is the first enterprise in the industry to implement environmental protection transformation and development. Through extensive use of alternative raw fuels, green mines, the improvement of the intelligent level of industrial system, and the pilot projects of co-generation of heat and carbon reduction for integrated projects such as cement-aggregate-wall materials, the company has deployed carbon reduction practices in advance, forming a green, low-carbon advantages. The company is the first in the cement industry to release the 2025-2060 "carbon peak, carbon neutral" double carbon emission reduction white paper. The world's first "Auto Production Line of Cement Kiln CO<sub>2</sub> Carbon Absorption to Produce Brick" jointly developed by the company and Hunan University was successfully put into operation in Huaxin Wuxue Industrial Park. In the 2021 Ministry of Industry and Information Technology's 2021 Energy Efficiency "Leader" selection event, s Xinyang and Zhuzhou plants were selected and ranked first and second in the industry. Huaxin was the first of its kind to publish Low Carbon Development White Book, which demonstrated a continuous force to contribute to the sustainable development in cement industry, and its determination and confidence to be the avant-garde in carbon neutrality.

By the end of 2021, the company's "Complete Technology of Efficient Ecological Utilization of Solid Waste in Cement Kilns" with independent intellectual property rights has been applied in 20 cement factories in 7 provinces and cities in China, and the environmental protection business covers 50% of cement kiln lines. The newly commissioned Huangshi 2.85 million tons clinker/y line can achieve a TSR of more than 40% at the peak, which is at the international leading level.

### 3. Advantages in technology innovation

The Company has upheld the concept of "Development Driven by Innovation, Leading at the front of the industry". Starting from industry practical application and combining introduction and self-development, the Company has established a complete set of full-fledged technology innovation system and cultivated 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 exploring technology 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 2009 and 2016 Second Prize in the National Science and Technology Progress Awards (the first batch of units to finish the award). In 2021, Using Alternative Fuel to Reduce Clinker Carbon Emission Technology was listed among the category of low carbon technology of Ministry of Industry and Information. The development and application of low carbon nitrogen reduction super scale cement production technology and equipment was recognized as world's leading level by building materials association.

By the end of 2021, the Company obtained 48 patents for invention derived from production practice and 81 patents of utility model.





#### 4. 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 2021, the Company ranked 167<sup>th</sup> in the “China’s 500 Most Valuable Brands” for the sixth time with the brand value at 70.269 billion RMB, 17.4% rise in brand value over last year. Meanwhile, the Company ascended among the ranking list of Asian Top 500 Brands for the seventh year in a row, climbing to 80<sup>th</sup> place this year. In addition, Huaxin Cement was listed the 306<sup>th</sup> place in Chinese Manufacturing Enterprises Top 500, and 2021 National Top 100 Enterprises.



#### 5. Advantages in the tradition of quality product

The Company was selected as one of the national “Quality Model” Enterprises. The Company is the first enterprise in cement industry that passed the GB/T19001—ISO9001 quality system authentication. All 15 types of 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, Three Gorges Dam and have won widespread acclaim.

#### 6. Advantages in strategy layout

Chinese plants of the Company are mostly located along Yangtze River economic belt, key areas or hot spots in the west where economy is vibrant and market demand can be guaranteed comparatively. For overseas plants of the Company, they are planned in countries along the Belt and Road Initiative that have good friendship with China. In the meantime, the choice of location abides by the principle of “guaranteed resources, convenient traffic and potential in market growth”. As for the layout of cement based new material business and eco business of cement kiln co-processing, the Company fully considers the relevance, the coupling and synergy with its main business cement. Business layout, concentration and synergy of market layout have formed the Company’s own strategic advantages.

#### 7. Advantages in digital innovation

Through the implementation of the development strategy of “traditional industry + digital innovation”, the company focuses on the three intelligent closed loops of “industry, commerce and management”. Based on energy management and data center, Huaxin continuously to promote the optimization of business operations and production management in 272 projects in 5 categories to support business transformation and development, and enhances corporate competitiveness.

The company has built an internal-to-external, upstream and downstream collaborative digital operation system. At the same time, unmanned industrial intelligent applications have been applied in mining, cement production and logistics delivery. Huaxin’s “integrated management and control platform for intelligent cement manufacturing” was selected as the first batch of industrial internet enterprises in Hubei Province in 2021, and Huaxin Cement Enshi Company was selected as the second batch of benchmark enterprises in Shangyun in Hubei Province.

By the end of 2021, the company has implemented a total of 272 digital projects in 41 categories in all 33 industrial parks/bases/companies. Huaxin has built the first smart plant and opened the industry’s first digital control center to provide monitoring and early warning, command and dispatch, and decision support.

#### 8. Advantages in professional, stable and efficient management team

Top management’s leadership is the key to the Company’s strategy success. Huaxin is equipped with a management team with advanced concept, good at learning, execution and stability. Most of them have over 20 years of experience in the industry.

## V. Main business operation indicators of the reporting period

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

### (I) Major Operations

#### 1. Changes of Items in the Income Statement and Cash Flow Statement

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Operating revenue	32,464,083,379	29,356,515,691	10.59
Operating cost	21,392,494,465	18,035,261,466	18.61
Selling and distribution expenses	1,331,208,970	1,427,678,136	-6.76
General and administrative expenses	1,634,697,607	1,604,700,517	1.87
Financial expenses	170,259,608	305,705,509	-44.31
R&D expenditures	71,401,459	55,979,438	27.55
Net cash flows from operating activities	7,594,957,122	8,405,472,760	-9.64
Net cash flows from investing activities	-6,794,063,625	-5,008,041,912	-35.66
Net cash flows from financing activities	-632,252,873	187,685,399	-436.87

Note: Financial costs change: less loss of foreign exchange and increase of savings interest.

Net cash flow from investing activities change: investment in the aggregate, RMX projects increased and continuous investment in projects under construction.

Net cash flow from financing activities change: paid the bonds due.

#### 2. Revenue and Costs

In 2021, the company achieved a total sales of 75.27 million tons of cement and clinker, a decrease of 0.96% from the previous year; aggregate sales of 34.97 million tons, a year-on-year increase of 51.71%; a total of 3.28 million tons of eco disposal, up by 11.56%; The sales volume of concrete was 9.05 million m<sup>3</sup>, a year-on-year increase of 96.49%.

##### (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 margin %	Operating revenue over last year %	Operating costs over last year %	Gross profit rate over last year %
Cement	24,067,650,740	15,924,573,208	33.83	1.84	10.72	Down by 5.31 percentage points
Concrete	3,175,398,379	2,578,492,840	18.8	68.94	70.31	Down by 0.65 percentage points
Aggregate	2,053,535,770	706,001,928	65.62	73.57	59.52	Up by 3.03 percentage points
Commercial clinker	1,606,353,621	1,314,106,783	18.19	22.36	45.59	Down by 13.05 percentage points
Others	1,561,144,869	869,319,706	44.32	15.73	9.56	Up by 3.14 percentage points
Total	32,464,083,379	21,392,494,465	34.10	10.59	18.61	Down by 4.46 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	10,937,873,007			23.43		
Hunan	2,608,969,488			-7.27		
Sichuan	2,098,820,692			3.38		
Yunnan	4,982,708,654			-13.16		
Tibet	950,722,504			-38.45		
Chongqing	1,937,854,607			-19.48		
Henan	773,585,456			31.34		
Jiangsu	2,111,605,491			149.05		
Jiangxi	303,685,930			1.41		
Anhui	715,944,446			46.79		
Shanghai	533,505,245			78.90		
Guangxi	157,822,179			-19.42		
Guangdong	1,153,205,610			32.12		
Guizhou	331,729,079			-3.23		
Overseas	2,582,895,534			36.67		
Others	283,155,457			104.81		
Total	32,464,083,379			10.59		

## (2) Output and sales volume

Unit: 10000 tons

Product	Output	Sales volume	Inventory	Output change over last year (%)	Sales volume change over last year (%)	Inventory change over last year (%)
Cement	7,299	7,014	156	0.97	-1.72	19.08
Clinker	6,169	512	203	1.01	10.58	-3.79

## (3) Performance of major procurement contract and major sales contract: Not applicable

## (4) 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	2,012,104,613	12.6	2,158,493,336	15.0	-6.8	
	Fuel and power	9,270,191,489	58.2	7,616,675,608	53.0	21.7	
	Depreciation and amortization	1,211,460,257	7.6	1,106,969,144	7.7	9.4	
	Labor and Others	3,430,816,849	21.5	3,500,466,491	24.3	-2.0	
Clinker	Raw materials	90,614,072	6.9	80,070,006	8.9	13.2	
	Fuel and power	849,282,754	64.6	555,480,364	61.5	52.9	
	Depreciation and amortization	94,608,433	7.2	68,380,556	7.6	38.4	
	Labor and Others	279,601,524	21.3	198,696,612	22.0	40.7	
Concrete	Raw materials	2,163,471,714	83.9	1,255,315,311	82.9	72.3	
	Fuel and power	11,509,840	0.4	6,919,526	0.5	66.3	
	Depreciation and amortization	60,258,048	2.3	30,362,877	2.0	98.5	
	Labor and Others	343,253,238	13.3	221,398,597	14.6	55.0	

**(5) Information of major clients and major suppliers**

On January 14, 2021, Huaxin signed an equity transfer agreement with Yidu Baishui Port Trading Company, transferring 100% of equity of Huangshi Yidu Packaging Company to the counterpart with 2,510,700 RMB. Huangshi Yidu Packaging Company was no longer included in the consolidated scope.

**(6) Major changes of the business, products or service :Not applicable**
**(7) Key accounts and major suppliers**

Sales of the Top 5 clients totaled 909.09 million Yuan, accounting for 2.8% of the annual total sales; no related party transaction was included in the total Top 5 clients' sales, accounting for 0% of the annual total sales.

Unit: Million Yuan

Item	Clients	Net sales	Percentage of the annual total sales(%)
1	Client A	201.85	0.6
2	Client B	194.44	0.6
3	Client C	188.71	0.6
4	Client D	186.98	0.6
5	Client E	137.10	0.4

Procurement amount of the Top 5 suppliers totaled 3,826.82 million Yuan, accounting for 19.2% of the annual total procurement volume; no related party transaction was included in the total top 5 suppliers' procurement volume, accounting for 0% of the annual total sales volume.

Unit: Million Yuan

Item	Suppliers	Procurement amount	Percentage of the annual total procurement(%)
1	Supplier A	2003.76	10.1
2	Supplier B	988.63	5.0
3	Supplier C	316.02	1.6
4	Supplier D	281.63	1.4
5	Supplier E	236.78	1.2

**3. Expenses**

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Selling and distribution expenses	1,331,208,970	1,427,678,136	-6.76
General and administrative expenses	1,634,697,607	1,604,700,517	1.87
Financial expenses	170,259,608	305,705,509	-44.31

Note: Decrease in financial expenses over last year of 44.31% is attributed by foreign exchange loss decline and the increase of savings interest.

**4. R&D investment**
**(1) R&D expenses**

Unit: Yuan

R&D expenses calculated as expenses	71,401,459
R&D expenses calculated as capital expenditure	8,342,714
Total R&D expenses	79,744,173
% in operating revenue	0.25
% of capitalized R&D	/



## (2) Employees engaged in R&D

Number of R&D	106
Proportion of R&D staff in the total number of staff (%)	0.7

## Education background of R&D staff

Category	Number
Doctor	5
Master	66
Bachelor	25
Junior	8
Senior high school or below	2

## Age of R&D staff

Age structure	Number
<30 (excluding 30)	37
>=30, <40	55
>=40, <50	9
>=50, <60	5
>=60	0

## 5. Cash flows

Unit: Yuan

Item	Current period	Last year same period	Change
Net cash flows from operating activities	7,594,957,122	8,405,472,760	-9.64
Net cash flows from investing activities	-6,794,063,625	-5,008,041,912	-35.66
Net cash flows from financing activities	-632,252,873	187,685,399	-436.87

Note: Net cash flow from investing activities decreased 35.66% due to the investment increase in aggregate, RMX projects and continuous investment in the projects under construction.

Net cash flow from financing activities decreased 436.87% due to the payment of the bonds due.

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

(III) Assets and Liabilities

### 1. Assets and Liabilities

Unit: Yuan

Item	31 December 2021	% in the total assets	31 December 2020	% in the total assets	Change over the 31 December 2020(%)	Remarks
Notes receivable	145,430,152	0.28	79,939,117	0.18	81.93	Increase in the collection of notes receivable
Accounts receivable	956,580,152	1.82	653,219,779	1.49	46.44	Rapid increase of concrete business, debts of client increased
Inventory	3,541,954,674	6.74	2,349,156,189	5.35	50.78	Scale expansion, coal price increase and products costs rise
Other equity instrument investment	55,867,066	0.11	33,774,995	0.08	65.41	The value increase of private shares investment
Construction in progress	4,199,141,042	7.99	3,104,429,340	7.07	35.26	Aggregate, concrete increased and other new projects requires continuous investment
Intangible assets	7,377,964,445	14.04	4,267,008,181	9.71	72.91	Newly acquired quarry right and the increase of M&A
Goodwill	643,192,969	1.22	476,084,798	1.08	35.10	M&A increase in Hainan and Zambia
Long-term prepaid expenses	582,072,668	1.11	363,760,774	0.83	60.02	Fee increase in quarry development
Other non-current assets	951,124,092	1.81	341,608,498	0.78	178.43	Prepaid construction bill and the increase in M&A
Notes payable	670,993,082	1.28	472,696,537	1.08	41.95	Fuel expenses increased in the way of notes payment
Accounts payable	7,112,302,355	13.53	5,297,633,770	12.06	34.25	Procurement increase due to scale expansion
Current portion of non-current liabilities	1,213,650,184	2.31	1,874,484,159	4.27	-35.25	Corporate bonds due for payment
Long term borrowings	5,081,924,506	9.67	3,504,279,973	7.98	45.02	New loans for new projects
Debentures payable	3,327,860,620	6.33	1,943,763,447	4.42	71.21	Issuance of corporate bonds 1.3 billion yuan
Long term payables	463,257,160	0.88	191,011,663	0.43	142.53	Payment by installments for quarry right increased
Employee benefits payable	54,458,394	0.10	127,205,104	0.29	-57.19	Long term incentives are to be paid, transferred to current liabilities
Provisions	347,473,462	0.66	233,393,286	0.53	48.88	Quarry treatment expenses increased
Deferred tax liabilities	572,865,342	1.09	284,920,603	0.65	101.06	The value estimated of M&A project in Africa increased, leading to the increase of deferred tax liabilities

## 2. Overseas assets

Among which: overseas assets is 6,569,672,736 RMB, 12.5% of total assets.

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

Unit: Yuan

Cash at bank and in hand	285,964,244
Notes receivable	23,000,000
Financing from accounts receivable	236,214,382
Fixed asset	5,413,440
Intangible asset	11,088,579

Note: Equity of some subsidiaries have been pledged to bank for long term loans. Book value net assets balance of those equities totals at 5,080,267,607 RMB.

(IV) Industrial operation information analysis: Inapplicable

## (V) Investments

### 1. External equity investment

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Tradable financial assets	711,964,323	1,004,581,752	-29.13
Other equity instrument investment	55,867,066	33,774,995	65.41
Other non-current financial assets	26,343,260	32,827,254	-19.75
Long-term equity investments	523,612,871	512,281,201	2.21

#### (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

#### (2) Major non-equity investment: Inapplicable

#### (3) Financial Assets valued by fair value

Unit: Yuan

Project name	Original investment (Yuan)	Balance at the end of the period	Fund resource	Purchased for this period	Sold for this period	Impact to the profit for the period	Change in fair value
Tradable financial assets	700,000,000	711,964,323	Self owned	2,000,000,000	2,300,000,000	19,452,534	7,382,570
Other non-current financial assets	3,861,725	26,343,260	Self owned	-	-	-5,011,458	-6,483,994

(VI) Major assets and equity sale: 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
Huaxin Cement (Wuxue) Co., Ltd.	Production and sales of cement	300,000,000	2,294,623,827	1,308,486,614	436,058,021	1,798,054,242
Huaxin Cement (Yangxin) Co., Ltd.	Production and sales of cement	500,000,000	1,435,655,700	952,311,413	370,686,908	1,682,382,060
Huaxin Aggregate (Yangxin) Co., Ltd	Production and sales of Aggregate	140,000,000	1,538,499,267	374,045,587	285,343,089	1,435,017,145
Huaxin Cement (Huangshi) Co., Ltd	Production and sales of cement	850,000,000	3,095,591,129	1,080,631,083	207,029,393	1,401,222,773

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

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

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

The year 2022 is a critical year connecting the first year and initiating the second year of "Fourteenth Five Year Plan". Current economy will keep operating within a reasonable range, social fundamentals will be stable. The government fully implements "3060" carbon peak, carbon neutrality. 2022 presents both opportunities and challenges for China's cement industry. The industry outlooks are as followed:

#### 1. Differentiated demand of cement in different regions, overall the demand is stable.

As Chinese economy faces mounting pressure, it's stated in the central economic conference that the economy work in 2022 should be stable first, progress amid stability and policy stimulus ahead of schedule at an appropriate time. As for infrastructure, central government put forward that properly invest in infrastructure ahead, accelerate to issue special bonds, coordinate regional development. For real estate, central government stay on the track of "houses are for living not for speculation" and "stabilize land price, housing price and expectation", boosted the basic-need housing construction, driving virtuous circle and healthy development of real estate industry. Cement demand in 2022 is expected to differentiate in regions, while regions with economic dynamism and continuous urbanization will remain steady.

#### 2. "Cutting output" remains the key note in the industry. Demand shrink led to more acute overcapacity.

Cement industry is still the key industry of supply side structure reform. As the dual carbon advances, low carbon expectation continuous to be rampant, normalization of off-peak production, electricity limit and dual control on energy consumption and intensity will be the major means to cut supply and effectively solve and phase out overcapacity. In addition, strict control on high consumption and high intensity projects including cement project will facilitate the merge and acquisition of the industry, hence the industry structure will be optimized further.

#### 3. Energy conservation, carbon reduction, industry chain expansion has become the new battlefield for industry competition.

Dual carbon, dual control on consumption and intensity will accelerate the upgrade and transformation of green, intelligent and digital development. The leading enterprises of cement industry will keep expanding the industry chain, increase investment in technology innovation, stimulate synergy of the industry, digital and intelligence and layout of new energy to significantly improve the energy efficiency and comprehensive utilization of resources, while the inefficient cement capacity that can't meet the efficiency bar will be phased out.

#### 4. Cement price under pressure and cost is to rise, stabilize industry performance is more difficult.

The coal price keeps surging dramatically. With the market reform, the price of electricity produced by coal increased as well. As the standards in energy consumption, safety, eco, transportation overload restriction and quarry treatment are intensified, cement enterprises needs to add technology investment in compliance, leading to the rise of production cost. Against the backdrop of overcapacity, the only way to maintain demand supply balance is to step up efforts in off-peak production, eco and output limit. Otherwise, cement price will face mounting pressure and fluctuation will be aggravated.



## (II) Development strategy of the Company

2022 is the mid-term test for the Double Performance Plan. The Company will promote the corporate culture of "trust, sacrifice, realistic, innovative," and adhere to the values of "safety first, customer centric, result orientated, act with integrity, ensure sustainable growth and people oriented" to pursue the vision of "Beautiful world starts with us". Shouldering the mission of "Clean our living environment, supply reliable building material", the Company will unify the thinking, define the goals, locating the path to implement and deepen four strategies of "integrated transformation, overseas development, expansion to high tech building material, traditional industry + digitization". On the basis of stable operation of domestic cement business, the Company will accelerate the layout of aggregate, wall material, concrete to integrate them as one, increase the disposal of hazardous wastes, speed up overseas business, gain new breakthroughs in new business to ensure capacity increase, profit increase and high quality to embrace the test.

## (III) Business Plan

### 1. Completion of the 2021 business plan

In 2021, the Company achieved operating revenue of 32.464 billion Yuan, completing 88.73% of the annual budget. Of which: sales revenue of cement and clinker completed 92.59% of the budget; concrete sales revenue completed 66.11% of the budget; aggregate sales revenue completed 83.23% of the budget; the Eco sales revenue completed 85.07% of the budget.

In 2021, the actual budget completion rate on overall investment was 49.36%.

By the end of 2021, total assets of the Company were 52.5 billion Yuan and the asset-liability ratio was 44.1%.

### 2. Business Plan for 2022

In 2022, the Company plans to sell 74.46 million tons cement and clinker, 18.07 million m<sup>3</sup> concrete, 78.22 million tons aggregate, eco disposal 3.94 million tons. Total operating revenue is expected to be 37 billion RMB.

In 2022, the Company plans to invest 12.2 billion RMB, mainly goes to aggregate business, overseas cement and integration business, among which 6 billion for mining licenses and 4 billion for fixed assets.

In 2022, total assets of the Company are predicted to be about 58.6 billion RMB and the asset-liability ratio is predicted to be around 42%.

To achieve the above business objectives, the Company will advance four strategies across the board:

(1) Adhere to the lifeline of "safety and environmental protection", and establish a benchmark for clean and civilized production in the industry. Implement health and safety improvement plans, carry out on-site safety audits, and build dual prevention mechanisms in all plants to meet the requirements of the new requirements of the Safety Production Law; carry out environmental audits in a targeted manner, establish a model for ultra-low emissions based on proprietary technologies, and is used for internal promotion.

(2) Continue to strengthen compliance supervision to guard against and eliminate potential business risks. Organize production in strict accordance with national product quality standards to ensure 100% qualified products; promote plants to obtain mining resources at a reasonable price; introduce digitalization to speed up the intelligent management of legal affairs and prevent legal risks in operation; further promote the creation of "clean and honest Huaxin" activities, to create a clean and upright corporate culture.

(3) Constantly launch marketing innovation to promote integration development. Expand market along Yangtze River, increase clients layout; optimize the brand system to ensure unified and standard brand; fully utilize digital advantages to extend intelligent marketing to aggregate, concrete and logistics.

(4) Optimize energy consumption indicators through AFR collaborative utilization, and continue to reduce procurement costs by means of centralized procurement and unified procurement. Increase the proportion of alternative fuel synergy utilization, and the company's overall TSR will reach more than 10% in 2022. Continue to implement cost benchmarking, formulate targeted cost improvement plans with the help of the best practice share; gradually expand the scope of centralized procurement in the central and western regions, continue to source and carry out cooperation, and purchase high-quality coal resources for overseas plants.

(5) Unswervingly launch the integrated development of the industry chain. Promote the integrated development of the industrial chain of aggregate, concrete, wall materials, eco disposal, packaging, and equipment engineering with cement as the core.

(6) Promote the implementation of industrial intelligent products, continue to improve and enhance the industrial intelligence level of plants; realize the upgrade of business intelligence systems such as marketing, procurement, and logistics; further refine monitoring indicators and monitor and analyze early warning conditions.

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

Risks of safe production and compliant operation of low carbon. The Company's production operations cover quarry exploitation, cement and cement product production, hazardous waste, household garbage, sludge disposal and other businesses. With ever more strict requirements for enterprise safety production and environmental protection discharge, once there are any safety and eco accidents, they will bring losses to the Company's reputation and property, and adversely affect the Company's operations. Additionally, against the backdrop of "carbon reduction", the quota for energy consumption will be elevated and more stringent. As the key industry of dual control, cement plants that fail to reach the bar will be deemed as inefficient capacity and phased out.

Overcapacity domestically and price pressure lead to downward performance. Cement demand is highly relevant to national economic development and fixed asset investment and is cyclical. China is accelerating to construct a new landscape, intensifying control on the real estate, coupled with price rise of bulk raw material and fuel, cement demand of China is likely to slide. Unless the overcapacity improves, the competition in the market will continue to intensify and price will be under pressure.

Surging production cost. The cost of fuel ranks the first in the cement production. Demand and policy pushed the coal and power price to rise in 2021. With the goal of carbon peak and carbon neutrality, energy consumption, safety, eco protection, transportation overload and quarry treatment requirements are being elevated. Therefore, enterprises needs to invest more in technology upgrade, contributing to the cost rise. In addition, the concept of "green mountains and lucid waters are gold and silver" gaining momentum, the cost of obtaining quarry right is surging as well.

Risk of operating overseas. Overseas development is one of the four strategies of Huaxin. Different countries have various political, economic, social and religious environment as well as legal systems. Professionals reserve, the epidemic, fluctuated foreign exchange, trade conflict and other uncertainties will pose challenges to the international operation.

To cope with the above risks, the Company shows the sense of responsibility of a large enterprise to actively implements national policies and measures such as "carbon reduction", "dual control of energy consumption and intensity", and local government off-peak production to promote the healthy development of the industry. Apart from that, Huaxin adheres to "innovation, compliance operation, integrated development" to enhance the competitiveness of enterprises. It also adheres to the concept of "safe and environmental discharge as the lifeline of production", increase investment in safe and eco protection to further eliminate/prevent potential environmental risks. By adhering to the customer-centric concept, innovating products, focusing on differentiated competition strategies, and building a digital marketing ecosystem, Huaxin tries to create differentiated advantages. Huaxin also optimizes energy consumption indicators through AFR collaborative utilization, and continue to reduce procurement costs by means of centralized procurement and unified procurement. Through technological transformation and digital technology innovation, we will build a highly intelligent "unmanned plant" to improve operational efficiency and reduce production costs. Strengthen the cultivation and introduction of compound talents to provide a strong guarantee for "going global".



# 04

## Chapter 4 Corporate Governance

### I. Company Governance Information

Corporate governance structure of the Company was in accordance with the requirements of the modern enterprise system and the Code of Corporate Governance for Listed Companies. In strict compliance with the requirements of the rules and regulations in the Company Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and other normative documents, and combined with the actual situation, the Company continuously improved its corporate governance structure and operated regularly.

**II. Specific measures to ensure the independence of company assets, staff, finance, institution and business taken by the controlling shareholder, de-facto controller and solutions, progress and follow-up plan due to the impact on the independence:Not applicable**

### III. Shareholders' General Meeting

Meeting	Convening Date	Disclosure website	Disclosure Date	Resolutions
The First Extraordinary Shareholders' General Meeting 2021	January 28, 2021	www.sse.com.cn	January 29, 2021	Proposal on Building Huangshi Huaxin Green Building Materials Industrial Park
Annual Shareholders' General Meeting 2020	April 27, 2021	www.sse.com.cn	April 28, 2021	1. 2020 Annual Work Report of the Board of Directors 2. 2020 Annual Work Report of the Board of Supervisors 3. Final Financial Report 2020 and Financial Budget Report 2021 4. Profit Distribution Plan 2020 of the Company 5. Proposal on Reappointing the Accounting Firm for 2021 Financial Audit and Internal Control Audit of the Company 6. Proposal in Respect of Amending Partial Articles in the Articles of Association of the Company 7. Review the Proposal in Respect of Electing Mr. Xu Yongmo, Mr. Li Yeqing, Mr. Liu Fengshan, Ms. Geraldine Picaud, Mr. Chi Kong Lo and Ms. Tan Then Hwee as Directors of the Tenth Board of Directors of the Company 8. Proposal in Respect of Electing Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong as Independent Directors of the Tenth Board of Directors of the Company 9. Proposal in Respect of Electing Mr. Peng Qingyu, Mr. Zhang Lin and Mr. Yang Xiaobing as Supervisors of the Tenth Board of Supervisors of the Company
The Second Extraordinary Shareholders' General Meeting 2021	May 27, 2021	www.sse.com.cn	May 28, 2021	1. Proposal on Public Issuance of Corporate Bonds in 2021 2. Proposal on Providing Guarantee for Huangshi Huaxin Green Building Materials Industry Co., Ltd
The Third Extraordinary Shareholders' General Meeting 2021	July 12, 2021	www.sse.com.cn	July 13, 2021	Proposal in Respect of Amending Partial Articles in the Articles of Association of the Company
The Fourth Extraordinary Shareholders' General Meeting 2021	August 23, 2021	www.sse.com.cn	August 24, 2021	Proposal in Respect of Electing Mr. Ming Jinhua as Shareholder Supervisor of the Tenth Board of Supervisors of the Company
The Fifth Extraordinary Shareholders' General Meeting 2021	September 13, 2021	www.sse.com.cn	September 14, 2021	1. The Proposal on the Plan regarding the Changing the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by way of Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd. 2. The Proposal on Authorizing the Board of Directors and Its Authorized Persons to Handle all Matters Related to the Company Changing the Listing Venue of Its Domestically Listed Foreign Shares & Listing by Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd. 3. The Proposal on Determining the Authorized Persons of the Board of Directors 4. The Proposal on the Conversion of the Company into a Limited Stock Company that Issues and Lists Its Shares Abroad 5. The Proposal on Reviewing the Articles of Association of Huaxin Cement Co., Ltd. (Draft, applicable after the listing of H shares) 6. The Proposal on the Validity Period for the Resolution on the Company's Proposed Change of Listing Venue of Its Domestically Listed Foreign Shares & Listing Its Shares for by way of Introduction on the Main Board of The Stock Exchange of Hong Kong Limited
The Sixth Extraordinary Shareholders' General Meeting 2021	December 31, 2021	www.sse.com.cn	January 1, 2022	Proposal on Adjusting the Allowance of Non-Executive Chairman



#### IV. Directors, supervisors, senior management

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

Unit: Share

Name	Position	Gender	Age	Starting	Ending	Shares held at year begin	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	65	April, 2021	April, 2024					82.8	No
Li Yeqing	Director/CEO	M	57	April, 2021	April, 2024	649,630	739,030	89,400	purchase shares on 2 <sup>nd</sup> market	604.03	No
Liu Fengshan	Director/VP	M	56	April, 2021	April, 2024	200,700	244,700	44,000	purchase shares on 2 <sup>nd</sup> market	282.40	No
Geraldine Picaud	Director	F	51	April, 2021	April, 2024					21.6	Yes
Chi Kong Lo	Director	M	58	April, 2021	April, 2024					21.6	Yes
Tan Then Hwee	Director	F	49	April, 2021	April, 2024					21.6	Yes
Wong Kun Kau	Independent Director	M	61	April, 2021	April, 2024					24	No
Zhang Jiping	Independent Director	M	53	April, 2021	April, 2024					24	No
Jiang Hong	Independent Director	M	51	April, 2021	April, 2024					24	No
Ming Jinhua	Supervisor Chairman	M	49	August, 2021	April, 2024		6,500	6,500	purchase shares on 2 <sup>nd</sup> market	91.11	No
Zhang Lin	Supervisor	M	49	April, 2021	April, 2024	45,300	87,200	41,900	purchase shares on 2 <sup>nd</sup> market	119.48	No
Yang Xiaobing	Supervisor	M	51	April, 2021	April, 2024					59.88	No
Zhu Yaping	Supervisor	M	53	April, 2021	April, 2024					82.63	No
Liu Weisheng	Supervisor	M	49	April, 2021	April, 2024		13,700	13,700	purchase shares on 2 <sup>nd</sup> market	61.15	No
Ke Youliang	VP	M	56	April, 2021	April, 2024	289,072	419,061	129,989	purchase shares on 2 <sup>nd</sup> market	301.57	No
Du Ping	VP	M	51	April, 2021	April, 2024	81,400	124,800	43,400	purchase shares on 2 <sup>nd</sup> market	288.18	No
Liu Yunxia	VP	F	53	April, 2021	April, 2024	133,440	176,960	43,520	purchase shares on 2 <sup>nd</sup> market	274.00	No
Mei Xiangfu	VP	M	49	April, 2021	April, 2024	88,460	135,040	46,580	purchase shares on 2 <sup>nd</sup> market	288.93	No
Yuan Dezu	VP	M	58	April, 2021	April, 2024	76,720	117,220	40,500	purchase shares on 2 <sup>nd</sup> market	278.97	No
Yang Hongbing	VP	M	49	April, 2021	April, 2024	74,864	134,364	59,500	purchase shares on 2 <sup>nd</sup> market	278.66	No
Xu Gang	VP	M	43	April, 2021	April, 2024	60,600	64,600	4,000	purchase shares on 2 <sup>nd</sup> market	257.27	No
Chen Qian	VP / CFO	M	43	April, 2021	April, 2024	8,000	35,000	27,000	purchase shares on 2 <sup>nd</sup> market	165.65	No
Ye Jiaying	VP / Secretary to the Board	M	40	April, 2021	April, 2024	34,225	64,625	30,400	purchase shares on 2 <sup>nd</sup> market	152.20	No
Wang Jiajun	VP	M	41	April, 2021	April, 2024	18,200	37,500	19,300	purchase shares on 2 <sup>nd</sup> market	151.31	No
Liu Yan	Independent Director	F	48	April, 2018	April, 2021					12	No
Simon Mackinnon	Independent Director	M	60	April, 2018	April, 2021					12	No
Wang Liyan	Independent Director	M	64	April, 2018	April, 2021					12	No
Peng Qingyu	Chairman to the Board of Supervisor	M	61	April, 2021	July, 2021	381,932	435,932	54,000	purchase shares on 2 <sup>nd</sup> market	143.19	No
Fu Guohua	Supervisor	M	58	April, 2018	April, 2021	18,200	19,900	1,700	purchase shares on 2 <sup>nd</sup> market	21.76	No
Yu Yousheng	Supervisor	M	58	April, 2018	April, 2021					25.43	No
Wang Ximing	Secretary to the Board	M	62	April, 2018	April, 2021	377,344	469,844	92,500	purchase shares on 2 <sup>nd</sup> market	60.92	No
Kong Lingling	CFO	F	57	April, 2018	April, 2021	375,853	446,653	70,800	purchase shares on 2 <sup>nd</sup> market	69.92	No
Xiong Guangwei	VP	M	58	April, 2018	April, 2021	35,300	74,900	39,600	purchase shares on 2 <sup>nd</sup> market	147.67	No
Chen Bing	VP	M	54	April, 2018	September, 2021	34,400	34,400			155.10	No
Total						2,983,640	3,881,929	898,289		4,617.01	/

Note: 20 senior executives and supervisors received 35.2272 million yuan cashed in by 2018 phantom stock incentive. In addition to the above remuneration, in 2021, Directors, supervisors and senior management still had a total amount of RMB 33.9498 million accrued of share based payment, and the actual payment amount in the future will be subject to the assessment of the performance status.

Con.

Name	Main work experience
Xu Yongmo	<p>Mr. Xu Yongmo, born in April 1956, Master of Engineering, Doctor and Post Doctorate who had studied in the UK. 1982-1983, assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant; 1986-1988, head 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 &amp; Cement Product Association; from December 2016 till now, executive president of China Concrete &amp; Cement Product Association; from March 2007 till now, director-general of China Construction Units Association; from October 2007 to July 2019, VP of China Cement Association; from December 2011 to March 2019, director-general of China Silicate Association; from April 2021, he became an independent director of Jiangsu Sobute New Materials Co., Ltd. He became Independent Director of the Company from April 2009 to March 2012. He became the Chairman of the Company in April 2012.</p>
Li Yeqing	<p>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, he 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 joined Huaxin Cement Plant (former name of the Company) in November 1987, taking the 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 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 concurrently took the positions of Chairman of Hubei Building Materials Federation since January 2014. He concurrently served as Executive Vice Chairman of the Sixth Council of China Building Materials Federation since October 2020.</p>
Liu Fengshan	<p>Mr. Liu Fengshan, born in November 1965, master's degree in public relations from Singapore Nanyang Technological University. Mr. Liu graduated from Kunming Engineering College in July 1987 and got a bachelor's degree in 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 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 the Discipline Inspection Commission of Huangshi City. From April 2004 to October 2006, he was the deputy secretary of the 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 in April 2012. He became VP of the Company in June 2012.</p>
Geraldine Picaud	<p>Ms. Geraldine Picaud, French nationality, was born in February 1970, and she holds a Master's Degree in Business Administration from Reims Business School. She began her career in Arthur Andersen, and acted as Head of Business Analysis and then CFO at international specialty chemicals group, Safic Alcan for 13 years. In 2007, she joined ED&amp;F Man as Head of Corporate Finance in charge of M&amp;A, and later she served as CFO of Volcafe Holdings, the Switzerland-based coffee business of ED&amp;F Man. In 2011, she joined the CAC 40-listed ophthalmic optics company Essilor International, where she was CFO. In January 2018, she became an executive committee member and CFO of Lafarge Holcim. She has been the Director of the Company since April 2018.</p>
Chi Kong Lo	<p>Mr. Chi Kong Lo, born in July 1963, MBA of Purdue University, CPA certified in Ohio USA. From 1987 to 1991, MIS Manager and Executive Assistant in Ohio government agency Lake Metroparks, From May 1991 to August 1998, successively held the post of Financial Manager of Carrier Taiwan Co., Ltd and CFO of Shanghai Yileng Carrier Air Conditioning Co., Ltd. From 1998 to 2002, CFO of Switzerland Suzhou Schindler Elevator Co. From 2003 to 2005, Executive Vice President of Schindler China. From 2005 to 2018, successively held the post of Area Manager of Sika AG Greater China, President/Chairman of Sika China, Vice President/Head of M&amp;A of Sika AG Asia Pacific, Co-head Corporate M&amp;A of Sika AG. Since August 2018, he has been the Country Head Greater China of Lafarge Holcim Group. He became Director of the Company in December 2018.</p>

Con.

Name	Main work experience
Tan Then Hwee	Ms. Tan Then Hwee, Singapore nationality, born in December 1972, holds an MBA and BBA in Marketing from Wichita State University, Kansas, USA. She has over twenty years of human resources management experience in an international business environment across the Asia Pacific including leadership development, talent & succession management, employee engagement, organizational development, and compensation & benefits management. From February 1996 to February 2000, she was HR manager of LUCENT TECHNOLOGIES, KANSAS, USA. From November 2000 to February 2007, she served as project manager and HR business partner respectively in PHILIPS, HONG KONG. From April 2007 to March 2019, she served as VP HR in SIKA, Singapore, ASIA PACIFIC. She concurrently took the position of VP HR of LARFARGEHOLCIM LTD since March 2019 and she was elected to the Board of Directors of Ambuja Cements Ltd and a member of the Compliance Committee since April 2019. She became Director of the Company in September 2020.
Wong Kun Kau	Mr. Wong Kun Kau, born in November 1960, bachelor's in social science from the University of Hong Kong. From August 1992 to November 2007, he was the head of investment banking-Asia in BNP Paribas Capital (Asia Pacific) Limited. Before joining Peregrine Securities Ltd., he was with Wardley Investment Services Ltd., Bank America Trust Co., (HK) Ltd., Nomura International (HK) Ltd., and Samuel Montagu & Co., Ltd respectively. He is the founder and has been the CEO of Bull Capital Partners Limited since May 2008. He has been an independent non-executive director of REF Holdings Limited since August 2015, and he has been an independent non-executive director of Jianzhong Construction Development Limited since February 2020. Mr. Wong Kun Kau has over 28 years of experience in investment banking and corporate finance. From July 2010 to May 2019, he was an independent non-executive director of West China Cement Limited. From May 2012 to June 2016, he was an independent non-executive director of Anhui Conch Cement Company Limited. From August 2013 to May 2017, he was an independent non-executive director of Sansheng Holdings (Group) Company Limited. From June 2014 to June 2017, he was an independent non-executive director of China Shengmu Organic Milk Limited. He became Director of the Company from April 2021.
Zhang Jiping	Mr. Zhang Jiping, born in November 1968, holds an LL.B. degree and Master of Laws degree from the University of International Business and Economics in Beijing and an LL.M. degree from New York University School of Law. He worked at the Legal Department of China Securities Regulatory Commission as a staff attorney between 1993 and 1996. He worked at Simpson Thacher & Bartlett LLP in its New York and Hong Kong offices from 1997 to 2003. He joined Haiwen & Partners in February 2004 and is now being a managing partner. He has over 25 years of legal experience, and his practice primarily focuses on the FDI, M&A, and capital markets areas. He became Director of the Company from April 2021.
Jiang Hong	Mr. Jiang Hong, born in March 1970, holder of Bachelor's Degree in Economics granted from Finance and Economics Department of Xiamen University, a Chinese CPA, currently working as an off-campus instructor for graduate students at Shanghai University of Finance and Economics and Xiamen University, a representative of the Shanghai People's Congress and a member of the Standing Committee of the Jing'an District CPPCC. From August 1992 to June 2006: worked with the MOF Commissioners Office in Shanghai; From June 2000 to October 2015: worked as Chief Financial Officer, Chief Taxation Officer, and Chief Governmental Affairs Officer with Philips; From October 2015 to present: working as Vice-Chair of Shanghai Intellectuals Association Foreign Business Branch, Chair of Jing'an District Intellectuals Association, and in charge of O2Change startup incubator and incubation funds jointly created by over ten multinational corporations; currently acting as Chairman of Shanghai O2Change Network Technology Co., Ltd. He became Director of the Company from April 2021.
Ming Jinhua	Mr. Ming Jinhua, born in September 1972, MBA, Accountant, Economist. He graduated from Machinery Manufacturing major of Hubei Engineering Institute in July 1994 and got the degree of Bachelor of Engineering. He graduated from Business Administration major of Huazhong University of Science and Technology and got a bachelor's degree and MBA in June 2003. From August 1994 to June 1998, he served as a loan Officer of Huangshi Branch, Bank of China. From June 1998 to October 2006, he successively served as a member, senior staff member, director, and deputy director of the Second Office of Discipline Inspection and Supervision Division of Supervision Bureau of Huangshi Municipal Commission for Discipline Inspection. From October 2006 to September 2010, he served as a member of the Party Group of Tieshan District Government and deputy Head of Tieshan District, Huangshi City. From September 2010 to September 2011, he served as a member of the Party Group and Deputy Director of Huangshi Commerce Bureau (Investment Promotion Bureau). From September 2011 to February 2014, he served as the Standing Committee member and Secretary of the Commission for Discipline Inspection of Xisaishan District, Huangshi City. From February 2014 to September 2016, he successively served as Deputy Secretary of the Party Committee, Deputy Director-general, Secretary of the Party Committee and Director general of Huangshi MBEC, Chairman of Huangshi Yangtze River Bridge Operation Co., LTD., and Secretary of the Party Committee and Chairman of Huangshi Transportation Investment Group Co., Ltd. From September to December 2016, he successively served as deputy Secretary of Yangxin County Party Committee, Secretary of the Party Group of Yangxin County Government, and acting Head of the County. From December 2016 to July 2021, he served as Deputy Secretary of Yangxin County Party Committee, Secretary of the Party Group of the County Government, and Head of the County. From July 2021, he served as Deputy Secretary of the Party Committee and Secretary of Committee for Discipline Inspection of the Company and Huaxin Group. From August 2021, he served as the chairman of the Board of Supervisors of the company and the chairman of the labor union of the company and Huaxin Group.

Con.

Name	Main work experience
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, Head of Internal Control Department, Financial Director of Overseas BU, Chief of Internal Audit and Internal Control Department, and Director of Internal Audit. He took the position of Supervisor from April 2012 to April 2015. He became (Assistant Vice President) Director of Internal Audit and Internal Control Department of the Company in August 2019. He took the position of Supervisor in March 2017.
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 an 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, the Chief of the Labor Union Office. He currently takes the position of vice-chairman of the Labor Union. He took the position of Supervisor in April 2013.
Zhu Yaping	Mr. Zhu Yaping, born in September 1968, Master degree, Senior Engineer. He joined the company in July 1989. He successively took the positions of the electrical engineer of the company, deputy factory director of Dry Processing plant, deputy general manager of equipment and executive general manager of Huaxin Cement (Yangxin) Co., Ltd., and head of the maintenance department and general manager of the maintenance company. He is now the deputy director of the cement business department and responsible person for the cement industry of the company. He took the position of Supervisor from April 2021.
Liu Weisheng	Mr. Liu Weisheng, born in May 1972, master's degree, bachelor of Law, Master of Economics, Huazhong University of Science and Technology. He joined the company in July 1991. He successively took the positions of the business section chief of the sales department, marketing manager, assistant general manager of sales company, deputy general manager (marketing) of Southwest Region, and deputy director of president office. He is now the director of communication and public affairs, director of the president's office (supervision office), general manager of Huaxin Cement Technology Management (Wuhan) Co., LTD. He took the position of Supervisor from April 2021.
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 the economy in June 2001, graduated from Management Science and Engineering of Wuhan University of Science and got Doctor Degree of Management in 2007. Mr. Ke Youliang joined 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 successively served as Assistant GM of the Company & Manager of Planning and Development Department, GM of West Business Unit and GM of AGG & Wall Materials Business Unit from November 2001, and DGM of the Company from April 2003. He became VP of the Company in March 2004.
Du Ping	Mr. Du Ping, born in August 1970, Master of Management. In 1993, he graduated from Zhongnan University of Economics, majoring in Investment Principles. In 2003, he graduated from Zhongnan University of Economics and Law, majored in Enterprise Management, and got a Master of Management. He joined Huaxin Cement Co., Ltd in July 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 January 2003 to January 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 September 2012, he was selected in the "123 Key Talent Program of Hubei Province" (first batch). Since February 2011, he successively served as GM of Hubei East Cement Business Unit, GM of Yunnan Business Unit, and GM of Central Business Unit. Now he is also a member of the Hubei Youth Federation. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.
Liu Yunxia	Ms. Liu Yunxia, born in September 1968, MBA, Senior Engineer. In 1989, she graduated from Wuhan University of Technology, majored in the cement of silicate engineering, Bachelor of Engineering. In 2006, she graduated from Wuhan University of Technology and got an MBA degree. She joined the Huaxin Cement Plant (predecessor of the Company in July 1989 and was a teacher of technology in the Trade School of Huaxin. From February 1993 to January 2000, she was an engineer in the Engineering Department. From January 2000 to June 2012, she successively took the positions of vice manager and manager of the Development Department, and the GM of Tajikistan Plant. Since July 2012, she successively served as vice director of the Strategy and Development Center of the Company, GM of the Hong Kong Investment Company, GM of Oversea Business Unit, Head of Marketing & Procurement Businesses, and Head of Procurement Logistics and Oversea Trade Business. From July 2012 to January 2016, she was AVP of the Company. She became VP of the Company in January 2016.



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Name	Main work experience
Mei Xiangfu	<p>Mr. Mei Xiangfu, born in July 1972, Master of Engineering and MBA. He graduated from Nanchang Institute of Aeronautical Technology, majoring in Machine Manufacturing Processes and Equipment, and got a Bachelor of Engineering in 1994. In 2002, he graduated from Wuhan University of Technology, majored in Mechanical and Electrical Engineering, and got a Master of Engineering. In 2011, he graduated from Huazhong University of Science and Technology and got MBA. He joined 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 February 2011, he successively served as GM of Hunan and Guangdong Cement Business Unit, Head of the Growth and Innovation Business and Head of Operation and Cost Business, GM of New Business Unit, and GM of East Business Unit. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>
Yuan Dezu	<p>Mr. Yuan Dezu, born in September 1963, Bachelor's 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 a Bachelor of Management. From 1998 to 2000, he had a correspondence course in the Party School of Central Committee of the Communist Party. In July 1981, He joined Huaxin Cement Plant (predecessor of the Company), and successively took the positions of the planner in the 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. From February 2011, he successively served as GM of Hubei Northwest Cement Business Unit, GM of Hubei West Business Unit, and Head of Marketing. He is now the Executive Vice Chairman and Secretary-General of the Hubei Cement Association. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>
Yang Hongbing	<p>Mr. Yang Hongbing, born in September 1972, Bachelor of Engineering, Master of Administration. In 1995, he graduated from the School of Mechanics of Huazhong University of Science and Technology majoring in Forging and Pressing. From 2015 to 2018, he studied at the School of Management, Huazhong University of Science and Technology. He joined Huaxin Cement Co., Ltd. in 1995. He successively took the positions of the 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 February 2011, he successively served as General Manager of Hubei Southwest Cement Business Unit, Chairman and General Manager of Huaxin Environmental Engineering Co., Ltd., and Director of Cement Business Unit of the Company. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>
Xu Gang	<p>Mr. Xu Gang, born in March 1978, Master of Business Administration of Tsinghua University. He graduated from Safety Engineering major of China University of Geosciences in July 2000 and got the degree of Bachelor of Engineering. In the meantime, he majored in Financial Management at Huazhong University of Science and Technology and got a bachelor's degree. From 2000 to May 2005, he successively took the positions of Safety Engineer, Safety Manager and Technique Manager in Beijing Xingfa Cement Company Ltd. and Beijing Shunfa Cement Company Ltd. From May 2005 to May 2009, he successively took the positions of Integration Manager of Lafarge Shui On Cement China Region Merger &amp; Acquisition Project, Project Manager of Organization Structure Optimization and Strategic Manager of China region. From May 2009 to December 2015, he served as Lafarge's Marketing Director of Guizhou, Commercial Director of Chongqing, and Sales Director of Yunnan. From December 2015 to April 2016, he took the position of Marketing Director of Yunnan BU of Huaxin Cement. Since April 2016, he successively served as Head of Growth &amp; Innovation, Head of Strategy Development &amp; Procurement Businesses, and GM of Oversea Business Unit. From April 2016 to April 2018, he was AVP of the Company. From April 2018, he became VP of the Company.</p>
Chen Qian	<p>Mr. Chen Qian, born in September 1978, Master of Business Administration, Chinese Certified Public Accountant, Fellow Member of Chartered Global Management Accountant. He graduated from Fudan University with a bachelor's degree in World Economics in June 2001; in June 2008, he graduated from the Anderson School of Business in the United States with a master's degree in business administration. He started to work in 2001 and joined the Company in 2020. Before joining the Company, he successively acted as Senior Auditor of PricewaterhouseCoopers, Senior Consultant of Monitor Consulting Group, Chief Financial Officer of Sika Group China, Chief Financial Officer of IMI Critical Engineering Greater China and Korea, Chief Financial Officer of CIF Bureau Veritas China, and Chief Financial Officer of Terminix Group China. From May 2020 to April 2021, he served as the Deputy Chief Financial Officer of the Company. From April 2021, he became Vice President and Chief Financial Officer (CFO) of the Company.</p>

Con.

Name	Main work experience
Ye Jiaxing	Mr. Ye Jiaxing, born in August 1981, Bachelor of Laws in Wuhan University of Science and Technology, Master of Business Administration. He started to work in 2005. Main working experience: Legal Commissioner of Shougang Group Mining Investment Company, Legal Manager and Office Director of Philippines Company of Shougang Group Mining Investment Company, Head of Investment Legal Department of Shougang Group Mining Investment Company, Capital Operation Manager of Capital Operation Department of China Aluminum Corporation, General Manager of the Legal Department of China Huaxin Post and Telecommunications Economic Development Centre, General Manager of the Legal Affairs Centre of Lianjia Group (Beijing). Since May 2017, he successively served as the Legal Affairs Director and the Chief of Legal Compliance & Securities and Investor Relations Business of Huaxin Cement Co., Ltd; and he concurrently held the post of Secretary of Chinese Communist Youth League. From August 2019 to April 2021, he was AVP of the Company. From April 2021, he became VP and secretary of the board of the Company.
Wang Jiajun	Mr. Wang Jiajun, born in December 1980, master, senior engineer. In 2003, he graduated from Wuhan University of Technology majoring in non-organic non-metal materials with a Bachelor of Engineering. In 2012, he graduated with a Master of Engineering in material engineering major from Wuhan University of Technology. From June 2003 to June 2006, he worked as a process design engineer in Wuhan Building Materials Industry Design and Research Institute. He joined Huaxin in June 2006 and successively served as Manager of the Process Department, Manager of Engineering Department, Head of Environmental Protection Technology Department, Operation & R&D Director, and General Manager of Environmental Protection Department. Since February 2021, he has served as General Manager of Environmental Engineering BU and General Manager of New Materials BU. From August 2019 to April 2021, he was AVP of the Company. From April 2021, he became VP of the Company.
Liu Yan	Ms. Liu Yan, born in January 1973, received her Bachelor's law degree and LL.M. degree from Peking University Law School. She also received her second LL.M. degree from New York University School of Law. Ms. Liu is admitted to practice law in China and 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 September 2014 to April 2021.
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 September 2014 to April 2021.
Wang Liyan	Mr. Wang Liyan, born in February 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 Independent Director of the Company from September 2014 to April 2021.
Peng Qingyu	Mr. Peng Qingyu, born in June 1960, Master, Senior Economist. He graduated from Western Economics Major of Huazhong University of Science and Technology and got a Master's degree in Economics in April 2004. Mr. Peng Qingyu joined Huaxin Cement Plant (former name of the Company) in 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 the position of DGM of the Company and manager of Sales Company from April 2000 to March 2004. He was the Vice President of the Company from March 2004 to April 2015. From April 2015 to July 2020, he was the Discipline Inspection Commission Secretary. From April 2015 to July 2021, he was the Chairman of the Board of Supervisors. From April 2015 to August 2021, he was the Chairman of the Union of the Company.
Fu Guohua	Mr. Fu Guohua, born in July 1963, Bachelor, Statistician, China Commerce Operating Manager (CCOM). He joined 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, 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 to April 2021.

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Name	Main work experience
Yu Yousheng	Mr. Yu Yousheng, born in July 1963, Bachelor, Political Engineer, China Commerce Operating Manager (CCOM). He joined the Company in October 1989, served as secretary to the Party Committee Office, secretary to the Company Office, Chief of Policy Research Office; deputy and assistant administration manager, vice Party secretary, Chairman of the labor union of Xiangfan Company; vice director of Party Office, director of Labor Union Office, manager of corporate social responsibility team, chairman of Labor Union of the Headquarter, and general Party branch secretary of the Headquarter. Currently, he is the deputy secretary to the Discipline Committee and director of the Supervisory Office. He took the position of Supervisor from April 2012 to April 2021.
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 January 1993. Mr. Wang Ximing joined Huaxin Cement Plant (former name of the Company) in 1982 and used to be a teacher in Huaxin Technique School, vice secretary of Youth League Committee of Huaxin Cement Co., Ltd., the 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, and Secretary to the Board of Securities Department of the Company. He took the position of DGM and Secretary to the Board of the Company from April 2000. He was Vice President and Secretary to the Board of the Company from March 2004 to April 2018. He served as Secretary to the Board and Chief of Securities and Investor Relations from April 2018 to April 2021.
Kong Lingling	Ms. Kong Lingling, born in June 1964, Master of Economics, Senior Economist. She graduated from Wuhan University of Technology and got a Bachelor's Degree of Science in 1985; and graduated from Enterprise Administration Major of Fudan University and got Master degree in Economics in December 1992. Ms. Kong Lingling joined Huaxin Cement Plant (former name of the Company) in July 1985 and used to be the 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 of the Company. She became DGM of the Company from April 2000 and VP of the Company from March 2004 to April 2018. She served as CFO of the Company from April 2018 to April 2021.
Xiong Guangwei	Mr. Xiong Guangwei, born in March 1963, Doctor of Civil Engineering. He graduated from Tsinghua University and got a Bachelor of Engineering in 1984. In April 1995, he graduated from the Swiss Federal Institute of Technology and got a Doctor of Civil Engineering. From May 1995 to December 2004, he successively took positions of assistant engineer, business development and market assistant director, and project director in Swiss Holcim Cement Group. From January 2005 to December 2006, he was Director GM of Topmost China AGG Business in Anglo America. From February 2007, he successively took the positions of Director of Lafarge Guizhou Project, GM of Lafarge Chongqing Operation Unit and GM of Lafarge Yunnan Operation Unit, and GM of Hunan BU and Southern BU. From January 2016 to April 2021, he became VP of the Company.
Chen Bing	Mr. Chen Bing, born in December 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 with a master's degree in business administration. He joined Huaxin Cement Plant (predecessor of the Company) in July 1987. From September 1989 to March 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 March 2000 to February 2003, he was the manager of Wuhan Market Department of Huaxin Cement Sales Company. From February 2003 to January 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 January 2009 to October 2011, he concurrently took the positions of Executive DGM of RMC&AGG Business Unit of the Company and GM of Aggregate Company. From October 2011 to February 2014, he successively served as DGM of RMC&AGG Business Unit of the Company and GM of AGG Company. Since March 2014, he successively served as GM of RMC&AGG Business Unit of the Company, GM of Hubei East Business Unit, and GM of West Business Unit. He is vice chairman of the China Concrete and Cement Products Association since 2014. Since 2011, he has serves as vice chairman of Hubei Concrete and Cement Products Association. In 2015, he served as vice-chairman of the China Aggregates Association. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company from January 2016 to September 2021.

## (II) Duty performance of outgoing directors, supervisors and senior management

### 1. Position in the shareholder company

Name	Shareholder company	Position	Starting time	Ending time
Li Yeqing	Huaxin Group	Party Secretary	Sept 7, 2001	/
Liu Fengshan	Huaxin Group	Director, General Manager	Sept 21, 2011	/
Ming Jinhua	Huaxin Group	Deputy Party Secretary, Secretary of Committee for Discipline Inspection	July 14, 2021	/
		Chairman of Labor Union	August 31, 2021	/
Peng Qingyu	Huaxin Group	Chairman of Labor Union	April 23, 2015	August 30, 2021
Fu Guohua	Huaxin Group	Deputy Manager	February 8, 2006	/

### 2. Position in other companies

Chairman Xu Yongmo, independent directors Wong Kun Kau, Zhang Jiping, Jiang Hong, directors Geraldine Picaud, Chi Kong Lo, Tan Then Hwee, outgoing independent directors Liu Yan, Simon MacKinnon, Wang Liyan occupy positions in other companies, please see the above for their resumes.

## (III) Remuneration of the directors, supervisors, senior management

Decision procedure of the remuneration	The Remuneration and Assessment Committee of the Board of Directors proposes that the Board of Directors discuss and decide the remuneration of senior management personnel; the annual remuneration involving directors and supervisors shall be submitted to the general meeting of shareholders for approval.
Basis of determining the remuneration	On March 25, 2021, the twenty-seventh meeting of the ninth board of directors of the company reviewed and approved the Proposal in Respect of 2020 Short-term Incentives for the Senior Management and the Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2018 for the Top Management, respectively clarified the short-term incentive compensation of the company's senior management team members in 2020 and the incentive results of phantom stock in 2018.
	On April 28, 2021, the first meeting of the tenth board of directors of the company reviewed and approved the "2021 KPI Assessment Plan for Company Executives", which clarified the assessment plan for the company's executives' base salary and short-term incentives for KPI in 2021.
	On May 18, 2021, the second meeting of the tenth board of directors of the company reviewed and approved the Proposal on the Grant Date, Grant Price and Grant Quantity of A-1.1 and A-1.2 in 2021 of the 2020-2022 Core Employee Stock Ownership Plan, which clarifies the grant date, grant price, and the amount and number of shares to be granted to the A-1.1 and A-1.2 batches in 2021.
	On June 24, 2021, the fourth meeting of the tenth board of directors of the company reviewed and approved the Proposal on Remuneration Adjustment of Part of Senior Management of the Tenth Board of Directors, which clarified the annual salary of the four senior executives who changed their job responsibilities.
	On August 26, 2021, the seventh meeting of the tenth board of directors of the company reviewed and approved the Proposal on the Remuneration of the Chairman of the Company's Labor Union, which clarified the annual salary standard of the chairman of the company's labor union.
	On December 31, 2021, the company's sixth extraordinary general meeting in 2021 reviewed and approved the Proposal on Adjusting the Company's Non-executive Chairman's Allowance, which clarified the company's chairman's annual allowance standard after the scope of authority was increased.
Actually paid remuneration	Within the reporting period, directors, supervisors and senior management remuneration before tax is 98.013 million RMB.
Actually paid remuneration at the end of the period	Within the reporting period, directors, supervisors and senior management remuneration before tax is 98.013 million RMB.

## (IV) Change of directors, supervisors and senior management

Name	Position	Change	Reason
Zhang Jiping	Independent director	Elected	New term
Jiang Hong	Independent director	Elected	New term
Wong Kun Kau	Independent director	Elected	New term
Ming Jinhua	Chairman of Supervisors	Elected	By election
Zhu Yaping	Supervisor	Elected	New term
Liu Weisheng	Supervisor	Elected	New term
Chen Qian	VP, CFO	Appointment	Appointed by board
Ye Jiaying	VP, Board Secretary	Appointment	Appointed by board
Wang Jiajun	VP	Appointment	Appointed by board
Liu Yan	Independent director	Outgoing	End of term
Simon MacKinnon	Independent director	Outgoing	End of term
Wang Liyan	Independent director	Outgoing	End of term
Peng Qingyu	Chairman of Supervisors	Outgoing	Resign
Fu Guohua	Supervisor	Outgoing	End of term
Yu Yousheng	Supervisor	Outgoing	End of term
Wang Ximing	Board Secretary	Outgoing	End of term
Kong Lingling	CFO	Outgoing	End of term
Xiong Guangwei	VP	Outgoing	End of term
Chen Bing	VP	Outgoing	Resign



## V. Board meetings within the reporting period

Meeting	Time	Resolution
25 <sup>th</sup> Meeting of the Ninth Board of Directors	2021.1.12	Proposal in Respect of Convening the First Extraordinary Shareholders' General Meeting 2021
26 <sup>th</sup> Meeting of the Ninth Board of Directors	2021.1.28	Report on the Organization Structure Adjustment of the Company and Explanation
27 <sup>th</sup> Meeting of the Ninth Board of Directors	2021.3.25	<ol style="list-style-type: none"> <li>1. Annual Report 2020 and its abstract of the Company</li> <li>2. Final Financial Report 2020 and Financial Budget Report 2021</li> <li>3. 2020 Profit Distribution Proposal of the Company</li> <li>4. Proposal on the Modification of Corporate Accounting Policy</li> <li>5. Proposal on Authorizing the Management to Conduct Cash Management</li> <li>6. Proposal on Requesting for Approval of the Foreign Exchange Risk Management Rules and Authorizing the Management to Conduct Interest Rate Swaps of Foreign Exchange</li> <li>7. Proposal on Reappointing the Accounting Firm for 2021 Financial Audit and Internal Control Audit of the Company</li> <li>8. Internal Control Assessment Report 2020 of the Company</li> <li>9. Proposal on Cashing in 2020 Short-term Incentives for the Top Management</li> <li>10. Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2018 for the Top Management</li> <li>11. Proposal in Respect of Nominating Mr. Xu Yongmo, Mr. Li Yeqing, Mr. Liu Fengshan, Ms. Geraldine Picaud, Mr. Chi Kong Lo, Ms. Tan Then Hwee as the Director Candidates for the Tenth Board of Directors</li> <li>12. Proposal in Respect of Nominating Mr. Wong Kun Kau, Mr. Zhang Jiping, Mr. Jiang Hong as the Independent Director Candidates for the Tenth Board of Directors</li> <li>13. Proposal in Respect of Amending Partial Articles in the Articles of Association of the Company</li> <li>14. Annual Work Report 2020 of the Board of Directors</li> <li>15. Annual Work Report 2020 of Independent Director Ms. Liu Yan, Mr. Simon MacKinnon, Mr. Wang Liyan</li> </ol>
28 <sup>th</sup> Meeting of the Ninth Board of Directors	2021.4.2	Proposal in Respect of Convening the Annual Shareholders' General Meeting 2020
1 <sup>st</sup> Meeting of the Tenth Board of Directors	2021.4.28	<ol style="list-style-type: none"> <li>1. Proposal in Respect of Electing Mr. Xu Yongmo as Chairman of the Tenth Board of Directors</li> <li>2. Proposal in Respect of Appointing Mr. Li Yeqing as CEO of the Company</li> <li>3. Proposal in Respect of Appointing Mr. Ye Jiaying as Secretary to the Board of the Company</li> <li>4. Proposal in Respect of Appointing Mr. Chen Qian as CFO (Chief of Corporate Finance) of the Company</li> <li>5. Proposal in Respect of Appointing Vice Presidents of the Company</li> <li>6. Proposal in Respect of Setting up Special Committees to the Tenth Board of Directors</li> <li>7. First Quarter Report 2021 of the Company</li> <li>8. Proposal on Public Issuance of Corporate Bonds in 2021</li> <li>9. Proposal on Adjusting the Construction of Huangshi Huaxin Green Building Materials Industrial Park</li> <li>10. Proposal on Providing Guarantee for the Financing of Huangshi Huaxin Green Building Materials Industry Co., Ltd.</li> <li>11. 2020 KPI Assessment Plan for Top Management</li> <li>12. Proposal in Respect of Convening the Second Extraordinary Shareholders' General Meeting 2021</li> </ol>
2 <sup>nd</sup> Meeting of the Tenth Board of Directors	2021.5.18	<ol style="list-style-type: none"> <li>1. Proposal on the Grant Date, Grant Price and Grant Quantity of A-1.1 and A-1.2 in 2021 of the 2020-2022 Core Employee Stock Ownership Plan</li> <li>2. Proposal on Providing Guarantee for Huaxin Hong Kong (Tanzania) Investment Co., Ltd</li> </ol>
3 <sup>rd</sup> Meeting of the Tenth Board of Directors	2021.6.10	Proposal on the Related Party Acquisitions of the Cement and Related Business of LH Zambia and Malawi
4 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.6.24	<ol style="list-style-type: none"> <li>1. Proposal in Respect of Amending Partial Articles in the Articles of Association of the Company</li> <li>2. Proposal on Remuneration Adjustment of Part of Senior Management of the Tenth Board of Directors</li> <li>3. Proposal in Respect of Convening the Third Extraordinary Shareholders' General Meeting 2021</li> </ol>
5 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.7.26	Proposal on Constructing Limestone Processing Line in Zigui
6 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.8.6	Proposal in Respect of Convening the Forth Extraordinary Shareholders' General Meeting 2021

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Meeting	Time	Resolution
7 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.8.26	1. Half Year Report 2021 and its abstract of the Company 2. Proposal on Constructing Wuxue 30 million tons/y Machine-made Sand Production Line Project 3. Proposal on Remuneration of Chairman of the Labor Union of the Company 4. The Proposal on the Plan regarding the Changing the Listing Venue of the Company's Domestically Listed Foreign Shares&Listing by way of Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd.(Revised draft) 5. Proposal on Reviewing the Articles of Association of Huaxin Cement Co., Ltd. (Draft, applicable after the listing of H shares) 6. Proposal in Respect of Convening the Fifth Extraordinary Shareholders' General Meeting 2021
8 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.9.23	Nil
9 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.10.27	1. Third Quarter Report 2021 2. Proposal on Reviewing the Company's Corporate Governance Documents
10 <sup>th</sup> Meeting of the Tenth Board of Directors	2021.12.14	1. 2022 Budget Report 2. Proposal on the Daily Related Party Transaction of Clinker Sales in 2021 3. Proposal on Investing in Building New Wall Material Production Project in Wenchang City 4. Proposal on Adding Mr. Xu Yongmo as the Member of Audit Committee 5. Proposal on Adding the Authority of Non-Executive Chairman and Adjusting the Allowance 6. Proposal in Respect of Convening 2021 Sixth Extraordinary Shareholders' General Meeting

## VI. Duty performance of 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	14	14	9	0	0	No	7
Li Yeqing	No	14	14	9	0	0	No	7
Liu Fengshan	No	14	14	9	0	0	No	7
Geraldine Picaud	No	14	14	9	0	0	No	0
Chi Kong Lo	No	14	14	9	0	0	No	7
Tan Then Hwee	No	14	14	9	0	0	No	1
Wong Kun kau	Yes	10	10	6	0	0	No	5
Zhang Jiping	Yes	10	10	6	0	0	No	5
Jiang Hong	Yes	10	10	6	0	0	No	5
Liu Yan	Yes	4	4	3	0	0	No	2
Simon Mackinnon	Yes	4	4	3	0	0	No	2
Wang Liyan	Yes	4	4	3	0	0	No	2

The number of board meetings within the period	14
Among: on-site meeting	0
Meeting by circular resolution	9
On-site + circular resolution	5

## VII. Special Committees of the Board

### (1) Members of the special committees

Types of special committees	Members
Audit Committee	Jiang Hong, Wong Kun Kau , Zhang Jiping, Xu Yongmo, Geraldine Picaud
Nomination Committee	Zhang Jiping, Wong Kun Kau, Jiang Hong, Li Yeqing, Tan Then Hwee
Remuneration and Assessment Committee	Zhang Jiping, Wong Kun Kau, Jiang Hong, Chi Kong Lo, Xu Yongmo
Strategy Committee	Li Yeqing, Xu Yongmo, Chi Kong Lo, Wong Kun Kau
Governance and Compliance Committee	Chi Kong Lo, Liu Fengshan, Tan Then Hwee, Jiang Hong

### (2) The Audit Committee held 5 meetings

Time	Agenda	Opinions and suggestions	Other performance
2021.3.24	1. Deliberate the company's 2020 annual financial report (draft), the company's 2020 internal control evaluation report, the company's board of directors' audit committee's 2020 performance report, the proposal on the re-appointment of the company's 2021 financial audit and internal control audit accounting firm, and the company's 2021 financial audit and internal control audit, proposal for changes in Accounting Policies 2. Hear the company's annual report auditor's report on the 2020 annual audit completion report and the company's internal audit and internal control 2020 annual work report	The matters of the meeting were reviewed and approved, and it was agreed that the "2020 Annual Financial Report of the Company", "2020 Annual Internal Control Evaluation Report", "Proposal on Renewing the Company's 2021 Annual Financial Audit and Internal Control Auditing Accounting Firm", "Proposal on the Changes of the Accounting Policy" were submitted to the Board of Directors for deliberation.	/
2021.8.25	1. Review the company's 2021 half year financial report. 2. Hear the brief description of the company's 2021 half-year financial report and the company's 2021 internal audit & internal control progress report	The meeting matters were reviewed and approved, and it was agreed to submit the company's 2021 half-year financial report to the board of directors for deliberation.	/
2021.9.24	Initiate the internal investigation on the outgoing VP Chen Bing	Agreed to initiate the internal investigation	/
2021.9.28	Hear the company's internal investigation report on relevant matters during the tenure of former Vice President Chen Bing, and Deloitte's auditors' opinions on the internal investigation report	/	/
2021.12.13	1. Review the 2021 annual audit plan 2. Hear the company's 2022 internal audit & internal control work plan	The meeting matters were reviewed and approved.	/

### (3) The Nomination Committee held 2 meetings

Time	Agenda	Opinions and suggestions	Other performance
2021.1.21	Study the nomination of independent directors of the Tenth Board	Agree to nominate Mr. Zhang Jiping and Mr. Wong Kun Kau as independent director candidates of the tenth board of directors of the company.	/
2021.3.16	1. The third round of interviews for independent director candidates for accounting majors 2. Study the nomination and recommendation of the other 6 directors	1. Agree to nominate Mr. Jiang Hong as a candidate for independent director of the accounting profession. 2. Agree to nominate Mr. Xu Yongmo, Mr. Li Yeqing, Mr. Liu Fengshan, Mr. Chi Kong Lo, Ms. Geraldine Picaud, Ms. Karen Tan and others as candidates for the tenth board of Directors.	/



## (4) Remuneration and Assessment Committee held 4 meetings

Time	Agenda	Opinions and suggestions	Other performance
2021.3.24	Reviewed the proposal on the cashing of short-term incentives for executives in 2020 and the proposal on the cashing of virtual stock incentives in 2018.	Considered and approved the meeting matters, and agreed to the "Proposal on the cashing of short-term incentives for executives in 2020", "On the 2018 virtual stock incentives" The Proposal for vesting and cashing is submitted to the board of directors for deliberation.	/
2021.6.24	1. To consider the proposal of the tenth session of the board of directors of the company on the adjustment of the remuneration of some senior management personnel 2. Hear the remuneration report of senior executives Deliberating and passing the meeting matters,	Agreed to submit the "Proposal of the 10th Board of Directors of the Company on Adjustment of Remuneration of Some Senior Executives" to the Board of Directors for deliberation.	/
2021.8.25	The proposal on the remuneration of the chairman of the Labor Union	Agreed to submit the proposal for board review	/
2021.12.13	The proposal on increasing the powers of the non-executive chairman of the company and adjusting his allowances	The meeting was considered and approved, and agreed to submit the "Proposal on Increasing the Powers of the Company's Non-executive Chairman and Adjusting his Allowances" to the board of directors for deliberation.	/

## (5) The Strategy Committee held 2 meetings

Time	Agenda	Opinions and suggestions	Other performance
2021.6.24	Corporate Strategy Report (2021-2024)	/	/
2021.12.13	Hear: 1. Macro situation outlook and strategy review 2. Business risk management (2021)	/	/

## (6) Corporate governance and compliance committee held 1 meeting

Time	Agenda	Opinions and suggestions	Other performance
2021.12.13	Chen Bing held up for investigation and its impact, 2021 internal control and audit work report, Huangshi Industrial Zone case	/	/

## VIII. Potential risks identified by the Board of Supervisors: Nil



## IX. Employee of the parent company and major subsidiaries

### (I) Employee

The number of employees in the parent company	882
The number of employees in major subsidiaries	15,401
Total number of employees	16,283
Retired or to be retired employees who needs the expenses born by the parent company or major subsidiaries	0

#### Structure of discipline

Category	Number
Production	6,054
Sales	1,070
Technology	6,061
Accounting	679
Administrative	2,419
Total	16,283

#### Education

Education	Number
Master or above	305
Bachelor	2,444
Junior college	3,953
Others	9,581
Total	16,283

### (II) Remuneration policy

Huaxin adopts the overall remuneration system to incentivize through remuneration distribution, realizing the targets of the organization and individual development. Through the assessment of total remuneration, the company set different performance indexes for different businesses, linking the performance with the remuneration, so employees feel the rise of performance and are motivated.

### (III) Training plan

In 2021, overcoming the impact of the COVID-19 epidemic, the Company carried out diversified and differentiated training for different levels and types of employees, such as management, technology, procurement, finance, security, and internal trainers, through both online and offline methods, promoting the construction of the Company's learning organization, and continuously improving the company's core competitiveness.

### (IV) Labor outsourcing

Total remuneration of the payment of labor outsourcing	58,408,572
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## X. Common dividend distribution or capital reserve

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

On April 27, 2021, the Annual Shareholders' General Meeting 2020 approved the 2020 Profit Distribution Plan. On the basis of the total 2,096,599,855 shares at the end of 2020, minus 2,725,483 shares in the special repurchase account, namely 2,093,874,372 shares, a cash dividend of 1.08 Yuan per share (incl. tax) shall be distributed to all shareholders, hence 2,261,384,322 yuan were distributed and covering 40.16% of the net profit attributable to the shareholders of the Parent Company after consolidation. There will be no capital reserve to be converted into share capital for 2020. Shares in the special account for the share repurchase will not be included in the profit distribution.

On June 10, 2021, the Company published 2020 Profit Distribution Announcement. On the basis of the remaining 2,094,949,878 shares (total shares at the end of 2020 2,096,599,855 shares excludes the repurchased 1,649,977 shares in the special account for the repurchase at the date of registration for dividend distribution), 1.08 Yuan per share (incl. tax) were distributed to all shareholders, hence 2,262,545,868 Yuan were distributed.

The profit distribution plan and were implemented on June 29, 2021.

### (II) Special explanation of cash dividend policy

Meet the requirements of the Articles of Association or shareholders' general meeting	Yes
Distribution standard and ratio is clear and cut	Yes
Decision procedure and system is complete	Yes
Independent directors performed duties and played their roles	Yes
Minority shareholders fully express opinions and request, their legitimate rights have been fully protected	Yes

## XI. Share incentive mechanism, ESOP or other incentives

### (I) Incentives disclosed and implemented without follow-up progress

Matters	Search index
Defined 2021 A-1.1 and A-1.2 Stock grant date, price, quantity in 2020-2022 Core Employee Stock Ownership Plan	www.sse.com.cn The Announcement of the Resolution of the 2 <sup>nd</sup> meeting of the Tenth Board of Directors (2021-023)
1,075,506 A shares transferred to the special account of ESOP 2020-2022 from the special repurchase account	www.sse.com.cn The Announcement of the Completion of the transfer of shares for 2020-2022 Core Employee Stock Ownership plan 2021 A-1.1 and A 1.2 (2021-025)

### Other incentives

On April 20, 2017, the company's 2016 Annual Shareholders' General Meeting reviewed and approved the "Huaxin Cement Co., Ltd. 2017-2019 Long-term Incentive Plan for Core Managers". In view of the fact that the waiting period for phantom stocks in 2018 has been three years, the board of directors of the company reviewed and approved the "Proposal on the Attribution of Phantom Stock Incentives for Company Executives in 2018" this year, which clarified the results of the company's senior managers' incentive cashing of phantom stocks in 2018 and that was completed.

### (IV) Assessment mechanism for senior managers and the establishment and implementation

During the reporting period, in accordance with the "Proposal on the Cashing of Short-term Incentives for the Company's Executives in 2020" approved by the Board of Directors, the company's executives' short-term incentive remuneration in 2020 was clarified and cashed. And the Board clarified the calculation method of the company's senior management KPI and assessment standards in 2021.

On April 20, 2017, 2016 Annual Shareholders General Meeting reviewed and approved the "Huaxin Cement Co., Ltd. 2017-2019 Long-term Incentive Plan for Core Managers". On March 25, 2021, the 27<sup>th</sup> Meeting of the Ninth Board of Directors reviewed and approved the "Proposal on the Attribution of Phantom Stock Incentives for the Company's Senior Executives in 2018", which clarified the incentive cashing result of the company's senior management personnel in 2018.

To correspond with the implementation of the company's 2020-2025 development strategy and establish and improve the benefit-sharing mechanism for employees and shareholders, on September 25, 2020, the company's 2020 2<sup>nd</sup> Extraordinary Shareholders' General Meeting reviewed and approved the Huaxin Cement Co., Ltd. 2020- 2022 Core Employee Stock Ownership Plan. On May 18, 2021, the 2<sup>nd</sup> meeting of the Tenth Board of Directors reviewed and approved the "A-1.1 and A-1.2 of stock grant date and grant price in 2021 on the Company 2020-2022 Core Employee Stock Ownership Plan". According to the authorization of the general meeting of shareholders, the Board clarified the 2021 A-1.1 and A-1.2 stock grant dates, stock grant prices, and the amount and number of shares granted to incentive objects.

## **XII. Internal control system building and implementation**

During the reporting period, the company continued to carry out internal control work in accordance with the relevant requirements of the Basic Norms for Enterprise Internal Control and its supporting guidelines, updated and improved the internal control norms in a timely manner, and used the internal control management platform to record the implementation of various control activities. Huaxin promoted and implemented internal control norms in 8 new companies. The company conducted a special audit on the effectiveness of control activities in 26 subsidiaries, and conducted 22 business process audits for high-risk areas such as procurement business, sales business, and logistics business, and organized the company headquarters and 164 subsidiaries to conduct annual internal control self-evaluation. In response to the various internal control deficiencies found above, the company actively urges all responsible parties to make rectifications on schedule, and further strengthens internal control publicity and implementation through internal reports, special meetings, etc. Internal auditors perform their duties efficiently.

For details of the company's 2021 internal control evaluation report, please refer to the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## **XIII. Management and control to the subsidiaries**

The company has built a matrix organizational structure with regional management, business operation, and functional management. Based on the company's strategic decomposition, the business objectives of departments at all levels have been clarified. Through various business authorization policies or company systems, the approval procedures of matters and transaction amount of managers at all levels are stipulated. The Company is committed to building a full-business digital ecosystem to promote management control and coordination of subsidiaries. The headquarter appoints, removes and evaluates the main management personnel of each subsidiary. The sharing service center handles relevant business of subsidiaries, strengthening the support and supervision to subsidiaries from the functional management/business operation department of the headquarters, and creates a cohesive and unified corporate culture and implement internal control norms in each subsidiary.

During the reporting period, the company acquired Zambia, Malawi, Hainan Xinhongda and other subsidiaries. Before the acquisition, detailed feasibility reports were prepared and submitted for approval according to the company's regulations. The company dispatches key management personnel to complete the delivery of the acquired subsidiary and is responsible for its production and operation, incorporated the acquired subsidiary into the corresponding business segment and clarified its organizational structure and business objectives, continued to promote cultural integration, improved and consolidated management and technical levels, effectively respond to related risks. The Company will conduct unified management of the acquired subsidiaries in accordance with the business authorization policy and relevant system procedures, and gradually strengthen the management control and coordination.

## **XIV. Internal control audit report**

Deloitte hired by the Company audited the effectiveness of the internal control in the financial report and issued standard and unreserved opinions.

The report is disclosed simultaneously as the disclosure of annual report, see the [www.sse.com.cn](http://www.sse.com.cn) for details.

## **XV. Self-check and rectification**

In accordance with the self-check, the Company identified 5 problems and all of them have been rectified.



# 05

## Chapter 5 Environmental and Social Responsibility

### I. Environmental information

(I) Description of environmental protection of listed companies and their subsidiaries in heavy polluting industries provided by national environmental protection departments

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other related environmental laws, rules, and regulations, and have incorporated eco-environmental protection and low-carbon development into the Company's long-term strategic goals. It continues practicing clean production and reducing the load that the production and operation of the Company impose on the environment, to realize the harmony of its economic, social and environmental benefits.

**1. Pollution emission information**

No.	Company name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m <sup>3</sup> )	Emission standard (mg/m <sup>3</sup> )	Total emission (t)	Verified emission (t)	Excess emission
1	Huaxin Cement (Yangxin) Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<100	100	115.80	580.6	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<320	320	1928.21	3557.4	None
		PM	Organized	4	Kiln inlet Kiln outlet	<20	20	99.12	441.45	None
2	Huaxin Cement (Wuxue) Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<200	200	24.69	409.2	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<400	400	2991.83	3682.8	None
		PM	Organized	4	Kiln inlet Kiln outlet	<30	30	117.62	457	None
3	Huaxin Cement (Daye) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	98.38	1058.75	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	644.60	2117.5	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	34.13	262.763	None
4	Huaxin Cement (Xiangyang) Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<100	100	68.34	120	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<320	320	995.21	2424	None
		PM	Organized	4	Kiln inlet Kiln outlet	<20	20	50.09	338.52	None
5	Huaxin Cement (Xinyang) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<35	35	15.56	120	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<100	100	224.11	1100	None
		PM	Organized	2	Kiln inlet Kiln outlet	<10	10	33.34	154.7	None
6	Huaxin Jinlong Cement (Yunxian) Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<200	200	27.57	100	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<400	400	609.72	1285	None
		PM	Organized	4	Kiln inlet Kiln outlet	<30	30	47.37	275.05	None
7	Huaxin Cement (Fangxian) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	27.24	120	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	474.32	687.5	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	50.27	88.69	None
8	Huaxin Cement (Yichang) Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<100	100	19.59	1138.5	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<320	320	897.22	2277	None
		PM	Organized	4	Kiln inlet Kiln outlet	<20	20	47.94	282.6	None
9	Huaxin Cement (Zigui) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	50.68	682	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	815.63	1327	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	39.95	169.3	None
10	Huaxin Cement (Enshi) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	2.50	80	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	433.18	564.25	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	17.23	72.79	None
11	Huaxin Cement (Changyang) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	20.17	756.26	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	516.20	1512.5	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	30.90	195.15	None
12	Huaxin Cement (Huangshi) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	163.98	783.75	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	1719.06	2508.00	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	115.55	259.35	None

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No.	Company name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m <sup>3</sup> )	Emission standard (mg/m <sup>3</sup> )	Total emission (t)	Verified emission (t)	Excess emission
13	Huaxin Cement (Hefeng) Minzu Building Materials Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	8.41	41	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	268.99	275	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	22.20	35.48	None
14	Huaxin Cement (Zhuzhou) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	90.56	620.09	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	898.56	1996.5	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	30.19	165.17	None
15	Huaxin Cement (Chenzhou) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	58.44	248.34	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	855.24	1200	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	16.77	191.57	None
16	Huaxin Cement (Daoxian) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	54.04	167.4	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	491.09	992	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	19.44	159.96	None
17	Huaxin Cement (Lengshuijiang) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	6.62	225	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	474.92	1296	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	18.45	247.75	None
18	Huaxin Cement (Sangzhi) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	11.92	331.25	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	522.74	662.5	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	11.69	85.47	None
19	Huaxin Cement (Chibi) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	50.17	130	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	716.80	1452	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	47.43	180.18	None
20	Huaxin Cement (Enping) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	39.54	211.1	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	304.18	992	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	45.69	112.84	None
21	Huaxin Cement (Quxian) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	56.48	137.53	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	544.79	1280	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	41.17	165.12	None
22	Huaxin Cement Chongqing Fuling Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	159.96	771.65	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<350	350	842.14	1350.39	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	10.26	191.51	None
23	Huaxin Cement (Wanyuan) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	20.83	67.3	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	486.09	541.54	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	19.38	109.2	None
24	Huaxin Cement (Tibet) Co., Ltd.	SO <sub>2</sub>	Organized	3	Kiln inlet	<200	200	199.09	620.27	None
		NO <sub>x</sub>	Organized	3	Kiln inlet	<400	400	1237.35	1732	None
		PM	Organized	6	Kiln inlet Kiln outlet	<30	30	77.32	223.428	None

Con.

No.	Company name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m <sup>3</sup> )	Emission standard (mg/m <sup>3</sup> )	Total emission (t)	Verified emission (t)	Excess emission
25	Chongqing Huaxin Diwei Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	85.70	426.25	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	339.29	560	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	23.86	105.79	None
26	Chongqing Huaxin Yanjing Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<100	100	15.81	545.6	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<320	320	154.03	716.8	None
		PM	Organized	2	Kiln inlet Kiln outlet	<20	20	13.53	135.41	None
27	Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	8.91	160	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	198.60	320	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	5.06	41.28	None
28	Guizhou Shuicheng Shui On Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	13.22	79.14	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	448.56	825	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	23.76	106.43	None
29	Yunnan Huaxin Dongjun Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	4.19	140	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	499.56	1240	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	28.86	159.96	None
30	Huaxin Cement (Fumin) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	18.21	81.84	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	541.97	682	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	23.65	84.63	None
31	Huaxin Cement (Honghe) Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<200	200	11.20	59.67	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<400	400	694.85	1220	None
		PM	Organized	4	Kiln inlet Kiln outlet	<30	30	37.19	82.52	None
32	Huaxin Cement (Zhaotong) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	20.77	120	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	487.07	1200	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	31.48	119.86	None
33	Huaxin Cement (Kunming Dongchuan) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	7.78	72.06	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	469.17	600	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	20.60	77.4	None
34	Huaxin Cement (Diqing) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	20.63	22	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	476.06	655	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	31.97	90.23	None
35	Huaxin Hongta Cement (Jinghong) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	16.16	130.69	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	366.57	620	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	38.07	79.98	None
36	Huaxin Cement (Yunlong) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	11.53	63.24	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	524.37	720.94	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	15.84	96.75	None



Con.

No.	Company name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m <sup>3</sup> )	Emission standard (mg/m <sup>3</sup> )	Total emission (t)	Verified emission (t)	Excess emission
37	Huaxin Cement (Jianchuan) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	9.74	45.31	None
		SO <sub>2</sub>	Organized	1	Kiln inlet	<400	400	368.36	740.35	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	44.58	96.75	None
38	Huaxin Cement (Lijiang) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	4.40	63.54	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	438.69	620	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	29.56	79.98	None
39	Huaxin Cement (Lincang) Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	10.06	82.63	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	582.20	620	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	20.57	79.98	None
40	Tibet Shigatse High-tech Snow Lotus Cement Co., Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<200	200	17.70	676.94	None
		NO <sub>x</sub>	Organized	2	Kiln inlet	<400	400	525.30	1360.49	None
		PM	Organized	4	Kiln inlet Kiln outlet	<30	30	22.70	193.83	None
41	Chongqing Huaxin Cantian Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	83.57	790	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<350	350	542.81	1030.4	None
		PM	Organized	1	Kiln inlet	<30	30	16.11	205.76	None
42	Kunming Chongde Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln inlet	<200	200	36.64	140.08	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	676.72	1168.49	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	17.83	157.06	None
43	Yunwei Baoshan Organic Chemical Co., Ltd.	SO <sub>2</sub>	Organized	1	Kiln outlet	<200	200	1.73	292.09	None
		NO <sub>x</sub>	Organized	1	Kiln inlet	<400	400	630.85	1240	None
		PM	Organized	2	Kiln inlet Kiln outlet	<30	30	32.09	294.44	None
44	Huaxin Environmental Ezhou Co., Ltd.	NH <sub>3</sub>	Organized	1	Biofilter	<35kg/h	35 kg/h	-	Emission rate control, no pre-set total quantity	None
		H <sub>2</sub> S	Organized	1	Biofilter	<2.3kg/h	2.3 kg/h	-	Emission rate control, no pre-set total quantity	None
45	Wuhan Wugang Huaxin Cement Co., Ltd.	SO <sub>2</sub>	Organized	2	Hot-blast stove	<400	400	0	341	None
		NO <sub>x</sub>	Organized	2	Hot-blast stove	<300	300	63.97	255.75	None
		PM	Organized	2	Hot-blast stove	<20	20	9.58	22.55	None
46	Huaxin Cement (Ezhou) Co., Ltd.	PM	Organized	3	Cement mill	<10	10	5.04	Concentration control, no pre-set total quantity	None
47	Huaxin Cement (Xiantao) Co., Ltd.	PM	Organized	2	Cement mill	<20	20	3.02	Concentration control, no pre-set total quantity	None
48	Huaxin Cement Suizhou Co., Ltd.	PM	Organized	1	Cement mill	<20	20	0.3	Concentration control, no pre-set total quantity	None
49	Huaxin Cement (Jingzhou) Co., Ltd.	PM	Organized	1	Cement mill	<10	10	0.44	Concentration control, no pre-set total quantity	None

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No.	Company name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m <sup>3</sup> )	Emission standard (mg/m <sup>3</sup> )	Total emission (t)	Verified emission (t)	Excess emission
50	Panzhuhua Huaxin Cement Co., Ltd.	SO <sub>2</sub>	Organized	1	Fluidized-bed furnace	<600	600	1.44	Concentration control, no pre-set total quantity	None
		NO <sub>x</sub>	Organized	1	Fluidized-bed furnace	<400	400	8.25		None
		PM	Organized	1	Cement grinding mill	<20	20	2.67		None
51	Huaxin Cement (Chuxiong) Co., Ltd.	SO <sub>2</sub>	Organized	1	Fluidized-bed furnace	<600	600	1.1	67	None
		NO <sub>x</sub>	Organized	1	Fluidized-bed furnace	<400	400	2.39	56.12	None
		PM	Organized	3	Fluidized-bed furnace	<30	30	4.25	46.98	None
52	Huaxin Cement (Honghe) Co., Ltd. Kunming Branch	PM	Organized	2	Cement mill	<20	20	2.61	Concentration control, no pre-set total quantity	None
53	Huaxin Cement (Yueyang) Co., Ltd.	PM	Organized	1	Cement mill	<10	10	11.9	Concentration control, no pre-set total quantity	None
54	Huaxin Cement (Honghe) Co., Ltd. Gejiu Branch	PM	Organized	1	Cement mill	<20	20	4.1	Concentration control, no pre-set total quantity	None
55	Huaxin Cement (Macheng) Co., Ltd.	PM	Organized	1	Cement mill	<20	20	3.24	Concentration control, no pre-set total quantity	None
56	Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	PM	Organized	1	Cement mill	<10	10	2.55	Concentration control, no pre-set total quantity	None
57	Huaxin Cement (Danjiangkou) Co., Ltd.	PM	Organized	1	Cement mill	<20	20	0.4	Concentration control, no pre-set total quantity	None

## 2. Construction and operation of pollution prevention facilities

During the reporting period, the Company strictly abided by the requirements of national and local environmental protection laws and regulations, strengthened management on environmental protection-related work. The Company continued to implement pollutants emission reduction program of NO<sub>x</sub>, SO<sub>2</sub>, particles, boosted the cement kiln transformation to achieve ultra-low emissions, promoted the management of hazard wastes, solid wastes, standardized environment monitoring, optimized water treatment facility, controlled unorganized particles emission and noise, improving the performance in environmental protection continuously.

## 3. Environmental impact assessment on construction projects and other environmental protection administrative licenses

During the reporting period, the "new construction, modification, and extension" projects of the Company were implemented in accordance with the EIA Law and the environmental impact assessment system for construction projects was put into practice. The Company applied for pollutant discharge permits in accordance with the requirements of the national pollutant discharge permit management, and implemented the pollutant discharge in strict accordance with the relevant permit. The relative units conducted clean production audit in strict accordance with the Clean Production Law and requirements of the relevant authorities.

#### 4. Emergency plan for emergent environmental incidents

During the reporting period, all subsidiaries of the Company formulated the emergency plans for environmental incidents and carry out drills according to the Law of PRC on Response to Emergencies and the Interim Administrative Measures for Emergency Management of Environmental Emergencies, to ensure that the Company can respond to the environmental incidents quickly and timely, and to prevent environmental events from affecting the environment and the public.

#### 5. Environment self-monitoring plan

During the reporting period, all branches and subsidiaries of the Group carried out self-monitoring in strict accordance with the Self-monitoring Technology Guidelines for Pollution Sources - Cement Manufacturing Industry (HJ848-2017) and Self-monitoring Technology Guidelines for Pollution Sources - General Rules (HJ 819-2017). Combing automatic monitoring and manual monitoring, the self-monitoring items included smoke, sulfur dioxide, and nitrogen oxides. The automatic monitoring equipment used has passed the acceptance test of the environmental protection department, and the smoke and gas comparison monitoring was carried out regularly to ensure the normal operation of the equipment and the normal transmission of data. Manual monitoring was entrusted with a qualified third-party monitoring company to truly reflect the level of pollutant emissions.

#### 6. Administrative penalties for environmental issues during the reporting period

During the reporting period, there were no environmental incidents that had a significant impact on the Group. During the reporting period, the Company's subsidiaries were punished for environmental issues as follows:

- (1) On May 6, 2021, Huaxin Hongta Cement (Jinghong) Co., Ltd. was fined 150,000 yuan by the Xishuangbanna Ecological Environment Bureau for the hourly average value of NO<sub>x</sub> detected by the kiln inlet online monitoring system exceeded the standard value for 18 consecutive hours (XHF [2021] No. 15).
- (2) On May 12, 2021, Huaxin Cement (Jianchuan) Co., Ltd. was fined 250,000 yuan by the Dali Ecological Environment Bureau for the emission concentration of hydrogen chloride detected by the kiln inlet online monitoring system exceeding the standard value (DHF [2021] No. 93).
- (3) On May 7, 2021, Huaxin Cement (Honghe) Co., Ltd. was fined 100,000 yuan by Kaiyuan Ecological Environment Bureau due to dust during the loading and unloading process and open storage of materials at the mine aggregate station (HKHF [2021] No. 06).
- (4) On March 9, 2021, Huaxin Cement (Yangxin) Co., Ltd. was fined 290,000 yuan by Huangshi Ecological Environment Bureau for the emission concentration of NO<sub>x</sub> detected by the supervisory monitoring exceeding the standard value (HHF [2021] No. 10).
- (5) On April 19, 2021, Huaxin Cement (Honghe) Co., Ltd. was fined 253,700 yuan by the Honghe Ecological Environment Bureau due to no environmental impact assessment of the mobile mine aggregate station, no project acceptance and unorganized on-site discharge (HHFZ [2021] No. 12).
- (6) On April 30, 2021, Huaxin Cement (Daoxian) Co., Ltd. was fined 100,000 yuan by Yongzhou Ecological Environment Bureau for failing to declare the hazardous waste management plan (YHF [2021] No. 3).
- (7) On April 30, 2021, Huaxin Cement (Daoxian) Co., Ltd. was fined 400,000 yuan by Yongzhou Ecological Environment Bureau for the construction of hazardous waste warehouse didn't meet the standard and hazardous wastes and non-hazardous wastes were mixed (YHF [2021] No. 4).
- (8) On May 7, 2021, Huaxin Cement (Honghe) Co., Ltd. Gejiu Branch was fined 200,000 yuan by the Honghe Ecological Environment Bureau for the production line technical renovation project was not accepted on time (HHF [2021] No. 19).
- (9) On October 8, 2021, Huaxin Cement (Fumin) Co., Ltd. was considered that its automatic monitoring equipment didn't run normally because the online full-process calibration was not carried out regularly, and was fined 100,000 yuan by Kunming Ecological Environment Bureau (KSHF [2021] No. 287).

## 7. Other environmental information that should be disclosed

During the reporting period, the Company's subsidiaries, in accordance with the requirements of the national and local governments on off-peak production and heavy pollution weather emergency, suspended production or restricted production to minimize the impacts on the environment.

In accordance with the requirements of the environmental protection departments, each branch and subsidiary regularly published emission data and pollutant control information on the environmental monitoring information release platforms of provinces and cities and other external websites to accept the public supervision.

### (II) Description on environmental protection of other subsidiaries besides the key pollutant discharge units

The subsidiaries of the Company that are not included in the list of the national key pollutant discharge units strictly implemented the environmental self-monitoring system in accordance with relevant requirements of national laws and regulations, and continuously optimized and improved pollution control facilities to achieve continuous and stable emission of pollutants.

#### 1. Administrative penalties due to environmental issues

(1) Chongqing Huaxin Tiancheng Concrete Co., Ltd. was fined 10,000 yuan by Chongqing Nan'an District Ecological Environment Bureau on April 2, 2021 due to dust accumulation and concrete waste in the factory area (YNAHZF [2021] No. 10).

(2) Huaxin Concrete (Yueyang) Co., Ltd. was fined 69,000 yuan by Yueyang Ecological Environment Bureau on April 13, 2021 due to the expiration of the environmental impact assessment of the concrete construction project (YHFJ Zi [2021] No. 29).

(3) Huaxin Concrete (Daoxian) Co., Ltd. was fined 50,000 yuan by Yongzhou Ecological Environment Bureau on July 9, 2021 for expanding the project without prior approval (YHF(D) Zi [2021] No. 9).

#### 2. Other environmental information disclosed with reference to the key pollutant discharge units: Not applicable

#### 3. Reasons for not disclosing other environmental information : Not applicable

### (III) Information conducive to ecological protection, pollution prevention, and fulfilling of environmental responsibilities

During the reporting period, the Company carried out internal environmental audits consistently and urged its branches and subsidiaries to strictly abide by the laws and regulations on ecological and environmental protection, so as to strictly implement the Company's environmental protection system, improve pollution prevention and environmental protection management levels, and earnestly fulfill its environmental protection responsibilities.

The Company organized all subsidiaries to carry out the "Environmental Protection and Low-Carbon Month" activities, and performed low carbon and environmental protection publicity and training to improve the environmental protection and low carbon awareness of all employees and the public based on "World Environment Day", "National Energy Conservation Publicity Week", "National Low-Carbon Day" and other activities of the departments of ecological and environmental protection at all levels.

### (IV) Carbon emission reduction measures taken during the reporting period and their effects

Focusing on the national "dual carbon" strategies, the Company made a plan for the low-carbon development path of the industry and the Company, and promoted technological innovation, equipment upgrade and process optimization by developing the cement kiln co-processing and alternative fuel technologies. In addition, the Company constantly explored its carbon emission reduction potential, developed low-carbon cement products, steadily promoted green and low carbon development, realizing low carbon development of industry chains in the building materials industry gradually and striving to be the leader of "carbon neutrality" in the cement industry.

During the reporting period, the Company, based on the low-carbon development path published by the International Energy Agency (IEA) and the European Cement Association as well as the characteristics of China's cement industry, released the first low carbon development white paper in the building materials industry, designing the Company's future carbon emission reduction path and providing scientific guidance on the realization of "two-carbon" goal.

During this period, the Company established a technology research institute to strengthen the research and development of low-carbon technologies and low-carbon cement products. At present, the systematic research and innovative promotion of high RDF alternative rate technology and high calorific value solid waste fuel alternative technology in the cement industry, separate grinding and ultrafine grinding technologies for cement manufacturing have been carried out. The Company continued to promote the development of new cementitious materials such as low-carbon cementitious minerals, calcium sulphosilicate-containing minerals, limestone calcined clay cement (LC3), and carbon-containing negative minerals (C3S2, C2S, CS), and explore the "low carbon" and diversified development of cement products. Based on the synergistic effect theory of "CO<sub>2</sub> transmission - carbonization curing - temperature - hydration", the carbon-absorption curing process of cement kiln inlet flue gas was used to replace the traditional clay brick-making and concrete lime-sand brick-making process, and a new carbon neutrality technology for the cement industry was developed. The world's first cement kiln inlet flue gas carbon absorption brick production line was built, solving the problems of excessive resource consumption, energy consumption and CO<sub>2</sub> emissions. Taking the steam-cured brick production line with an annual output of 100 million as an example, the annual carbon reduction volume will reach 52 million tons after nationwide promotion with utilization of 26,000 tons of carbon dioxide.

In 2021, the Company disposed of 2.12 million tons of domestic waste and derived fuel (internal statistical specification), which can save about 440,000 tons of standard coal (converted result) and reduce carbon dioxide emissions by 1.21 million tons. Compared with waste landfill, it reduced net carbon dioxide emissions by more than 2.47 million tons.

The Company explored extensive materials to perfect the quality analysis and ingredient optimization of alternative raw materials, improve the utilization rate of industrial by-products such as steel slag and furnace slag, and replace the natural calcium-based materials with alternative raw materials. In 2021, the Company's cement kiln production line comprehensively utilized 3.38 million tons of various industrial waste residues (internal statistical specification) as alternative raw materials, directly reducing carbon emissions by 340,000 tons.

## II. Social responsibility

The Company compiled and published its social responsibility report. For details, please refer to "2021 Social Responsibility Report of the Company" published at [www.sse.com.cn](http://www.sse.com.cn)

## III. Consolidating and building on the Company's achievements in poverty alleviation and rural revitalization

In 2021, the Company invested 37 million yuan to carry out various volunteer activities, of which the value of volunteers was about 12 million yuan. In line with efforts of local governments to consolidate achievements in poverty elimination and rural revitalization, the Company's subsidiaries provided assistance and support in building rural complexes and farms to increase income, improving living environments, and ensuring basic needs.



# 06

## Chapter 6 Major Events

### **I. Execution of commitments**

(I) Commitments that the Company's actual controller, shareholders, related parties, acquirers, and the Company have fulfilled during the reporting period and that have not been fulfilled as of the end of the reporting period: Not applicable

(II) The assets or projects of the Company have possible future profit, and the report period is still in the profit forecast period. The Company makes a statement on the assets or projects reaching the original profit forecast and their reasons.:Not applicable

(III) The accomplishment of performance commitments and its impact on the goodwill impairment test:Not applicable

**II. Occupation of the non-operating capital of the Company by the controlling shareholder and other related parties:Not applicable**

**III. Illegal guarantees:Not applicable**

#### IV. Statement of the board of directors on the modified report issued by the accounting firm:Not applicable

#### V. Company's explanation on reasons and effects of changing accounting policies, accounting estimates or corrections of material accounting errors

(I) Analysis of the reasons and effects of changes in accounting policies and accounting estimates:Not applicable

(II) Analysis of the reasons and effects of changes in corrections of material accounting errors:Not applicable

(III) Communication with the former Certified Public Accountants:Not applicable

(IV) Other description:Not applicable

#### VI. Appointment and dismissal of accounting firms

Unit: Yuan Currency: RMB

	Current
Name of domestic CPA	Deloitte Touche Tohmatsu Certified Public Accountants (LLP)
Payment for domestic CPA	4,202,500
Age of domestic CPA	4

	Name	Payment
CPA for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants (LLP)	500,200

Description of the appointment and dismissal of accounting firms:Not applicable

Description of the reappointment of accounting firms during the audit period:Not applicable

#### VII. Risk of stock trade suspending

(I) Reasons for \*ST: Not applicable

(II) Measures taken by the Company in response to risks :Not applicable

(III) Situation and reason for termination of stock listing:Not applicable

#### VIII. Related issues on bankruptcy and reform :Not applicable

#### IX. Material lawsuits and arbitrations

The Company has material lawsuits or arbitrations during the current year

(I) Lawsuits and arbitrations that had been disclosed in extraordinary announcements and had no further progress:Not applicable

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

Unit: 10000 Yuan Currency: RMB

Plaintiff	Appellee	Party bearing joint liability	Type	Basic information	Amount	Is there any estimated debt and the amount	Progress	Result and effect	Execution of the judgment
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang Jianshan Technology Co., Ltd., Xiangyang Xingshida Plastics Company, Liu Jianshan		Civil action	For detailed information, please refer to the Annual Report 2015, 2017, 2018 and 2020 of the Company at www.sse.com.cn	2,477.39	No	On May 31, 2021, the Xiangyang Intermediate People's Court made the final ruling.	The Defendant paid RMB24.7739 million to the Plaintiff.	In July 2021, the Company applied to the People's Court of Xiangyang High-tech Zone for compulsory execution.
Moncement Building Materials LLC	Huaxin Cement Co., Ltd.		Arbitration	For detailed information, please refer to the Annual Report 2020 of the Company at www.sse.com.cn	USD 35,724,600	No	The ICC will hear the case on March 27, 2023.		
The People's Government of Fengjie County	Huaxin Cement Co., Ltd., Huaxin Environmental Engineering (Fengjie) Co., Ltd.		Civil action	Please see Note 1 for details	5,945.58	No	On February 6, 2022, the Tieshan District People's Court ruled that the case was handled as the plaintiff's withdrawal of prosecution.		
Huaxin Cement Co., Ltd.	The People's Government of Fengjie County		Civil action	Please see Note 1 for details	1,227.34	No	The Tieshan District People's Court made a first-instance judgment on November 12, 2021 that the respondent should pay the plaintiff a waste disposal fee of 12,184,659.75 yuan and corresponding interest within 15 days from the effective date of the judgment. The respondent refused to accept the first-instance judgment and filed an appeal with the Huangshi Intermediate People's Court. The case was accepted but has not yet heard.		

Note 1: In August 2012, Huaxin Party and Fengjie Party signed the Cooperation Agreement on Disposal of Municipal Solid Waste in Fengjie County, which stipulated that Huaxin Party would invest in an ecological factory for the harmless disposal of municipal solid waste in Fengjie County and that Fengjie Party should pay the waste disposal fee as agreed. The cooperation period is 30 years. In March 2014, the ecological factory built by Huaxin Party in Fengjie was put into operation. Due to policy implementation and other reasons, the transportation of RDF formed after the harmless disposal of municipal solid waste by Huaxin Party was hindered several times. Since September 2018, Fengjie Party transported the RDF to the surrounding districts and counties for final disposal by other companies, and refused to pay waste disposal fee.

On July 27, 2020, Huaxin Party sued Fengjie Party in the People's Court of Tieshan District, Huangshi City, requiring it to pay a waste disposal fee of 12,273,372.75 yuan, compensation for loss of interest, and all legal costs of the case.

On February 9, 2021, Fengjie Party required Huaxin Party to pay related expenses of 59,455,841.66 yuan on the grounds that municipal solid waste in Fengjie County was transported to surrounding counties for disposal.

(III) Other description: Not applicable

**X. Punishment on directors, supervisors, senior managers, controlling shareholder, and actual controller of the Company and the rectification**

During the reporting period, Chen Bing, former vice president of the Company, was investigated by the Supervisory Committee of Xisaishan District in Huangshi City, and he was detained from 15:00 on September 9, 2021.

Chen Bing submitted a written resignation report to the Board of Directors on September 10, 2021, applying to resign as vice president of the Company. His resignation report took effect from the date it was served to the Board of Directors.

**XI. Explanation on the credibility and integrity of the controlling shareholder and the actual controller of the Company in the reporting period: Not applicable**



## XII. Major related transactions

### (I) Related transactions concerning daily operations

1. Matters that had been disclosed in extraordinary announcements and had no further progress or change: Not applicable
2. Matters that had been disclosed in extraordinary announcements and had further progress or change: Not applicable
3. Matters that were not disclosed in extraordinary announcements: Not applicable

### (II) Related transactions arising from the acquisition and sale of assets or equity

1. Matters that had been disclosed in extraordinary announcements and had no further progress or change: Not applicable
2. Matters that had been disclosed in extraordinary announcements and had further progress or change

Overview	Query index
Related transactions regarding the acquisition of Lafarge Zambia Plc and Lafarge Cement Malawi Ltd.	The acquisition was completed within the year. For details, please refer to the Announcement on the Acquisition of Lafarge Zambia Plc and Lafarge Cement Malawi Ltd. and other Related Transactions (2021-029), Announcement on the Progress in the Acquisition of Lafarge Zambia Plc and Lafarge Cement Malawi Ltd. and other Related Transactions (2021-053), and Announcement on the Progress in the Acquisition of Lafarge Zambia Plc and Lafarge Cement Malawi Ltd. and other Related Transactions (2021-056) published on www.sse.com.cn

3. Matters that were not disclosed in extraordinary announcements: Not applicable
4. Accomplishment of related transactions involving performance agreement that should be disclosed during the reporting period: Not applicable

### (III) Major related transactions involving joint foreign investment

1. Matters that had been disclosed in extraordinary announcements and had no further progress or change: Not applicable
2. Matters that had been disclosed in extraordinary announcements and had further progress or change: Not applicable
3. Matters that were not disclosed in extraordinary announcements: Not applicable



#### (IV) Related credit and debt transactions

1. Matters that had been disclosed in extraordinary announcements and had no further progress or change: Not applicable
2. Matters that had been disclosed in extraordinary announcements and had further progress or change: Not applicable
3. Matters that were not disclosed in extraordinary announcements: Not applicable

(V) Financial transactions between the Company and financial companies with an associated relationship with the Company, financial companies controlled by the Company, and related parties: Not applicable

### XIII. Major contracts and their performance

#### (I) Entrustment, contract and leasing

1. Entrustment: Not applicable
2. Contract: Not applicable
3. Leasing: Not applicable

#### (II) Guarantee

Unit: Yuan Currency: RMB

External guarantees of the Company (excluding guarantees to its subsidiaries)														
Guarantor	Relationship with the Listed Company	The guaranteed party	Amount guaranteed	Guarantee date (signing date)	Start date of guarantee	Maturity date of guarantee	Type of guarantee	Collateral (if any)	Whether the guarantee has been fulfilled	Is the guarantee overdue	Amount overdue	Is there a counter-guarantee	Is the guarantee provided for related party	Relation
Total guarantee amount during the reporting period (excluding guarantee for subsidiaries)														0
Guarantee amount left at the end of the reporting period (A) (excluding guarantee for subsidiaries)														0
Guarantee provided by the Company or subsidiaries for its subsidiaries														
Total guarantee amount for subsidiaries occurred during the reporting period														1,989,582,141
Guarantee amount left at the end of the reporting period (B)														7,036,507,634
Total guarantee amount (including guarantee for its subsidiaries)														
Total guarantee amount (A+B)														7,036,507,634
Proportion in net assets of the Company (%)														26.32
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)														3,466,757,110
Guarantee amount in excess of 50% of the net assets (E)														0
Total guarantee amount of the above three (C+D+E)														3,466,757,110
Remarks on unexpired guarantees involving joint liability for repayment														/
Remarks on the guarantees														/

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

##### 1. Entrusted assets management

- (1) General situation of entrusted assets management: Not applicable
- (2) Single entrusted assets management: Not applicable
- (3) Provision for impairment of entrusted assets management: Not applicable

## 2. Entrusted loan

- (1) General situation of entrusted loan: Not applicable
- (2) Single entrusted loan: Not applicable
- (3) Provision for impairment of entrusted loan: Not applicable

## 3. Others

Unit: 100 million Yuan

Investment type	Accumulated amount for the year (buy in)	Accumulated amount for the year (redeemed or due)	Undue amount	Unredeemed amount but due
RMB monetary fund	20	23	7	-

(IV) Other major contracts: Not applicable

## XIV. Explanation of other major events that have a significant impact on investors' value judgments and investment decisions

### 1. Construction of Huangshi Huaxin Green Building Materials Industrial Park

On January 28, 2021, the Company's first extraordinary general meeting of shareholders in 2021 reviewed and approved the Proposal on the Construction of Huangshi Huaxin Green Building Materials Industrial Park. Huangshi Huaxin Green Building Materials Industrial Park was invested by Huangshi Huaxin Green Building Materials Industry Co., Ltd. (the Company holds 58.26% of its shares) with an investment volume of about 10 billion yuan. An active calcium and intensive processing product production line with an annual output of 2 million tons, a machine-made sand production line with an annual output of 100 million tons, and a wall material production line with an annual output of 2 billion pieces were planned to be built.

During the reporting period, the first-phase project of the machine-made sand production line with an annual output of 100 million tons (40 million tons/year machine-made sand production line) proceeded according to the construction schedule, and the pilot production was expected to start in mid-2022.

### 2. Matters Related to the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd.

On September 13, 2021, the Company's fifth extraordinary general meeting of shareholders in 2021 reviewed and approved the Proposal on the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd.

The Company was approved by the China Securities Regulatory Commission on December 27, 2021 and received the letter approved by the Listing Committee of the Hong Kong Stock Exchange on February 25, 2022. On March 28, 2022, the H shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Ltd.

### 3. Matters related to the public issuance of corporate bonds in 2021

On May 27, 2021, the Company's second extraordinary general meeting of shareholders in 2021 reviewed and approved the Proposal on the Public Issuance of Corporate Bonds in 2021. The Company decided to issue corporate bonds with a term of no more than 7 years and a scale of no more than 2.2 billion yuan to professional investors (may be issued in installments depending on market conditions).

The issuance of the first tranche has been completed on August 25, 2021, with an issuance scale of 1.3 billion yuan and a coupon rate of 3.26%.



# 07

## Chapter 7 Changes in Shares and Shareholders

### I. Changes in the share capital

#### (I) Changes in shares

##### 1. Changes in shares

During the reporting period, the total number of shares and the share capital structure of the Company did not change.

##### 2. Explanation on the changes in shares: Not applicable

3. Impact of changes in shares on financial indicators including earnings per share and net asset value per share of the latest year and latest period (if any) : Not applicable

4. Other information that the Company deemed necessary to disclose or the securities regulator required to disclose: Not applicable

#### (II) Changes in restricted shares: Not applicable

## II. Securities issuance and listing

(I) Securities issuance in the reporting period: Not applicable

Explanation of securities issuance in the reporting period (for bonds with different interest rates in the duration, please explain separately):  
Not applicable

(II) Change in total common shares, shareholders, assets and liabilities structures: Not applicable

(III) Staff shares during the reporting period: Not applicable

## III. General information of shareholders and actual controller

(I) Total number of shareholders

Total number of ordinary shareholders at the end of the reporting period	88,708
Total number of ordinary shareholders at the end of the previous month before the disclosure of the annual report	81,804
Total number of preferred shareholders with voting rights restored at the end of the reporting period	N/A
Total number of preferred shareholders with voting rights restored at the end of the previous month before the disclosure of the annual report	N/A

(II) Top ten shareholders and top ten holders of tradable shares (or shares not subject to conditional sales)

### Top ten shareholders

Unit: share

Full name of shareholders	Change during the reporting period	Shares amount at the end of the period	Proportion (%)	The amount of shares subject to conditional sales	Mortgage or frozen		Shareholder type
					Status	Quantity	
HOLCHIN B.V.	0	835,543,825	39.85	0	None	0	Foreign corporation
Huaxin Group Co., Ltd.	0	338,060,739	16.12	0	None	0	State-owned corporation
Hong Kong Securities Clearing Company Ltd. (HKSCC)	-35,348,098	59,787,210	2.85	0	None	0	Unknown
HOLPAC LIMITED	0	41,691,843	1.99	0	None	0	Foreign corporation
Huaxin Cement Co., Ltd. - 2020-2022 Core Employee Stock Ownership Plan	1,075,506	21,039,361	1.00	0	None	0	Others
China Railway Wuhan Bureau Group Co., Ltd.	0	11,289,600	0.54	0	None	0	Unknown
Dai Deming	-1,704,053	8,850,000	0.42	0	None	0	Domestic natural person
National Social Security Fund 413 Portfolio	8,700,000	8,700,000	0.41	0	None	0	Unknown
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	1,709,155	7,998,584	0.38	0	None	0	Unknown
Bank of China - ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,505,734	7,505,734	0.36	0	None	0	Unknown

### Top ten holders of shares not subject to conditional sales

Unit: share

Name of shareholders	The amount of shares	Shares type and amount	
		Type	Amount
HOLCHIN B.V.	835,543,825	RMB ordinary shares	451,333,201
		Domestic listed foreign investment shares	384,210,624
Huaxin Group Co., Ltd.	338,060,739	RMB ordinary shares	338,060,739
Hong Kong Securities Clearing Company Ltd. (HKSCC)	59,787,210	RMB ordinary shares	59,787,210
HOLPAC LIMITED	41,691,843	Domestic listed foreign investment shares	41,691,843
Huaxin Cement Co., Ltd. - 2020-2022 Core Employee Stock Ownership Plan	21,039,361	RMB ordinary shares	21,039,361
China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	RMB ordinary shares	11,289,600
Dai Deming	8,850,000	RMB ordinary shares	8,850,000
National Social Security Fund 413 Portfolio	8,700,000	RMB ordinary shares	8,700,000
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	7,998,584	Domestic listed foreign investment shares	7,998,584
Bank of China - ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,505,734	RMB ordinary shares	7,505,734
Remarks on the special account for repurchase among the top ten shareholders	N/A		
Remarks on the above-mentioned shareholders' entrusting, accepting and waiving voting rights	N/A		
Remarks on relationship or concerted actions of the above shareholders	1. Holpac Limited is the party acting in concert with Holchin B.V. 2. It is unknown to the Company whether there is any relationship among the shareholders or any concerted persons referred in the Administrative Measures of Disclosing Changes in Shareholding for Listed Companies.		
Remarks on the preferred shareholders with voting rights restored and the number of their shares	N/A		

Top ten holders of shares subject to conditional sales and the sales conditions: Not applicable

(III) Strategic investors or general corporations becoming the top 10 shareholders due to the allotment of new shares: Not applicable



#### IV. General information of the controlling shareholder and the actual controller of the Company

##### (I) Controlling shareholder

###### 1 Corporation

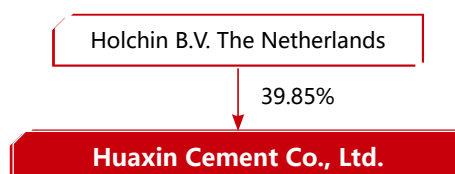
Name	Holchin B.V.
Person in charge of the Company or legal representative	N/A
Date of establishment	June 16, 1998
Main business	Setting up companies and other enterprises; acquiring, administrating, monitoring and transferring equity and other rights and interests of corporations, companies or enterprises.
Situation of other domestic and overseas listed companies that hold or participate in shares during the reporting period	None
Description of others	None

###### 2 Natural person:Not applicable

###### 3. Special statement on non-existed controlling shareholder:Not applicable

###### 4. Changes in the controlling shareholder during the reporting period:Not applicable

###### 5. Property right and controlling relationship between the Company and the controlling shareholder



##### (II) Actual controller

###### 1. Corporation

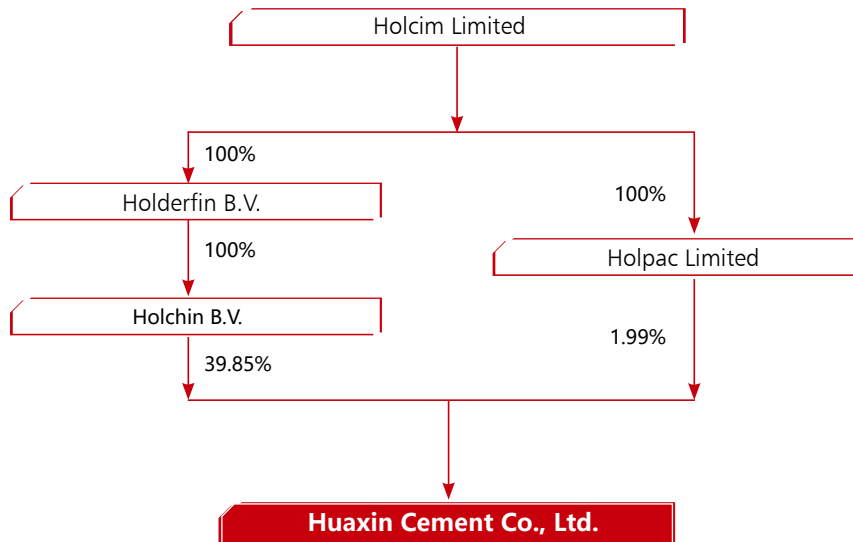
Name	Holcim Ltd
Person in charge of the Company or legal representative	N/A
Date of establishment	July 15, 2015
Main business	Production and sales of cement, aggregates (gravel and sand), and concrete
Situation of other domestic and overseas listed companies that hold or participate in shares during the reporting period	During the reporting period, Holcim Ltd did not hold or participate in the equity of other domestic listed companies, but held and participated in the equity of 11 overseas listed companies
Description of others	None

###### 2. Natural person:Not applicable

###### 3. Special statement on non-existed actual controller:Not applicable

###### 4 Explanation of the changes in the corporate control during the reporting period :Not applicable

### 5. Property right and controlling relationship between the Company and the actual controller



### 6. The actual controller controls the Company through trust or other asset management methods:Not applicable

(III) Other information of the controlling shareholder and the actual controller of the Company:Not applicable

**V. The cumulative pledged shares of the Company's controlling shareholder or the largest shareholder and persons acting in concert account for more than 80% of the Company's shares held by them :Not applicable**

### VI. Other corporate shareholders holding over 10% shares

Unit: 100 million Yuan Currency: RMB

Name	Person in charge of the Company or legal representative	Date of establishment	Organization code	Registered capital	Main business
Huaxin Group Co., Ltd.	Liu Fengshan	November 14, 1996	17843892-3	3.40	Manufacture and sales of cement products, machine parts, development of real estate, commerce, service, etc.

**VII. Explanation on the restricted shareholding reduction:Not applicable**

**VIII. Implementation of share repurchase during the reporting period :Not applicable**





# 08

## Chapter 8 Preferred Shares

Not applicable



# 09

## Chapter 9 Corporate Bonds

## I. Corporate bonds, company bonds and financing instruments

### 1. Basic information of the corporate bonds

Unit: 100 million Yuan

Name	Abbreviation	Code	Issuing date	Value date	Date of expiry	Bond balance	Coupon rate	Principal and interest payment	Trading place	Investors	Risk of termination of listing
2020 overseas bonds	HXCEME	XS2256737722	Nov.19, 2020	Nov 20, 2020	Nov.18, 2025	19.02	2.25%	Payment of interest half a year, debt maturity	Singapore Stock Exchange	Qualified investors	No
Bonds issued to professional investors in 2021 (Phase I)	21HX01	188650	Aug 25, 2021	Aug 26, 2021	Aug 24, 2024	12.98	3.26%	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Qualified investors	No

#### Corporate bond redemption and interest payment

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

2. Triggering and implementation of issuer or investor option clauses and investor protection clauses: Not applicable.

3. Agency to provide service for bond issuance and in its continuation period

Agency	Office address	Signature accountants	Contact
Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	4901, Guomao Building of New World, No. 568 Jianshe Avenue, Jiangnan District, Wuhan	Gary Chen, Ricky Pang	Li Wei
CITIC Securities Co., Ltd.	22 <sup>nd</sup> Floor, CITIC Securities Building, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	NA	Zhang Baole
Huatai United Securities Co., Ltd.	3 <sup>rd</sup> Floor, Block A, Pacific Insurance Building, No. 28 Fengsheng Hutong, Xicheng District, Beijing	NA	Ding Wenya
China Chengxin International Credit Rating Co., Ltd	Soho 5, Yinhe, Zhugan Hutong 2, South of Neidajie, Chaoyang Men, East District, Beijing	NA	Yang Chenhui
Shanghai AllBright (Wuhan) Law Firm	8 <sup>th</sup> Floor, Minsheng Financial Center, No. 187 Yunxia Road, Jiangnan District, Wuhan City, Hubei Province	NA	Huang Jun
China Construction Bank Hubei Branch	No. 709 Jianshe Avenue, Jiang'an District, Wuhan	NA	Xu Rui
Barclays Bank	41/F, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong	NA	Li Shaobo
Clifford Chance	27/F, Jardine House, 1 Connaught Place, Central, Hong Kong	NA	Ye Jiajin
Beijing Deheng Law Firm	12 <sup>th</sup> Floor, Block B, Fukai Building, No. 19 Financial Street, Xicheng District, Beijing, China	NA	Hu Xueyuan
Linklaters LLP	10/F, Alexandra Building, Chater Road, Hong Kong	NA	Chen Pengyu
King & Wood Mallesons	25/F, Guangzhou Chow Tai Fook Financial Center, No. 6, Zhujiang East Road, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province	NA	Cheng Shidi
China Construction Bank (Asia)	20 <sup>th</sup> Floor, China Construction Bank Tower, 3 Connaught Road Central, Hong Kong	NA	Gong Ruyue

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

Unit: 100 million RMB

Bonds	Total raised fund	Used amount	Balance	Operation of the fund account	Rectification due to illegal use of fund	In alignment with the purpose, plan in the prospectus
2020 overseas bonds	19.44	13.05	6.39	The company has set up a special account for raised funds, which is specially used for the acceptance, storage and transfer of funds raised from corporate bonds issued by the company.	Not applicable	Yes
2021 public bonds for professional investors (1 <sup>st</sup> tranche)	12.98	12.98	0	Same with the above	Not applicable	Yes

Progress and operation profit of the bonds:

2020 overseas bonds: Zambia and Malawi acquisition have finished. Nepal project is in operation. Other projects enjoy stable profit.

2021 public bonds for professional investors 1<sup>st</sup> tranche: not applicable

#### 5. Credit rating result

Bonds	Agency	Credit rating	Outlook change	Reason of change
2020 overseas bonds	MOODY'S INVESTORS SERVICE	Baa1	No change	Not applicable
2021 public bonds for professional investors (1 <sup>st</sup> tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable

#### 6. Implementation, change and impact of guarantee, debt payment and other security measures

During the reporting period, the corporate bond credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures remained unchanged. In order to fully and effectively safeguard the interests of bondholders, the company has made a series of arrangements for the timely and full repayment of the bonds, including identifying specialized departments and personnel, arranging debt repayment funds, and formulating and strictly implementing fund management plans.

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

Unit: Yuan

Item	2021	2020	Change over last year (%)	Reason for the change
EBITDA	5,304,878,118	5,553,708,292	-4.48	
Liquid ratio	1.27	1.30	-2.31	
Quick ratio	0.96	1.07	-10.28	
Asset-liability ratio (%)	44.1%	41.4%	2.7%	
EBITDA/total liabilities	0.42	0.54	-22.22	
Interest Protection Multiples	24.82	33.76	-26.48	
Cash Interest Protection Multiples	31.12	44.10	-29.43	
EBITDA Interest Protection Multiples	31.85	41.36	-22.99	
Loan repayment rate (%)	100%	100%	-	
Interest repayment rate (%)	100%	100%	-	



# 10

## Chapter 10 Financial Report

### AUDITOR'S REPORT

De Shi Bao (Shen) Zi (22) No. P01804

TO THE SHAREHOLDERS OF HUAXIN CEMENT CO., LTD.,

#### I.Opinion

We have audited the financial statements of Huaxin Cement Co., Ltd. (the "Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2021, the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements are present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2021, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with the China Accounting Standards for Business Enterprises ("CASBEs").

## II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.

### (I) Expected credit loss ("ECL") of accounts receivable

#### 1. Description of the matter

As set out in Note V(4), the carrying amount of accounts receivable amounting to RMB 956,580,152 was included in the consolidated balance sheet as at 31 December 2021 net provision for ECL of RMB 164,229,940. As set out in Note III(10) to the consolidated financial statements, accounts receivable are subsequently measured at amortized cost and the ECL is the present value of the difference between the contractual cash flows receivable and the cash flows expected to be received. In determining the ECL of accounts receivable, the management is required to appropriately consider the Group's historical credit losses, macro-economic environment and other present conditions and reasonably predict the future economic conditions. As the amount of accounts receivable was significant and the determination of ECL required significant judgement of the management, we identified the ECL of accounts receivable as a key audit matter.

#### 2. How our audit addressed the key audit matter

Our procedures in relation to ECL of accounts receivable mainly included:

- (a) Understood, tested and evaluated the key internal controls in relation to the ECL of accounts receivable;
- (b) Obtained the ECL model for accounts receivable prepared by the management for determination of ECL of accounts receivable, tested the underlying data used in the calculation on a sample basis including testing the aging of accounts receivable and the calculation of historical credit losses, understood the Company's credit policy, and evaluated the appropriateness of the methodologies and reasonableness of management's key assumptions and judgements used;
- (c) Verified the mathematical accuracy of the amount of ECL calculated by the management using the above ECL model;
- (d) Understood the management's special consideration for measurement of ECL in respect of the receivables for which bad debt provision is individually assessed, obtained the related supporting documents and evaluated the reasonableness of ECL determined by the management.

## IV. Other Information

The Company's management is responsible for the other information. The other information comprises the information included in the annual report for the year of 2021, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for preparation and fair presentation of the financial statements in accordance with the CASBEs and designing, implementing and maintaining the internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

### VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountant: Mr. Chen Jialei  
(Engagement partner)

Shanghai, China

Chinese Certified Public Accountant: Mr. Pang Yong

29 March 2022

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under Accounting Standards for Business Enterprises. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.



HUAXIN CEMENT CO., LTD.

**CONSOLIDATED BALANCE SHEET**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Closing balance	Opening balance
<b>Current Assets</b>			
Cash and bank balances	V(1)	8,836,439,385	8,641,612,847
Held-for-trading financial assets	V(2)	711,964,323	1,004,581,752
Notes receivable	V(3)	145,430,152	79,939,117
Accounts receivable	V(4)	956,580,152	653,219,779
Financing with receivables	V(5)	761,050,910	1,020,306,419
Prepayments	V(6)	339,315,919	378,619,350
Other receivables	V(7)	356,013,351	375,253,958
Inventories	V(8)	3,541,954,674	2,349,156,189
Other current assets	V(9)	477,967,711	631,922,798
<b>Total Current Assets</b>		<b>16,126,716,577</b>	<b>15,134,612,209</b>
<b>Non-current Assets</b>			
Debt investments		7,500,000	7,500,000
Long-term receivables		35,934,266	29,141,216
Long-term equity investments	V(10)	523,612,871	512,281,201
Other equity instrument investments	V(11)	55,867,066	33,774,995
Other non-current financial assets	V(12)	26,343,260	32,827,254
Fixed assets	V(13)	21,326,030,410	19,185,630,257
Construction in progress	V(14)	4,199,141,042	3,104,429,340
Right-of-use assets	V(15)	273,191,262	
Intangible assets	V(16)	7,377,964,445	4,267,008,181
Development expenditure		10,392,804	2,050,090
Goodwill	V(17)	643,192,969	476,084,798
Long-term prepaid expenses	V(18)	582,072,668	363,760,774
Deferred tax assets	V(19)	410,534,318	437,800,338
Other non-current Assets		951,124,092	341,608,498
<b>Total Non-current Assets</b>		<b>36,422,901,473</b>	<b>28,793,896,942</b>
<b>TOTAL ASSETS</b>		<b>52,549,618,050</b>	<b>43,928,509,151</b>

HUAXIN CEMENT CO., LTD.

**CONSOLIDATED BALANCE SHEET - continued**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Closing balance	Opening balance
<b>Current Liabilities</b>			
Short-term borrowings	V(20)	642,946,608	625,000,000
Notes payable	V(21)	670,993,082	472,696,537
Accounts payable	V(22)	7,112,302,355	5,297,633,770
Contract liabilities	V(23)	847,443,693	830,492,042
Employee benefits payable	V(24)	409,092,005	529,877,921
Taxes payable	V(25)	1,060,916,467	1,186,166,143
Other payables	V(26)	756,194,670	786,246,239
Non-current liabilities due within one year	V(27)	1,213,650,184	1,874,484,159
<b>Total Current Liabilities</b>		<b>12,713,539,064</b>	<b>11,602,596,811</b>
<b>Non-current Liabilities</b>			
Long-term borrowings	V(28)	5,081,924,506	3,504,279,973
Bonds payable	V(29)	3,327,860,620	1,943,763,447
Lease liabilities	V(30)	223,580,118	
Long-term payables	V(31)	463,257,160	191,011,663
Long-term employee benefits payable	V(32)	54,458,394	127,205,104
Provisions	V(33)	347,473,462	233,393,286
Deferred income	V(34)	292,376,076	301,399,766
Deferred tax liabilities	V(19)	572,865,342	284,920,603
Other Non-current Liabilities		94,446,000	-
<b>Total Non-current Liabilities</b>		<b>10,458,241,678</b>	<b>6,585,973,842</b>
<b>TOTAL LIABILITIES</b>		<b>23,171,780,742</b>	<b>18,188,570,653</b>
<b>Shareholders' Equity</b>			
Share capital	V(35)	2,096,599,855	2,096,599,855
Capital reserve	V(36)	2,031,151,748	1,943,538,052
Less: Treasury shares	V(37)	610,051,971	610,051,971
Other comprehensive income	V(39)	(305,350,132)	(275,292,763)
Surplus reserve	V(38)	1,111,880,257	1,111,880,257
Retained profits	V(40)	22,405,681,711	19,304,701,887
<b>Total equity attributable to shareholders of the Company</b>		<b>26,729,911,468</b>	<b>23,571,375,317</b>
Minority interests		2,647,925,840	2,168,563,181
<b>Total Shareholders' Equity</b>		<b>29,377,837,308</b>	<b>25,739,938,498</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>52,549,618,050</b>	<b>43,928,509,151</b>

The accompanying notes form part of the financial statements.

Legal Representative: Mr. Li Yeqing

Chief Financial Officer: Mr. Chen Qian

Head of Accounting Department: Mr. Wu Xin

HUAXIN CEMENT CO., LTD.

**BALANCE SHEET OF THE COMPANY**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Closing balance	Opening balance
<b>Current Assets</b>			
Cash and bank balances	XV(1)	5,169,508,200	4,650,418,319
Held-for-trading financial assets		711,964,323	1,004,581,752
Notes receivable	XV(2)	32,408,118	100,000
Accounts receivable	XV(3)	903,298,318	545,749,566
Financing with receivables	XV(4)	247,445,734	151,473,769
Prepayments	XV(5)	382,262,179	226,396,232
Other receivables	XV(6)	4,317,066,529	4,396,614,326
Inventories	XV(7)	726,314,719	320,998,776
Non-current assets due within 1 year		1,580,000	1,580,000
Other current assets		22,596,645	18,886,995
<b>Total Current Assets</b>		<b>12,514,444,765</b>	<b>11,316,799,735</b>
<b>Non-current Assets:</b>			
Long-term receivables		87,898,133	18,738,952
Long-term equity investments	XV(8)	11,936,939,283	11,119,516,523
Other equity instrument investments		55,867,066	33,774,995
Other non-current financial assets		26,343,260	32,827,254
Fixed assets	XV(9)	384,704,226	437,139,833
Construction in progress	XV(10)	291,066,732	209,773,010
Right-of-use assets		59,568,221	
Intangible assets	XV(11)	38,448,339	40,397,874
Long-term prepaid expenses		13,107,626	15,339,306
Deferred tax assets		29,811,375	17,350,047
<b>Total Non-current Assets</b>		<b>12,923,754,261</b>	<b>11,924,857,794</b>
<b>TOTAL ASSETS</b>		<b>25,438,199,026</b>	<b>23,241,657,529</b>

HUAXIN CEMENT CO., LTD.

**BALANCE SHEET OF THE COMPANY - continued**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Closing balance	Opening balance
<b>Current Liabilities</b>			
Short-term borrowings	XV(12)	-	300,000,000
Notes payable	XV(13)	309,821,465	24,246,455
Accounts payable	XV(14)	347,419,293	410,565,470
Contract liabilities		70,245,287	14,795,403
Employee benefits payable		87,023,012	63,346,794
Taxes payable		205,305,241	234,439,071
Other payables	XV(15)	8,032,946,947	7,224,579,499
Non-current liabilities due within one year	XV(16)	167,357,327	1,321,867,253
<b>Total Current Liabilities</b>		<b>9,220,118,572</b>	<b>9,593,839,945</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings	XV(17)	1,418,420,000	1,202,780,000
Bonds payable	XV(18)	1,297,795,200	-
Lease liabilities		44,483,255	
Long-term employee benefits payable		18,934,675	99,997,218
Provisions		6,570,974	8,282,611
Deferred income		8,782,667	12,085,332
<b>Total Non-current Liabilities</b>		<b>2,794,986,771</b>	<b>1,323,145,161</b>
<b>TOTAL LIABILITIES</b>		<b>12,015,105,343</b>	<b>10,916,985,106</b>
<b>Shareholders' Equity</b>			
Share capital		2,096,599,855	2,096,599,855
Capital reserve		2,429,495,032	2,341,881,336
Less: Treasury shares		610,051,971	610,051,971
Other comprehensive income		30,331,199	13,762,146
Surplus reserve		1,111,880,257	1,111,880,257
Retained profits	XV(19)	8,364,839,311	7,370,600,800
<b>Total Shareholders' Equity</b>		<b>13,423,093,683</b>	<b>12,324,672,423</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>25,438,199,026</b>	<b>23,241,657,529</b>

HUAXIN CEMENT CO., LTD.

**CONSOLIDATED INCOME STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Total operating income		32,464,083,379	29,356,515,691
Including: Operating income	V(41)	32,464,083,379	29,356,515,691
Less: Total operating costs		25,204,672,403	21,939,755,338
Including: Operating costs	V(41)	21,392,494,465	18,035,261,466
Taxes and levies	V(42)	604,610,294	510,430,272
Selling and distribution expenses	V(43)	1,331,208,970	1,427,678,136
General and administrative expenses	V(44)	1,634,697,607	1,604,700,517
Research and development expenses		71,401,459	55,979,438
Financial expenses	V(45)	170,259,608	305,705,509
Including: Interest expenses		278,751,019	200,578,230
Interest income		155,781,766	63,827,091
Add: Other income	V(46)	207,513,824	239,383,949
Investment income	V(47)	27,449,280	118,572,236
Including: Income from investments in associates and joint ventures		10,506,995	77,037,487
Gains (Losses) from changes in fair value	V(48)	(4,495,795)	2,405,398
Impairment losses on credit	V(49)	(27,661,442)	(13,997,491)
Impairment losses on assets	V(50)	(35,100,858)	(78,195,751)
Gains on disposal of assets	V(51)	17,244,185	14,013,082
II. Operating profit		7,444,360,170	7,698,941,776
Add: Non-operating income	V(52)	23,182,968	65,267,816
Less: Non-operating expenses	V(53)	94,547,294	100,564,303
III. Profit before tax		7,372,995,844	7,663,645,289
Less: Income tax expenses	V(54)	1,568,058,827	1,490,052,106
IV. Net profit		5,804,937,017	6,173,593,183
(i) Classified by the continuity of operation			
1. Net profit from continuing operations		5,804,937,017	6,173,593,183
(ii) Classified by the ownership			
1. Net profit attributable to shareholders of the Company		5,363,525,692	5,630,598,812
2. Profit or loss attributable to minority interests		441,411,325	542,994,371
V. Other comprehensive income, net of tax		(37,150,809)	(359,155,714)
Other comprehensive income attributable to owners of the Company, net of tax		(30,057,369)	(257,876,551)
(i) Other comprehensive income that cannot be reclassified to profit or loss		16,569,053	(3,341,330)
1. Changes in fair value of other equity instrument investments		16,569,053	(3,341,330)
(ii) Other comprehensive income that will be reclassified to profit or loss		(46,626,422)	(254,535,221)
1. Exchange differences on translation of financial statements denominated in foreign currencies		(46,626,422)	(254,535,221)
Other comprehensive income attributable to minority interests, net of tax		(7,093,440)	(101,279,163)
VI. Total comprehensive income		5,767,786,208	5,814,437,469
Total comprehensive income attributable to owners of the Company		5,333,468,323	5,372,722,261
Total comprehensive income attributable to minority interests		434,317,885	441,715,208
VII. Earnings per share			
(i) Basic earnings per share (RMB)		2.58	2.69
(ii) Diluted earnings per share (RMB)		2.58	2.69

HUAXIN CEMENT CO., LTD.

**INCOME STATEMENT OF THE COMPANY**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Operating income	XV(20)	5,105,277,163	4,013,223,622
Less: Operating costs	XV(20)	4,750,674,764	3,394,655,309
Taxes and levies		2,855,972	18,699,210
Selling and distribution expenses		29,228,354	71,300,954
General and administrative expenses	XV(21)	362,816,521	401,591,118
Research and development expenses		17,301,729	11,635,683
Financial expenses		16,378,153	166,600,760
Including: Interest expenses		234,762,365	215,006,100
Interest income		251,364,116	139,817,009
Add: Other income		6,876,753	8,046,227
Investment income	XV(22)	3,296,033,501	3,202,604,563
Including: (Losses) Income from investments in associates and joint ventures		(401,915)	67,717,486
Gains from changes in fair value		898,576	2,405,398
Impairmen (losses)/gains on credit		(2,564,799)	398,978
Impairment losses on assets		(1,048,704)	(206,466)
Gains on disposal of assets		17,691,662	10,798,209
II. Operating profit		3,243,908,659	3,172,787,497
Add: Non-operating income		255,256	8,042,962
Less: Non-operating expenses		5,363,881	14,712,523
III. Profit before tax		3,238,800,034	3,166,117,936
Less: Income tax expenses	XV(23)	(17,984,345)	10,804,199
IV. Net profit		3,256,784,379	3,155,313,737
(i) Net profit from continuing operations		3,256,784,379	3,155,313,737
V. Other comprehensive income, net of tax		16,569,053	(3,341,330)
(i) Other comprehensive income that cannot be reclassified to profit or loss		16,569,053	(3,341,330)
1. Changes in fair value of other equity instrument investments		16,569,053	(3,341,330)
VI. Total comprehensive income		3,273,353,432	3,151,972,407

HUAXIN CEMENT CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities</b>			
Cash receipts from the sale of goods and the rendering of services		31,749,395,997	30,838,524,919
Receipts of tax refunds		116,148,374	166,453,900
Other cash receipts relating to operating activities	V(55)(1)	364,745,201	219,373,958
Sub-total of cash inflows from operating activities		32,230,289,572	31,224,352,777
Cash payments for goods purchased and services received		17,548,873,242	16,116,106,584
Cash payments to and on behalf of employees		2,786,085,026	2,480,442,469
Payments of various types of taxes		3,323,615,276	3,372,065,119
Other cash payments relating to operating activities	V(55)(2)	976,758,906	850,265,845
Sub-total of cash outflows from operating activities		24,635,332,450	22,818,880,017
Net Cash Flow from Operating Activities	V(56)(1)	7,594,957,122	8,405,472,760
<b>II. Cash Flows from Investing Activities</b>			
Cash receipts from disposal and recovery of investments		2,300,000,000	650,070,000
Cash receipts from investment income		14,994,618	5,450,137
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		43,148,111	52,523,503
Net cash receipts from disposal of subsidiaries and other business units	V(56)(3)	22,000	171,932,839
Other cash receipts relating to investing activities		5,602,256	36,369,014
Sub-total of cash inflows from investing activities		2,363,766,985	916,345,493
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		6,229,454,258	3,589,696,674
Cash payments to acquire investments		2,000,000,000	1,650,000,000
Net cash payments for acquisition of subsidiaries and other business units	V(56)(2)	928,376,352	684,690,731
Sub-total of cash outflows from investing activities		9,157,830,610	5,924,387,405
Net Cash Flow from Investing Activities		(6,794,063,625)	(5,008,041,912)
<b>III. Cash Flows from Financing Activities</b>			
Cash receipts from capital contributions		153,333,766	112,310,000
Cash receipts from borrowings		3,220,124,455	2,914,266,422
Cash receipts from issue of bonds		1,297,504,000	1,959,330,026
Other cash receipts relating to financing activities	V(55)(3)	124,507,075	-
Sub-total of cash inflows from financing activities		4,795,469,296	4,985,906,448
Cash repayments of borrowings		2,499,908,822	1,115,347,517
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,828,550,460	2,975,872,170
Other cash payments relating to financing activities	V(55)(4)	99,262,887	707,001,362
Sub-total of cash outflows from financing activities		5,427,722,169	4,798,221,049
Net Cash Flow from Financing Activities		(632,252,873)	187,685,399
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		(38,411,852)	(83,166,330)
<b>V. Net Increase in Cash and Cash Equivalents</b>		130,228,772	3,501,949,917
Add: Opening balance of cash and cash equivalents		8,420,246,369	4,918,296,452
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	V(56)(4)	8,550,475,141	8,420,246,369

HUAXIN CEMENT CO., LTD.

**CASH FLOW STATEMENT OF THE COMPANY**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	Note	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		3,828,012,639	3,191,003,255
Receipts of tax refunds		6,611,239	-
Other cash receipts relating to operating activities		1,132,463,694	1,421,687,218
Sub-total of cash inflows from operating activities		4,967,087,572	4,612,690,473
Cash payments for goods purchased and services received		4,861,866,654	3,678,496,769
Cash payments to and on behalf of employees		261,885,569	330,595,225
Payments of various types of taxes		109,845,660	130,550,123
Other cash payments relating to operating activities		165,550,728	203,543,612
Sub-total of cash outflows from operating activities		5,399,148,611	4,343,185,729
Net Cash Flow from Operating Activities	XV(24)	(432,061,039)	269,504,744
<b>II. Cash Flows from Investing Activities</b>			
Cash receipts from disposal and recovery of investments		2,300,000,000	650,000,000
Cash receipts from investment income		3,088,245,416	3,031,642,475
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		14,963,320	22,798,942
Net cash receipts from disposal of subsidiaries and other business units		-	210,000,000
Other cash receipts relating to investing activities		4,639,485,395	3,537,201,880
Sub-total of cash inflows from investing activities		10,042,694,131	7,451,643,297
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		82,893,684	105,006,172
Cash payments to acquire investments		2,000,000,000	1,650,000,000
Net cash payments for acquisition of subsidiaries and other business units		817,000,000	650,400,000
Other cash payments relating to investing activities		4,466,422,746	3,226,012,310
Sub-total of cash outflows from investing activities		7,366,316,430	5,631,418,482
Net Cash Flow from Investing Activities		2,676,377,701	1,820,224,815
<b>III. Cash Flows from Financing Activities</b>			
Cash receipts from borrowings		400,000,000	1,100,000,000
Cash receipts from issue of bonds		1,297,504,000	-
Other cash receipts relating to financing activities		676,015,745	2,146,826,804
Sub-total of cash inflows from financing activities		2,373,519,745	3,246,826,804
Cash repayments of borrowings		1,650,367,253	621,365,182
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,416,094,933	2,609,048,538
Other cash payments relating to financing activities		10,851,000	610,051,971
Sub-total of cash outflows from financing activities		4,077,313,186	3,840,465,691
Net Cash Flow from Financing Activities		(1,703,793,441)	(593,638,887)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		(13,175,115)	(13,615,201)
<b>V. Net Increase in Cash and Cash Equivalents</b>			
		527,348,106	1,482,475,471
Add: Opening balance of cash and cash equivalents		4,624,314,323	3,141,838,852
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
		5,151,662,429	4,624,314,323



HUAXIN CEMENT CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	For the year ended 31 December 2021								
	Attributable to owners of the Company							Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Sub-total		
Balance at 31 December 2020	2,096,599,855	1,943,538,052	610,051,971	(275,292,763)	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
Balance at 1 January 2021	2,096,599,855	1,943,538,052	610,051,971	(275,292,763)	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
Changes in the year	-	87,613,696	-	(30,057,369)	-	3,100,979,824	3,158,536,151	479,362,659	3,637,898,810
(i) Total comprehensive income	-	-	-	(30,057,369)	-	5,363,525,692	5,333,468,323	434,317,885	5,767,786,208
(ii) Owners' contributions and reduction in capital	-	87,613,696	-	-	-	-	87,613,696	364,186,684	451,800,380
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	364,186,684	364,186,684
2. Share-based payments recognized in owners' equity	-	86,789,021	-	-	-	-	86,789,021	-	86,789,021
3. Others	-	824,675	-	-	-	-	824,675	-	824,675
(iii) Profit distribution	-	-	-	-	-	(2,262,545,868)	(2,262,545,868)	(319,141,910)	(2,581,687,778)
1. Distribution to shareholders	-	-	-	-	-	(2,262,545,868)	(2,262,545,868)	(319,141,910)	(2,581,687,778)
Balance at 31 December 2021	2,096,599,855	2,031,151,748	610,051,971	(305,350,132)	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308

HUAXIN CEMENT CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY- continued**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	For the year ended 31 December 2020								
	Attributable to owners of the Company							Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Sub-total		
Balance at 31 December 2019	2,096,599,855	1,913,438,767	-	(17,416,212)	1,111,880,257	16,204,540,023	21,309,042,690	2,058,640,055	23,367,682,745
Balance at 1 January 2020	2,096,599,855	1,913,438,767	-	(17,416,212)	1,111,880,257	16,204,540,023	21,309,042,690	2,058,640,055	23,367,682,745
Changes in the year	-	30,099,285	610,051,971	(257,876,551)	-	3,100,161,864	2,262,332,627	109,923,126	2,372,255,753
(i) Total comprehensive income	-	-	-	(257,876,551)	-	5,630,598,812	5,372,722,261	441,715,208	5,814,437,469
(ii) Owners' contributions and reduction in capital	-	30,099,285	610,051,971	-	-	-	(579,952,686)	(2,675,884)	(582,628,570)
1. Ordinary shares contributed by owners	-	-	610,051,971	-	-	-	(610,051,971)	112,310,000	(497,741,971)
2. Share-based payments recognized in owners' equity	-	29,227,385	-	-	-	-	29,227,385	-	29,227,385
3. Others	-	871,900	-	-	-	-	871,900	(114,985,884)	(114,113,984)
(iii) Profit distribution	-	-	-	-	-	(2,530,436,948)	(2,530,436,948)	(329,116,198)	(2,859,553,146)
1. Distribution to shareholders	-	-	-	-	-	(2,530,436,948)	(2,530,436,948)	(329,116,198)	(2,859,553,146)
Balance at 31 December 2020	2,096,599,855	1,943,538,052	610,051,971	(275,292,763)	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498

HUAXIN CEMENT CO., LTD.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	For the year ended 31 December 2021						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 31 December 2020	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423
Balance at 1 January 2021	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423
Changes in the year	-	87,613,696	-	16,569,053	-	994,238,511	1,098,421,260
(i) Total comprehensive income	-	-	-	16,569,053	-	3,256,784,379	3,273,353,432
(ii) Owners' contributions and reduction in capital	-	87,613,696	-	-	-	-	87,613,696
1. Share-based payments recognized in owners' equity	-	86,789,021	-	-	-	-	86,789,021
2. Others	-	824,675	-	-	-	-	824,675
(iii) Profit distribution	-	-	-	-	-	(2,262,545,868)	(2,262,545,868)
1. Distribution to shareholders	-	-	-	-	-	(2,262,545,868)	(2,262,545,868)
Balance at 31 December 2021	2,096,599,855	2,429,495,032	610,051,971	30,331,199	1,111,880,257	8,364,839,311	13,423,093,683

HUAXIN CEMENT CO., LTD.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY - continued**

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Items	For the year ended 31 December 2020						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 31 December 2019	2,096,599,855	2,311,782,051	-	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650
Balance at 1 January 2020	2,096,599,855	2,311,782,051	-	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650
Changes in the year	-	30,099,285	610,051,971	(3,341,330)	-	624,876,789	41,582,773
(i) Total comprehensive income	-	-	-	(3,341,330)	-	3,155,313,737	3,151,972,407
(ii) Owners' contributions and reduction in capital	-	30,099,285	610,051,971	-	-	-	(579,952,686)
1. Ordinary shares contributed by owners	-	-	610,051,971	-	-	-	(610,051,971)
2. Share-based payments recognized in owners' equity	-	29,227,385	-	-	-	-	29,227,385
3. Others	-	871,900	-	-	-	-	871,900
(iii) Profit distribution	-	-	-	-	-	(2,530,436,948)	(2,530,436,948)
1. Distribution to shareholders	-	-	-	-	-	(2,530,436,948)	(2,530,436,948)
Balance at 31 December 2020	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423

HUAXIN CEMENT CO., LTD.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### I. BASIC INFORMATION ABOUT THE COMPANY

#### 1. Company profile

Huaxin Cement Co., Ltd. (the "Company") is a limited company incorporated in the People's Republic of China (the "PRC"). In 1994, as approved by Hubei Provincial People's Government, the Company's shares were listed on the Shanghai Stock Exchange. In 2006, as approved by the Ministry of Commerce of the PRC, the legal status of the Company was changed to a foreign-invested limited company. In April 2019, based on its total share capital of 1,497,571,325 shares at the end of 2018, the Company allotted shares from its capital surplus at 4 shares for every 10 shares, amounting to RMB 599,028,530. As a result, the total shares of the Company increased to 2,096,599,855, including 1,361,879,855 A shares and 734,720,000 B shares, both of which are issued domestically.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacturing and sales of cement, concrete, clinker, aggregate and other construction materials. The address of the Company's registered office is No. 600, East Daqi Avenue, Huangshi City, Hubei Province and the office address of the headquarter is Huaxin Plaza, No. 426 Gaoxin Avenue, Donghu New Technology Development District, Wuhan City, Hubei Province.

The Company's and consolidated financial statements were authorized for issue by the Company's Board of Directors on 29 March 2022.

#### 2. Scope of consolidated financial statements

Principal subsidiaries included in the scope of consolidation are listed in Note VII "Equity Interests in Other Entities". For the detailed changes in the scope of consolidated financial statements in the current year, refer to Note VI "Changes in Scope of Consolidation".

### II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### 1. Basis of preparation

The Group adopts the Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. Besides, the Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting (Revised in 2014). [In addition, the financial statements also include the relevant disclosures required by Hong Kong Companies Ordinance and the Listing Rules of the Stock Exchange of Hong Kong.]

#### 2. Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2021 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

#### 3. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and disclosure purposes in the financial statements is determined on such a basis.

In the measurement of non-financial assets at fair value, market participants' ability to best utilize such assets to generate most economic benefits, or the ability to sell such assets to other market participants who are able to best utilize the assets to generate economic benefits is taken into account.

For financial assets of which transaction prices are the fair value on initial recognition, and of which valuation technique involving unobservable input is used in subsequent measurement, the valuation technique in the course of valuation is adjusted to enable the result of initial recognition based on the valuation technique equal to the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs within Level 1, that are directly or indirectly observable for the asset or liability;
- Level 3 inputs are unobservable inputs for the asset or liability.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Group determines specific accounting policies and accounting estimates based on actual business operation characteristics, including the method of bad debt provision for receivables (Note III (10)), the depreciation of fixed assets and the amortization of intangible assets (Note III (16), (19)) and the time point of revenue recognition (Note III (27)) etc.

The key judgements made by the Group in determining significant policies are detailed in Note III (32).

#### 1. Statement of compliance with the ASBEs

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises ("ASBEs"), and present truly and completely, the Company's and consolidated financial position as at 31 December 2021, and the Company's and consolidated results of operations, changes in shareholders' equity and cash flows for the year then ended.

#### 2. Accounting period

The accounting year of the Group is from 1 January to 31 December.

#### 3. Operating cycle

An operating cycle refers to the period since an enterprise purchases assets for processing purpose until the realization of those assets in cash or cash equivalents. The Group's operating cycle is 12 months.

#### 4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries, namely, Huaxin Gayur (Sogd) Cement LLC, Huaxin Yovon Cement LLC, Cambodian Cement Chakrey Ting Factory Co., Ltd., Yuzhno-Kyrgyzskiy Cement CJSC, Huaxin Cement Dzizak Co., Ltd., Maweni Limestone Ltd., Huaxin Cement Narayani Co., Ltd., CHILANGA Cement PLC and Portland Cement (MALAWI) Limited determine TJS, TJS, USD, SOM, UZS, Shilling, RUB, Kwacha and MWK as their functional currencies based on the currency of the primary economic environment in which they operate. The Company adopts RMB to present its financial statements.

## 5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control. The Group has only business combinations not involving enterprises under common control.

### 5.1 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of audit, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognizes and measures the combination using those provisional values. Any adjustments to those provisional values within twelve months after the acquisition date are treated as if they had been recognized and measured on the acquisition date.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

## 6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the results of operation and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the results of operation and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profit or loss of subsidiaries and other comprehensive income for the period attributable to minority interests is presented as "profit or loss attributable to minority interests" below the "net profit" and "other comprehensive income attributable to minority interests, net of tax" below the "other comprehensive income, net of tax" in the consolidated income statement.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

All significant balances of receivables and payables, transactions and unrealized profits within the Group are offset when the consolidated financial statements are prepared. The unrealized internal transaction gains and losses arising from the sale of assets by the Company to its subsidiaries shall fully offset the net profit attributable to the shareholders of the parent company; the unrealized internal transaction gains and losses arising from the sale of assets by the subsidiaries to the Company shall be proportionally offset between the net profit attributable to the shareholders of the parent company and the gains and losses of minority shareholders based on distribution ratio of the Company to its subsidiaries. The unrealized internal transaction gains and losses arising from the sale of assets between subsidiaries shall be offset by the distribution proportion of the parent company to the subsidiaries of the seller between the net profit attributable to the shareholders of the parent company and the gains and losses of minority shareholders.

If the identification of the same transaction with the Group as the accounting entity and the Company or subsidiary as the accounting entity is different, the transaction shall be adjusted from the perspective of the Group.

#### 7. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group accounts for investments in joint ventures using the equity method. Refer to Note (III) 15.3.2 "Long-term equity investments accounted for using the equity method" for details.

#### 8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted bank deposits are not regarded as cash or cash equivalents in the preparation of cash flow statements.

#### 9. Translation of transactions and financial statements denominated in foreign currencies

##### 9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged.

##### 9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of prior year are presented at the translated amounts in the prior year's financial statements.

## 10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For regular purchase or sale of financial assets, assets to be received or liabilities to be assumed are recognized on the date of transaction, or assets already sold are derecognized on the date of transaction.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initially recognized amounts. When the Group initially recognizes accounts receivable without significant financing components or without considering significant financing components in the contract of no more than 1 year in accordance with the Accounting Standards for Business Enterprises No. 14-Revenue (the "revenue standard"), the accounts receivable are initially measured at the transaction price defined in the revenue standard.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period, using the effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

### 10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost, which include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments, and long-term receivables etc.

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Notes receivable classified as at FVTOCI upon acquisition are presented as financing with receivables.

On initial recognition, the Group may irrevocably designate non-trading equity instruments, other than contingent consideration recognized through business combination not involving enterprises under common control, as financial assets at FVTOCI on an individual basis. Such financial assets at FVTOCI are presented as other equity instrument investments.

A financial asset is classified as held-for-trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of selling in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking;

- It is a derivative that is not designated as a financial guarantee contract and effective as a hedging instrument.

Financial assets that are not qualified to be classified as financial assets at amortized cost or financial assets at FVTOCI are classified as financial assets at FVTPL. Such financial assets mainly include money market funds and stock investments in the secondary market, etc.

The financial assets at FVTPL are presented as held-for-trading financial assets and those due after one year from the balance sheet date (or with no fixed term) and expected to be held for more than one year are presented as other non-current financial assets.

#### 10.1.1 Financial assets measured at amortized cost

The financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in profit or loss.

The Group recognizes interest income from financial assets classified as financial assets at amortized cost using the effective interest method. The Group calculates and recognizes interest income through account balance of financial assets multiplying effective interest rate, except for the following circumstances:

- For purchased or originated credit-impaired financial asset, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- For purchased or originated financial asset without credit impairment incurred while with credit impairment incurred in subsequent periods, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest in subsequent periods. If the credit risk of the financial asset is improved during subsequent periods and credit impairment does not exist, and the improvement can be related to an event occurring after application of aforesaid provisions, the Group shall calculate and recognize interest income through account balance of financial assets multiplying effective interest rate.

#### 10.1.2 Financial assets classified as at fair value through other comprehensive income (FVTOCI)

Impairment losses or gains related to financial assets at FVTOCI, interest income measured using effective interest method are recognized into profit or loss for the current period, except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. Amounts charged to profit or loss for every period equal to the amount charged to profit or loss as it is measured at amortized costs. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

#### 10.1.3 Financial assets designated as at FVTOCI

Subsequent to the designation of non-trading equity investments to financial assets at FVTOCI, the changes in fair value of such financial assets are recognized in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instruments, revenue from dividends is recognized in profit or loss for the current period when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

#### 10.1.4 Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

#### 10.2 Impairment of financial instruments

The Group recognizes loss allowance for financial assets classified as at amortized cost and financial assets at FVOCI based on ECL.

The Group measures loss allowance for notes receivable and accounts receivable arising from transactions regulated by the Revenue Standard based on the amount of lifetime ECL.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of lifetime ECL; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as losses/gains on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVTOCI in other comprehensive income and recognizes losses/gains on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.



The Group measured loss allowance at the lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as gains on impairment.

#### 10.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- (2) An actual or expected significant change in the operating results of the borrower;
- (3) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- (4) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- (5) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- (6) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- (7) Significant changes in the expected performance and behavior of the borrower;
- (8) Changes in the Group's credit management approach in relation to the financial instrument.

Irrespective of whether the credit risk has increased significantly after the above assessment, taking into account the characteristics of the industries and the contractual stipulations, the Group considers that when the contractual payment for the financial instruments is overdue for 180 (inclusive) days, it indicates that the credit risk on the financial instruments has increased significantly.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have lower credit risk at the balance sheet date. A financial instrument is determined to have lower credit risk if: i) it has a lower risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

#### 10.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (1) significant financial difficulty of the issuer or the borrower;
- (2) a breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (4) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Based on the Group's internal credit risk management, if the information acquired internally or externally indicates that the debtor of the financial instrument is not able to repay the creditor (including the Group) in full regardless of any guarantees obtained, the Group believes that the default has occurred.

#### 10.2.3 Determination of ECL

The Group recognizes the credit loss on other receivables, long-term receivables and debt investments as well as credit-impaired accounts receivable, etc. on an individual basis, and the remaining accounts receivable with impairment matrix on a collective basis. The Group classifies the remaining accounts receivable into different groups based on different types.

The Group determines ECL of relevant financial instruments using the following methods:

- For a financial asset, the credit loss is the present value of difference between the contractual cash flows receivable and the expected cash flows to be received.
- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is the difference between the account balance of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

#### 10.2.4 Write-off of financial assets

The Group shall directly reduce the account balance of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

#### 10.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee, or (3) the financial asset has been transferred. Although the Group neither transfers nor retains almost all the risks and rewards of the ownership of the financial asset, it does not retain control over the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The Group measures the relevant liabilities based on the following method: for transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at FVTPL.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred at the derecognition date; and (2) the sum of the consideration received from the transfer of financial assets and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. If the financial assets transferred by the Group are designated as equity instrument investments at fair value through other comprehensive income that are not held for trading, the cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. If the financial assets transferred by the Group are designated as equity instrument investments at fair value through other comprehensive income that are not held for trading, the cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continue to recognize the transferred financial asset in its entirety and recognize the consideration received as financial liabilities.

#### 10.4 Classification of liabilities and equity

On initial recognition, financial instruments or their components issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instrument.

##### 10.4.1 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

#### 10.4.1.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives of financial liabilities) and those designated as at FVTPL. Except that the derivative financial liabilities are presented separately, financial liabilities at FVTPL are presented as held-for-trading financial liabilities.

A financial liability is classified as held-for-trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of repurchasing in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking;
- It is a derivative that is not designated as a financial guarantee contract and effective as a hedging instrument.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (3) The qualified hybrid contract which includes an embedded derivative.

Held-for-trading financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

For financial liabilities designated as at FVTPL, the changes in fair value arising from the Group's credit risk change are included in other comprehensive income, other changes in fair value are recognized in profit or loss. Upon derecognition of the above financial liabilities, cumulative changes in fair value arising from credit risk change that have previously recognized in other comprehensive income are transferred to retained earnings. Dividend or interest expenses related to such financial liabilities are included in profit or loss. If the accounting for the effect of the credit risk change of such financial liabilities based on the above method leads to or expands the accounting mismatch in profit or loss, the Group shall recognize all gains or losses (including the amount affected by the credit risk change) of such financial liabilities in profit or loss.

#### 10.4.2 Derecognition of financial liabilities

##### 10.4.2.1 Other financial liabilities

Other financial liabilities except for the financial liabilities arising from the transferred financial assets that do not qualify for derecognition or financial liabilities arising from continuing involvement in the transferred financial asset, and financial guarantee contracts, are classified as financial liabilities measured at amortized cost, and are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss.

If the Group modifies or renegotiates the contract with the counterparty and the financial liability subsequently measured at amortized cost is not derecognized, but the cash flow of the contract changes, the Group shall re-calculate the carrying amount of the financial liability and recognize the relevant gains or losses in profit or loss of the period. The re-calculated carrying amount of the financial liability shall be determined by the Group according to the cash flow of the renegotiated or modified contract based on the present value discounted at the original effective interest rate of the financial liability. For all the costs or expenses arising from the modification or renegotiation of the contract, the Group shall adjust the modified carrying amount of the financial liability and amortize them within the remaining term of the financial liability.

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

#### 10.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes in equity. Change in fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

#### 10.5 Derivatives and embedded derivatives

Derivative financial instruments include interest rate swaps. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and satisfies all the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a stand-alone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- (2) A stand-alone instrument with the same terms as the embedded derivative conforms to the definition of a derivative.
- (3) The hybrid instrument is not designated as a financial asset or financial liability at FVTPL.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent balance sheet date after the above methods are applied, it designates the entire hybrid contract as a financial instrument at FVTPL.

#### 10.6 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

### 11. Financing with receivables

For the notes receivable classified as at fair value through other comprehensive income, the portion within one year (inclusive) since acquisition is presented as financing with receivables. For the relevant accounting policies, refer to Note III (10.1), (10.2) and (10.3).

### 12. Inventories

#### 12.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, spare parts, auxiliary materials, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

#### 12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

### 12.3 Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low unit price items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

### 12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

### 12.5 Amortization method for spare parts and auxiliary materials

Spare parts and auxiliary materials are amortized using the immediate write-off method.

## 13. Contract assets

### 13.1 Methods and standards for the recognition of contract assets

Contract assets are the rights of the Group to receive consideration for goods or services which have been transferred to a customer and which are subject to factors other than the passage of time. The Group's unconditional rights to collect consideration from clients (i.e., dependent only on the passage of time) are shown separately as receivables.

### 13.2 The determination of ECL and accounting treatment regarding to contract assets

For the determination of ECL and accounting treatment regarding to contract assets, please refer to Note (III) 10.2 "Impairment of financial instruments".

## 14. Held-for-sale assets

When the Group recovers the carrying amount of an asset mainly by selling rather than continuing to use a non-current asset or disposal group, it is classified as held-for-sale.

Non-current assets or disposal groups classified as held-for-sale need to satisfy the following conditions: (1) according to the usual practice of selling such assets or disposal groups in similar transaction, they can be sold immediately in the current situation; (2) the probability of being sold is high, which means the Group has made a decision on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets is made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reversal amount is included in profit or loss for the period. No reversing in impairment loss of assets will be allowed before the classification of held-for-sale category.

Non-current assets classified as held-for-sale or non-current assets in disposal groups are not depreciated or amortized, and the interest and other costs of liabilities of disposal groups classified as held for sale are recognized on a recurring basis.

## 15. Long-term equity investments

### 15.1 Criteria for determining joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

### 15.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment on the purchase date is the cost of acquisition.

The intermediary expenses incurred by the acquirer in respect of audit, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

### 15.3 Subsequent measurement and recognition of profit or loss

#### 15.3.1 Long-term equity investments accounted for using the cost method

The Company's separate financial statements adopt cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

#### 15.3.2 Long-term equity investments accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence; a joint venture refers to a joint venture arrangement in which the Group has rights only to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investments is adjusted: the carrying amount of long-term equity investments is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investments, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investees' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses are recognized. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

#### 15.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

### 16. Fixed assets

#### (1) Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. Fixed assets comprise buildings, machinery and equipment, office equipment and motor vehicles. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

#### (2) Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation method, useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

The useful life, estimated net residual value rate and annual depreciation rate of fixed assets are as follows:

Category	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Buildings	Straight-line method	25 - 40 years	4%	2.4% to 3.8%
Machinery and equipment	Straight-line method	5-18 years	4%	5.3% to 19.2%
Office equipment	Straight-line method	5-10 years	4%	9.6% to 19.2%
Motor vehicles	Straight-line method	4-12 years	4%	8.0% to 24.0%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### (3) Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in accounting estimate.

### 17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

### 18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. If the assets

eligible for capitalization are abnormally interrupted in the process of acquisition and construction or production, and the interruption continues for more than 3 months, the capitalization of borrowing costs shall be suspended until the acquisition and construction of assets or production activities restart. Other borrowing costs are recognized as expenses in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

## 19. Intangible assets

### (1) Measurement method, useful life and test on impairment of intangible assets

Intangible assets include land use rights, concession right, mining rights, mine restoration fees, and computer software, etc.

An intangible asset is measured initially at cost. When an intangible asset with finite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. The estimated useful life of each category of intangible assets is as follows:

Category	Estimated useful life
Land use rights	40-50 years
Concession right	10-20 years
Mining rights and mine restoration fees	5-50 years
Computer software and others	5-10 years

The Group is entitled to collect fees from the subjects to which the services are provided within a certain period of time after the relevant infrastructure is completed, but the amount of the fees is uncertain. The Group shall initially recognize the intangible assets based on the fair value of the consideration payable for the construction services. The concession right is amortized using the straight-line method over the operation period agreed in the contract.

For an intangible asset with finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

### (2) Accounting policies for internal research and development expenditure

Expenditure during the research phase is recognized in profit or loss for the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- 1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- 2) the Group has the intention to complete the intangible asset and use or sell it;
- 3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- 4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- 5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. Costs of intangible assets generated from internal development activities only include total expenditures incurred from the point of time that qualify for capitalization till the intangible asset is ready for intended use. Expenditures which have been recognized as expenses into profit or loss before the same intangible asset that qualify for capitalization during the development course will not be adjusted any longer.



## 20. Impairment of long-term assets

The Group reviews the long-term equity investments, fixed assets, construction in progress and intangible assets with finite useful lives at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If any impairment indication appears, the recoverable amount will be estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on an individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of the asset is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

When determining the impairment loss of the assets related to the contract cost, the Group shall first determine the impairment loss of the other assets related to the contract that are recognized in accordance with the accounting standards of other relevant enterprises. Then, for the assets related to the contract cost, if the carrying amount is higher than the difference between the following two items, the excess part shall be withdrawn as impairment provision and recognized as the impairment loss of the asset: (1) the remaining consideration that the Group is expected to obtain from the transfer of the goods or services related to the asset; (2) estimate the costs to be incurred for the transfer of the relevant goods or services.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related asset groups and portfolios, i.e., goodwill is reasonably allocated to the related asset groups and portfolios or each of asset group or portfolio expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the asset groups and portfolios (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such asset groups and portfolios, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Except for impairment loss of assets related to contract costs, once the above impairment loss is recognized, it cannot be reversed in the subsequent accounting periods. After the provision for impairment of assets related to contract costs is made, if the factors of impairment in prior periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and recognized in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment was made.

## 21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year), including mine development costs, relocation expenses and so on. Mine development costs refer to expenditures in connection with infrastructure, exploitation preparation and removal of debris and trees on mines, removal of non-mining raw materials and impurities from ores, after obtaining the right of mining, so as to make it ready for exploitation, and are capitalized in the period in which they are incurred. Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

## 22. Contract liabilities

Contract liabilities refer to the obligations of the Group to transfer goods or services to clients for consideration received or receivable from clients. Contract assets and contract liabilities under the same contract are shown on a net basis.

## 23. Employee benefits

### (1) Accounting treatment of short-term benefits

Short-term benefits include wages, bonuses, allowances and subsidies, employee welfare, medical insurance, employment injury insurance, maternity insurance, housing provident fund, trade unions and education funds. Actually occurred short-term employee

benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

(2) Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

The Group's defined contribution plans include pension insurance and unemployment insurance, etc. During the accounting period in which employees provide services to the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

The Group's defined benefit plans include subsidies for retirees and benefits for early retired employees, etc. For defined benefit plans, the Group calculates defined benefit plan liabilities using projected unit credit method and the service cost resulting from employee service in the current period is recorded in profit or loss or the cost of related assets. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on settlements);
- Net interest of net liabilities or assets of defined benefit plans (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Changes arising from remeasurement of net liabilities or net assets of defined benefit plans.

Service costs and net interest of net liabilities and net assets of defined benefit plans are recognized in profit or loss of current period or costs of related assets. Remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on planned assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized in other comprehensive income.

(3) Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination benefits offered as a result of termination of employment or redundancy offer, when it recognizes any costs or expenses in relation to the restricting that involving the payment of termination benefits.

Early retirement benefits

The Group provides early retirement benefits to employees who accept voluntary redundancy in exchange for these benefits. Early retirement benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The early retirement benefit plan covers the period from the starting date of termination benefit plan to the normal retire age during which retirement benefits will be paid to the early retired employees. The Group accounts for the early retirement benefits according to the normal standards, when it meets the relevant condition to recognize the early retirement benefits, where the Group terminates the employment relationship with employees before the end of the employment contract, a provision for early retirement benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognized as liabilities, with a corresponding charge to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognized in profit or loss for the period.

Termination benefits required to be paid within one year starting from the balance sheet date are presented as current liabilities.

## 24. Provisions

Provisions are recognized when the Group has a present obligation related to the contingencies (pending litigation or mine restoration), it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

## 25. Share-based payments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees.

### 25.1 Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments expected to vest, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

### 25.2 Cash-settled share-based payments

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. Until the liability is settled, the Group re-measures the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

## 26. Preference shares and other financial instruments

Other financial instruments including preference shares issued by the Group are measured as equity instruments when they satisfy all the following criteria:

- (1) The financial instruments do not include cash or other financial assets delivered to other parties, or contractual obligations to exchange financial assets or liabilities with other parties under potential disadvantages;
- (2) When the Group's own equity instrument is required to or available to be used for settlement of the financial instrument, it does not include the contractual obligations to settle the Group's own variable equity instruments if it is a non-derivative instrument; if it is a derivative instrument, the Group can only settle the instrument by exchanging certain amount of its own equity instruments with fixed amount of cash or other financial assets.

Other preference shares issued by the Group that do not satisfy the above criteria are classified as financial liabilities.

For preference shares classified as financial liabilities, any gains or losses arising from changes in fair value and the dividends or interest expenses related to such financial liabilities, and any gains or losses arising from repurchase or redemption are recognized in profit or loss for the period.

## 27. Revenue

### 27.1 Accounting policies used for revenue recognition and measurement

The Group's revenue is mainly from sales of building materials including cement, concrete, clinker and aggregate, etc.

The Group shall recognize revenue based on transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services. Performance obligations refer to commitment of the Group to transfer a distinct good or service to the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

It is a performance obligation satisfied during a period of time if one of the following conditions is met, and the Group will recognize revenue during a period of time based on the progress of performance: (i) the customer obtains and consumes the economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods in progress during the Group's performance; (iii) goods generated during the Group's performance have irreplaceable utilization, and the Group is entitled to the payment for the performance completed to date. Otherwise, the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

The Group will recognize revenue at the point in time when the customer obtains control over relative goods or services. When judging whether the customer has obtained control over the goods or services, the Group will consider the following indications: (i) the Group has a present right of receivables for the goods or services; (ii) the Group has transferred the physical goods to the customer; (iii) The Group has transferred the legal title or the significant risks and rewards of ownership of the goods to the customer; (iv) the customer has accepted the goods or services, etc.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the relative stand-alone selling price of good or service promised. However, if there is conclusive evidence indicating that the contract discount or variable consideration relates one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to one or more performance obligations related. Stand-alone selling price refers to the price at which sales of goods or services separately to a customer. If the stand-alone selling price is not directly observed, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

In case of the existence of variable consideration (such as sales discount etc.) in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most likely amount. The transaction price includes variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognize will not occur when the uncertainty is subsequently resolved. At each balance sheet date, the Group re-estimates the amount of variable consideration which should be included in transaction price.

For sales with quality warranty terms, if the quality warranty provides customer with a separate service in addition to the assurance that the good or service complies with agreed-upon specifications, such quality warranty constitutes a single performance obligation. Otherwise, the Group will account for the quality warranty liability in accordance with the Accounting Standards for Business Enterprises No. 13 - Contingencies.

In case of the existence of a significant financing component in the contract, the Group shall determine the transaction price at an amount that the customer would have paid cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, the Group estimates the period between the customer obtain the control of good or service and the time customer pays for that good or service is one year or less, and does not consider the significant component in the contract.

When a customer pays consideration in advance for a good or service, the advance payment is first recognized as a contract liability and then transferred to revenue when the related performance obligation has been satisfied. When the advance payment is non refundable and it is probable that the customer may not exercise all or part of its contractual rights, the Group recognizes the expected amounts as revenue in proportion to the pattern of rights exercised by the customer, if the Group expects to be entitled to the amounts relating to the customer's unexercised contractual rights; otherwise, the Group recognizes the expected amount as revenue when the likelihood of the customer's demanding to satisfy the remaining performance obligation becomes remote.

## 28. Contract cost

### 28.1 Costs of obtaining a contract

The incremental costs of obtaining a contract (i.e. it would not have incurred if the contract had not been obtained) are recognized as an asset if they are expected to be recovered, amortized to profit and loss on the basis that is consistent with the revenue recognition of goods or services to which the asset relates. If the amortization period of the asset is less than one year, it will be recognized in profit or loss when incurred. Other costs incurred to obtain the contract are recognized in profit or loss when incurred, unless those costs are explicitly chargeable to the customer.

### 28.2 Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of accounting standards for the business enterprises other than Revenue Standard, the costs to fulfill a contract will be recognized as an asset only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The aforesaid asset shall be amortized on a basis that is consistent with the revenue recognition of the goods or services to which the asset relates and recognized in profit or loss for the period.

## 29. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable.

### 29.1 Determining basis and accounting treatment for government grants related to assets

The government grants related to assets refer to the government grants obtained by the Group for purchase or construction or forming the long-term assets by other ways.

Government grants related to assets are recognized as deferred income, and systematically amortized to profit or loss within the useful life of the related asset.

### 29.2 Determining basis and accounting treatment for government grants related to income

The government grants related to income refer to all the government grants except those related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

A government grant related to the Group's daily activities is recognized in other income based on the substance of economic activities. A government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

Finance discount received by the Group are deducted in borrowing expenses.

## 30. Deferred tax assets/Deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

### 30.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

### 30.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, associates and joint ventures are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

### 30.3 Offsetting income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## 31. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

The Group assesses whether a contract is or contains a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

### 31.1 The Group as a lessee

#### 31.1.1 Separating components of a lease

If the contract contains one or more lease and non-lease components, the Group will separate the individual lease and non-lease components and allocate contract consideration according to the relative proportion of the sum of the stand-alone prices of the lease components and the stand-alone prices of the non-lease components.

#### 31.1.2 Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognizes the right-of-use assets for leases at the commencement date of the lease. The commencement date of the lease is the date on which the lessor makes an underlying asset available for use by the Group. The Group measures the right-of-use assets at cost. The cost of right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives (if any).

The Group depreciates right-of-use assets by reference to the relevant depreciation provisions of the ASBEs No. 4 - Fixed Assets. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Group is reasonably certain to obtain the ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

The Group determines whether the right-of-use assets have been impaired and makes accounting treatment in accordance with the relevant provisions of the "ASBEs No. 8 - Impairment of Assets".

#### 31.1.3 Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discount rate. The Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Group to the lessor, including: fixed payments and in-substance fixed payments, less any lease incentives (if any).

After the commencement date of the lease, the Group calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognizes such expenses in profit or loss or cost of related assets.

After the commencement date of the lease, due to the changes in the lease term, the Group remeasures the lease liabilities based on the present value calculated by the lease payments after the change and the revised discount rate, and adjusts the right-of-use assets accordingly. If the carrying amount of the right-of-use assets has been reduced to zero, but the lease liabilities need to be reduced further, the Group will recognize the difference in profit or loss for the period:

#### 31.1.4 Short-term leases and leases of low-value assets

The Group chooses not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and equipment and building and leases of low-value assets. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not contain a call option. A lease of low-value assets, is a lease that the single underlying asset, when is new, is of low value. For short-term leases and leases of low-value assets, the Group recognizes the lease payments in profit or loss, or in the cost of relevant assets on a straight-line basis over each period within the lease term.

#### 31.1.5 Lease modification

The Group accounts for a lease modification as a separate lease if:

- The lease modification expanded the scope of the lease by adding the right-of-use of one or more leased assets;
- The increased consideration is equivalent to the amount of stand-alone price of the expanded lease scope adjusted according to the contract.

If the lease modification is not accounted for as an individual lease, on the effective date of the lease modification, the Group reallocates the consideration of the contract after the change, re-determines the lease term, and re-measures lease liabilities based on the changed lease payments and the present value calculated by the revised discount rate.

If the lease modification results in a reduction in the lease scope or lease term, the carrying amount of the right-of-use assets will be reduced, and the gains or losses relevant to the lease partially or fully terminated will be included in profit or loss for the period; for other lease modifications resulting in the remeasurement of lease liabilities, the carrying amount of right-of-use assets is adjusted accordingly.

### 31.2 The Group as a lessor

#### 31.2.1 Classification of leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### 31.2.1.1 The Group as a lessor under finance leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs related to operating leases incurred by the Group are capitalized when incurred, and are amortized on the same basis as recognition of rental income over the lease term and recognized in profit or loss in installments.

The variable receipts of lease received by the Group that are related to operating leases and not included in receipts of lease are recognized in profit or loss for the period when they are incurred.

##### 31.2.2 Sale and leaseback transactions

The Group acts as the seller and lessee

The Group assesses whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the ASBEs No. 14 - Revenue. If the transfer of the asset does not belong to sales, the Group shall continue to recognize the transferred asset, and at the same time recognize a financial liability equal to the transfer income, and make accounting treatment of the financial liability in accordance with the ASBEs No. 22 - Recognition and Measurement of Financial Instruments. If the transfer of the asset belongs to sales, the Group shall measure the right-of-use assets formed by the sale and leaseback according to the part of the carrying amount of the original asset which is related to the use right obtained by the leaseback, and recognize the relevant profit or loss only on the rights transferred to the lessor.

### 32. Other significant accounting policies and accounting estimates

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(1) Accounting estimate on impairment of goodwill

In assessing the impairment of goodwill, it is required to calculate the present value of estimated future cash flows expected to be derived from the related asset groups or asset group portfolio, including the prediction of the future cash flows of the asset groups or asset group portfolio, and determine an appropriate pre-tax discount rate, which is able to reflect the time value of money and specific risks related to assets. The management reviews the significant estimates and assumptions at the end of each year, and recognizes the impairment of goodwill in profit or loss of the period.

Changes in the estimate of key parameters or assumptions such as the revenue growth rate, the gross profit margin and the discount rate adopted by the management in the calculation of the future cash flows of the asset groups and asset group portfolio may cause significant adjustments to the result of impairment of goodwill.

If the effective gross profit margin, the growth rate or the pre-tax discount rate is above or below the management's estimate, the provision for impairment losses of goodwill that has been previously made cannot be reversed by the Group.

(2) Provision for ECL of accounts receivable

In the evaluation of the ECL of accounts receivable, the Group needs to summarize the existing information and use significant accounting estimates, such as the aging of accounts receivable and history recovery rates, and review the amount of lifetime ECL of accounts receivable in combination with the forward-looking information, such as the current external market environment and changes in customer situation to estimate the amount of ECL of accounts receivable. The Group regularly monitors and reviews assumptions relating to the calculation of history recovery rates and ECL.

(3) Deferred taxation

Deferred tax assets arising from related accumulated deductible losses, tax credits and other deductible temporary differences have been recognized on respective dates of financial statements. The estimate for deferred tax assets requires an estimate of taxable income and applicable tax rates in future years. The realization of deferred tax assets depends on whether the Group is likely to obtain sufficient taxable income and taxable temporary differences in the future. Income tax expense (income) and balance of deferred tax may be variable due to changes in applicable tax rates and reversal of temporary differences. Changes in estimate mentioned above may cause significant adjustment to deferred tax.

(4) Provisions - Mine restoration obligations

The obligations of mine restoration and environmental clean-up are determined by the management based on the historical experience and best estimate of future expenditure after taking into account the existing laws and regulations with expected expenditure discounted to its net present value. With the progress of the current mining activities and the revision and improvement of relevant laws and regulations, the estimation for the related cost may be revised constantly when the restoration plan becomes evident.

### 33. Changes in significant accounting policies and accounting estimates

#### 33.1. New Lease Standards

The Group has adopted the "ASBEs No. 21 - Leases" revised by the Ministry of Finance in 2018 (hereinafter referred to as the "New Lease Standards") since 1 January 2021 (the "first implementation date"), and the changes in accounting policies have been reviewed and approved by the Group's Board of Directors on 27 March 2021. The New Lease Standards improve the definition of a lease, and add the identification, separation and combination of a lease; cancel the classification of the operating lease and finance lease of a lessee; require to recognize right-of-use assets and lease liabilities of all leases other than short-term leases and leases of low value assets at the commencement date of the lease, and recognize depreciation and interest expenses respectively; improve subsequent measurement of leases by the lessee, add the accounting treatment under circumstances of option re-evaluation and lease modification, and also the relevant disclosure requirements. In addition, the New Lease Standards enrich disclosures by a lessor. The revised accounting policies on the recognition and measurement of leases with the Group as a lessee and lessor are set out in Note III (31).

For contracts that existed before the first implementation date, the Group chose not to re-assess whether they were leases or contained leases on the first implementation date.

##### The Group as a lessee

The Group adjusts the amounts of retained earnings and other related items in the financial statements on the first implementation date based on the cumulative impact of the first implementation of the New Lease Standards, and does not adjust the information in comparable periods.



For operating leases other than leases of low-value assets before the first implementation date, the Group chooses to adopt one or more of the following simplified treatments according to each lease:

- Leases that will be completed within 12 months from the date of first implementation are treated as short-term leases;
- When measuring lease liabilities, the same discount rate will be used for leases with similar characteristics
- The measurement of right-of-use assets does not include initial direct costs;
- If there is an option to renew or terminate the lease, the Group shall determine the lease term according to the actual exercise of the option prior to the first exercise and other latest conditions;
- If a lease modification occurs before the first implementation date, the Group shall perform accounting treatment according to the final arrangement of the lease modification;
- As an alternative to the impairment test of the right-of-use assets, the Group assesses whether the contract containing the lease is an onerous contract before the first implementation date according to the "ASBEs No. 13-Contingencies", and adjusts the right-of-use assets based on the provision for losses included in assets and liabilities before the first implementation date.
- For operating leases before the first implementation date, the Group measures the lease liabilities at the present value of remaining lease payments discounted by the lessee's incremental borrowing interest rate on the first implementation date, and measures the right-of-use assets at the amount equal to the lease liabilities based on necessary adjustments to the prepaid rent.

At 1 January 2021, the Group recognized the lease liabilities of RMB 159,162,026 and the right-of-use assets of RMB 165,832,759. For the operating lease prior to the first implementation date, the Group measures the lease liabilities using the present value discounted by the incremental borrowing interest rate on the first implementation date. The weighted average of the incremental borrowing interest rate for 1 to 5 years is 4.75%, and the weighted average of the incremental borrowing interest rate for more than 5 years is 4.90%.

The impact of the implementation of the New Lease Standards on the items in the Group's balance sheet as at 1 January 2021 is set out below:

Items	31 December 2020	Adjustment	1 January 2021
Current assets			
Prepayments	378,619,350	(6,670,733)	371,948,617
Non-current assets			
Right-of-use assets	-	165,832,759	165,832,759
Current liabilities			
Non-current liabilities due within 1 year	1,874,484,159	30,331,816	1,904,815,975
Non-current liabilities			
Lease liabilities	-	128,830,210	128,830,210

Information on the difference between the Group's lease liabilities recognized at 1 January 2021 and the significant operating lease commitments disclosed in the 2020 financial statements is as follows:

Items	1 January 2021
Operating lease commitments at 31 December 2020	204,486,359
Less: Effect of adjustments to borrowing interest rate on 1 January 2021	44,268,836
Lease liabilities discounted at the incremental borrowing rate on the initial implementation date	160,217,523
Less: Recognition exemption - Short-term leases	702,304
Recognition exemption - Leases of low-value assets	353,193
Lease liabilities recognized under New Lease Standards that are related to previous operating leases	159,162,026
Lease liabilities at 1 January 2021	159,162,026
Presented as:	
Other non-current liabilities due within 1 year	30,331,816
Lease liabilities	128,830,210

The carrying amount of the right-of-use assets as at 1 January 2021 consists of:

Items	1 January 2021
Right-of-use assets:	
Right-of-use assets recognized for the operating leases prior to the first implementation date	159,162,026
Reclassification of prepaid rent (Note 1)	6,670,733
<b>Total</b>	<b>165,832,759</b>

Right-of-use assets as at 1 January 2021 are disclosed by categories as follows:

Items	1 January 2021
Land and mine use rights	78,272,699
Buildings and related facilities	80,855,915
Machinery and equipment	6,704,145
<b>Total</b>	<b>165,832,759</b>

Note 1: The prepaid rent of RMB 6,670,733 in the leases of the Group was reported as prepayments at 31 December 2020 and was reclassified to right-of-use assets on the first implementation date.

The Group as a lessor

The Group doesn't adjust leases as lessor in accordance with the transition provisions and accounts for them in accordance with the New Lease Standards from the initial implementation date. The implementation of the New Lease Standards has no significant impact on the Group's balance sheet as at 1 January 2021.

### 33.2. Accounting Standards for Business Enterprises Interpretation No. 14

On 26 January 2021, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 14" (Cai Kuai [2021] No. 1, hereinafter referred to as "Interpretation No. 14"), which is effective from the date of issuance.

Interpretation No.14 stipulates the accounting treatment for the PPP projects by private capital parties and the changes in the basis for determining the relevant contractual cash flows due to the reform of the benchmark interest rate.

After assessment, the Group believes that the Interpretation No. 14 has no significant impact on the Group's financial position and results of operations, and the application of Interpretation No. 14 has no significant impact on the consolidated balance sheet at 1 January 2021.

### 33.3. Accounting Standards for Business Enterprises Interpretation No. 15

On 30 December 2021, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 15" (Cai Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15"), pursuant to which the presentation about the centralized management of funds is effective from 30 December 2021.

Interpretation No. 15 stipulates relevant requirements on the presentation and disclosure about the centralized management of funds. The funds deposited by the subsidiaries at the account of the parent company are presented under "Other receivables" in the balance sheet of the subsidiaries and "Other payables" in the balance sheet of the parent company. Disclosure and presentation adopted by the Group are consistent with this interpretation, thus no adjustments are made to the financial data of comparative periods.

### 33.4 Transportation Cost

According to the Q&A on the Implementation of the NO.15 of Accounting Standards for Business Enterprises for 2021 issued by the Accounting Department of the Ministry of Finance on 1 November 2021, the Group's amortization of the relevant transportation costs incurred in transportation services that do not constitute a single performance obligation for the purpose of performing the customer's contract before the transfer of control of the goods to the customer before the transfer of control of the goods to the customer is shown in the "Operating Costs" of the income statement.

The Group's data for comparable periods are adjusted as follows:

## Consolidated income statement

Item	RMB		
	Unadjusted for 2020	Adjust	Adjusted for 2020
Cost	17,440,231,760	595,029,706	18,035,261,466
Selling and distribution expenses	2,022,707,842	(595,029,706)	1,427,678,136

## Income statement of the company

Item	RMB		
	Unadjusted for 2020	Adjust	Adjusted for 2020
Cost	3,383,316,989	11,338,320	3,394,655,309
Selling and distribution expenses	82,639,274	(11,338,320)	71,300,954

## IV. TAXES

## 1. Major categories of taxes and tax rates

Category of tax	Taxation basis	Tax rate
Enterprise income tax (Note 1)	Taxable income	10%, 13%, 15%, 20%, 25%, 30%, 35%
VAT (Note 2)	Taxable value added amount (tax payable is calculated at the balance of taxable sales multiplied by applicable tax rate less deductible input VAT for the period)	3%, 9%, 10%, 12%, 13%, 15%, 16%, 16.5%, 18%

Note 1: The Group's subsidiaries Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan. According to local tax laws, they are subject to an applicable enterprise income tax rate of 13%.

The Group's subsidiary Yuzhno-Kyrgyzskiy Cement CJSC is located in Kyrgyzstan. According to local tax laws, it is subject to an applicable enterprise income tax rate of 10%.

The Group's subsidiary Huaxin Cambodia Trading Co., Ltd. is located in Cambodia. According to local tax laws, it is subject to an applicable enterprise income tax rate of 20%.

The Group's subsidiary Maweni Limestone Limited is located in Tanzania. According to local tax laws, it is subject to an applicable enterprise income tax rate of 30%.

The Group's subsidiary CHILANGA Cement PLC is located in Zambia. According to local tax laws, it is subject to a domestic enterprise income tax rate of 35% and an export tax rate of 15%.

The Group's subsidiary Portland Cement (MALAWI) Limited is located in Malawi. According to local tax laws, it is subject to an applicable enterprise income tax rate of 30%.

Except for above-mentioned subsidiaries and companies mentioned in Note IV (2) that enjoy the preferential enterprise income tax rate, other companies shall pay the enterprise income tax at 25%.

Note 2: Some subsidiaries of the Group are engaged in concrete and aggregate business, the VAT for whose product sales is paid at 3% by the simple approach.

The Group's subsidiary Yuzhno-Kyrgyzskiy Cement CJSC is located in Kyrgyzstan and subject to an applicable VAT rate of 12%.

The Group's subsidiary Huaxin Cement Dzizak Co., Ltd. is located in Uzbekistan and subject to an applicable VAT rate of 15%.

The Group's subsidiaries Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan and subject to an applicable VAT rate of 18%.

The Group's subsidiary Maweni Limestone Limited is located in Tanzania and subject to an applicable VAT rate of 18%.

The Group's subsidiary Cambodian Cement Chakrey Ting Factory Co., Ltd. is located in Cambodia and subject to an applicable VAT rate of 10%.

The Group's subsidiary Portland Cement (MALAWI) Limited is located in Malawi, and subject to an applicable VAT rate of 16.5%.

The Group's subsidiary CHILANGA Cement PLC is located in Zambia, and subject to an applicable VAT rate of 16%.

Except for the above subsidiaries, other companies of the Group are subject to VAT rate of 13% for sales of goods, and 9% for transportation services.

## 2. Tax preferences

### 2.1 Enterprise income tax

The Group's subsidiary Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2021. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2020: 15%).

The Group's subsidiary Huaxin Environmental Engineering Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2019. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2020: 15%).

The Group's subsidiary Huaxin Cement Technology Management (Wuhan) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2020. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2020: 15%).

The Group's subsidiaries Huaxin Cement Chongqing Fuling Co., Ltd., Huaxin Cement (Enshi) Co., Ltd., Huaxin Cement (Quxian) Co., Ltd., Huaxin Cement (Wanyuan) Co., Ltd., Huaxin Cement (Lijiang) Co., Ltd., Yunnan Huaxin Dongjun Cement Co., Ltd., Huaxin Guizhou Dingxiao Special Cement Co., Ltd., Huaxin Cement (Zhaotong) Co., Ltd., Huaxin Hongta Cement (Jinghong) Co., Ltd., Huaxin Cement (Jianchuan) Co., Ltd., Huaxin Cement (Kunming Dongchuan) Co., Ltd., Huaxin Cement (Lincang) Co., Ltd., Huaxin Cement (Honghe) Co., Ltd., Chongqing Huaxin Diwei Cement Co., Ltd., Chongqing Huaxin Cantian Cement Co., Ltd. and Guizhou Shuicheng Rui An Cement Co., Ltd., Huaxin Cement (Fumin) Co., Ltd., Kunming Chongde Cement Co., Ltd. and Huaxin Cement (Tibet) Co., Ltd. are manufacturing enterprises established in western development zone of the PRC. Pursuant to Cai Shui [2020] No. 23 Announcement on the Continuation of the Enterprise Income Tax Policy for Western China Development, the applicable enterprise income tax rate of these subsidiaries for the years from 2021 to 2030 is reduced to 15%.

For the Group's subsidiaries engaged in the business of environmental engineering, their profits generated from the business of environmental protection and energy and water conservation are exempt from enterprise income tax in the first three years starting from the first year generating revenue, and followed by a 50% reduction from the fourth year to the sixth year.

The Group's subsidiary Cambodian Cement Chakrey Ting Factory Co., Ltd. is located in Cambodia. According to local tax laws, it is exempt from enterprise income tax from 2013 to 2021.

### 2.2 VAT

Based on regulation in VAT Preference Items for Resource Comprehensively Utilized Products and Labor Services Involving the Comprehensive Utilization of Resources (Cai Shui [2015] No. 78), certain subsidiaries of the Group are entitled to the preferential policy of VAT refunding upon paying at a refund ratio of 70%.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

Item	Closing balance	Opening balance
Cash on hand	604,954	620,098
Bank deposits	8,549,870,187	8,419,626,271
RMB	6,875,489,063	5,839,051,801
USD	1,560,923,365	2,550,942,933
Others	113,457,759	29,631,537
Other cash and bank balances	285,964,244	221,366,478
RMB	279,806,923	200,589,496
Others	6,157,321	20,776,982
Total	8,836,439,385	8,641,612,847
Including: Total amount deposited overseas	1,136,709,797	906,642,344

RMB

As at 31 December 2021, other cash and bank balances include mine reclamation deposits of RMB 97,908,191, letter of guarantee deposits of RMB 26,222,388, notes and L/C deposits of RMB 127,901,317, finance lease deposits of RMB 15,000,000 and deposits of other nature of RMB 18,932,348, totaling up to RMB 285,964,244 (31 December 2020: Other cash and bank balances include letter of guarantee deposits of RMB 30,938,600, notes and L/C deposits of RMB 145,161,196, finance lease deposits of RMB 15,000,000 and deposits of other nature of RMB 30,266,682, totaling up to RMB 221,366,478). The restricted cash is not regarded as cash and cash equivalents in the preparation of the cash flow statements.

## 2. Held-for-trading financial assets

Item	Closing balance	Opening balance
Financial assets at FVTPL	711,964,323	1,004,581,752
Including: Monetary fund (Note 1)	706,243,178	1,004,581,752
Derivative financial asset - Interest rate swap (Note 2)	5,721,145	-
<b>Total</b>	<b>711,964,323</b>	<b>1,004,581,752</b>

Note 1: The monetary fund is issued by China International Fund Management Co., Ltd. and Aegon-Industrial Fund Management Co., Ltd., which can be redeemed whenever necessary. The fair value of such fund product is determined based on the notice of market value at 31 December 2021.

Note 2: The interest rate swap is issued by China Merchants Bank Co., Ltd. and HSBC Bank (China) Company Limited. The fair value of such interest rate swap is determined based on the notice of market value at 31 December 2021.

## 3. Notes receivable

### (1) Category of notes receivable

Item	Closing balance	Opening balance
Bank acceptances	145,430,152	79,939,117
<b>Total</b>	<b>145,430,152</b>	<b>79,939,117</b>

### (2) Notes receivable of the Company pledged at the end of the period

Item	Pledged amount
Bank acceptances	23,000,000
<b>Total</b>	<b>23,000,000</b>

### (3) Notes receivable of the Company that have been endorsed or discounted but have not yet expired as at the balance sheet date

Item	Derecognized amount	Non-derecognized amount
Bank acceptances	-	85,507,152
<b>Total</b>	<b>-</b>	<b>85,507,152</b>

### (4) Disclosure by classification of bad debt provision methods

The Group believes that the credit rating of the accepting bank that holds the bank acceptances is relatively high and free of significant credit risk, thus no provision for losses has been made.

**4. Accounts receivable**
**(1) Disclosure by aging**
**RMB**

Aging	Closing balance	Opening balance
Within 1 year		
Within 6 months	778,062,044	563,211,099
6 - 12 months	115,293,052	44,891,100
Subtotal	893,355,096	608,102,199
1 - 2 years	87,456,302	55,070,681
2 - 3 years	29,814,904	43,490,378
Over 3 years	110,183,790	94,919,838
Less: Provision for credit loss	164,229,940	148,363,317
Total	956,580,152	653,219,779

**(2) Disclosure by provision methods for bad debt provision**
**RMB**

Category	Closing balance					Opening balance				
	Account balance		Bad debt provision		Carrying amount	Account balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Receivables for which bad debt provision is assessed on an individual basis	81,626,344	7	70,549,889	86	11,076,455	113,760,104	14	91,331,013	80	22,429,091
Receivables for which bad debt provision is assessed on a portfolio basis	1,039,183,748	93	93,680,051	9	945,503,697	687,822,992	86	57,032,304	8	630,790,688
Total	1,120,810,092	100	164,229,940	15	956,580,152	801,583,096	100	148,363,317	19	653,219,779

Receivables for which bad debt provision is individually assessed:

**RMB**

Name	Closing balance			
	Account balance	Bad debt provision	Proportion of provision (%)	Reasons for the provision
Client A	10,192,131	10,192,131	100	Recoverability
Client B	9,028,779	9,028,779	100	Recoverability
Client C	6,047,509	6,047,509	100	Recoverability
Client D	5,254,652	5,254,652	100	Recoverability
Client E	4,756,441	4,756,441	100	Recoverability
Others	46,346,832	35,270,377	76	Recoverability
Total	81,626,344	70,549,889	86	/

Receivables for which bad debt provision is assessed on a portfolio basis:

Category of cement receivable:

**RMB**

Name	Closing balance		
	Accounts receivable	Bad debt provision	Expected average loss rate (%)
Within 6 months	189,453,476	9,935,675	5
6 - 12 months	7,867,491	982,483	12
1 - 2 years	3,710,932	1,254,295	34
2 - 3 years	5,119,910	2,687,953	53
Over 3 years	3,044,556	2,827,237	93
Total	209,196,365	17,687,643	

## Category of concrete receivable:

RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Expected average loss rate (%)
Within 6 months	342,087,880	20,607,166	6
6 - 12 months	73,909,837	5,910,241	8
1 - 2 years	69,110,442	17,352,610	25
2 - 3 years	12,716,789	5,513,756	43
Over 3 years	19,688,229	14,746,636	75
Total	517,513,177	64,130,409	

## Item: Category of other business receivables

RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Expected average loss rate(%)
Within 6 months	246,600,903	246,601	-
6 - 12 months	33,071,724	66,143	-
1 - 2 years	14,720,105	839,046	6
2 - 3 years	7,376,174	1,995,805	27
Over 3 years	10,705,300	8,714,404	81
Total	312,474,206	11,861,999	

As part of the Group's credit risk management, the Group assesses the ECL of accounts receivable from various businesses based on aging of accounts receivable. These businesses involve a large number of clients and share identical risk characteristics, therefore, the aging information can reflect the solvency of such clients when the receivables are due.

## (3) Bad debt provision

RMB

Category	Opening balance	Changes for the period			Closing balance
		Provision	Recovery or reversal	Write-off or elimination	
Bad debt provision for accounts receivable	148,363,317	63,056,599	(36,523,855)	(10,666,121)	164,229,940
Total	148,363,317	63,056,599	(36,523,855)	(10,666,121)	164,229,940

Accounts receivable of RMB 1,649,698 written off in prior years were recovered in the current period.

## (4) Accounts receivable written off in the current period

RMB

Item	Write-off amount
Accounts receivable written off	10,666,121

## (5) Amounts due from top five clients are summarized as below:

Name	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Client F	22,229,831	2	4,969,942
Client G	19,316,527	2	1,158,992
Client H	15,999,285	1	1,614,930
Client I	15,394,268	1	880,524
Client J	13,984,328	1	938,599
Total	86,924,239	7	9,562,987

**5. Financing with receivables**
**(1) Classification of financing with receivables**
**RMB**

Item	Closing balance	Opening balance
Bank acceptances	761,050,910	1,020,306,419
<b>Total</b>	<b>761,050,910</b>	<b>1,020,306,419</b>

**(2) Financing with receivables of the Group pledged at the end of the period**
**RMB**

Item	Pledged amount
Bank acceptances	236,214,382

**(3) Financing with receivables of the Company that has been endorsed but has not yet expired as at the balance sheet date at the end of the period**
**RMB**

Item	Derecognized amount	Non-derecognized amount
Bank acceptances - Endorsed but not yet expired as at the balance sheet date	1,956,535,855	-

**6. Prepayments**
**(1) Aging analysis of prepayments is as follows:**
**RMB**

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	310,032,064	91	356,458,523	94
1 - 2 years	17,752,017	5	13,999,597	4
2 - 3 years	5,710,334	2	1,669,076	-
Over 3 years	5,821,504	2	6,492,154	2
<b>Total</b>	<b>339,315,919</b>	<b>100</b>	<b>378,619,350</b>	<b>100</b>

**(2) Top five entities with the largest balance of prepayment:**
**RMB**

Name of supplier	Balance	% of total balance
Supplier A	38,934,941	11
Supplier B	22,761,948	7
Supplier C	22,571,316	7
Supplier D	11,958,879	4
Supplier E	10,431,340	3
<b>Total</b>	<b>106,658,424</b>	<b>32</b>

**7. Other receivables**
**7.1 Summary of other receivables**
**RMB**

Item	Closing balance	Opening balance
Interest receivable	89,797	641,915
Other receivables	355,923,554	374,612,043
<b>Total</b>	<b>356,013,351</b>	<b>375,253,958</b>



## 7.2 Other receivables

## (1) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year	216,367,313	205,052,622
1 - 2 years	66,978,428	45,334,601
2 - 3 years	24,177,479	42,287,372
Over 3 years	151,676,991	182,262,818
Provision for impairment of credit	103,276,657	100,325,370
Total	355,923,554	374,612,043

## (2) Disclosure of other receivables by categories

RMB

Nature	Closing balance	Opening balance
Margin and deposits	242,244,482	278,131,546
Loans and out-of-pocket expenses	156,304,682	152,945,422
Petty cash	5,246,136	3,381,797
Others	55,404,911	40,478,648
Total	459,200,211	474,937,413

## (3) Bad debt provision

RMB

Category	Opening balance	Changes for the period			Closing balance
		Provision	Recovery or reversal	Write-off or elimination	
Bad debt provision for other receivables	100,325,370	6,923,323	(3,670,246)	(301,790)	103,276,657
Total	100,325,370	6,923,323	(3,670,246)	(301,790)	103,276,657

Other receivables of RMB 474,681 written off in prior years were recovered in the current period.

## (4) Other receivables written off in the current period

RMB

Item	Write-off amount
Other receivables written off	301,790

## (5) Amounts due from top five debtors are analyzed as below:

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of ECL provision
Client K	Bid security	66,892,000	Within 1 year	15	-
Client L	Government loans	38,927,223	Over 3 years	8	38,927,223
Client M	Inter-company loans	27,027,341	Over 3 years	6	27,027,341
Client N	Security deposit of mine restoration	19,958,618	Over 3 years	4	-
Client O	Performance security	16,000,000	Within 1 year, 1-2 years	3	-
Total	/	168,805,182	/	36	65,954,564

**8. Inventories**
**(1) Category of inventories**

RMB

Item	Closing balance			Opening balance		
	Account balance	Provision for decline in value of inventories	Carrying amount	Account balance	Provision for decline in value of inventories	Carrying amount
Raw materials	1,432,137,430	993,556	1,431,143,874	873,139,368	763,072	872,376,296
Work in progress	686,837,591	165,122	686,672,469	587,286,515	165,122	587,121,393
Finished goods	848,804,135	-	848,804,135	495,705,006	-	495,705,006
Spare parts	668,625,712	93,291,516	575,334,196	481,868,753	87,915,259	393,953,494
<b>Total</b>	<b>3,636,404,868</b>	<b>94,450,194</b>	<b>3,541,954,674</b>	<b>2,437,999,642</b>	<b>88,843,453</b>	<b>2,349,156,189</b>

**(2) Provision for decline in value of inventories**

RMB

Item	Opening balance	Increase	Decrease		Closing balance
		Provision	Reversal	Write-off	
Raw materials	763,072	230,484	-	-	993,556
Work in progress	165,122	-	-	-	165,122
Spare parts	87,915,259	11,681,640	(3,875,929)	(2,429,454)	93,291,516
<b>Total</b>	<b>88,843,453</b>	<b>11,912,124</b>	<b>(3,875,929)</b>	<b>(2,429,454)</b>	<b>94,450,194</b>

**9. Other current assets**

RMB

Item	Closing balance	Opening balance
Retained input VAT	443,522,238	377,511,753
Prepaid income tax	8,986,820	4,831,943
Payments related to equity merger and acquisition	16,897,795	236,071,742
Others	8,560,858	13,507,360
<b>Total</b>	<b>477,967,711</b>	<b>631,922,798</b>

**10. Long-term equity investments**

RMB

Investee	Opening balance	Changes for the period		Closing balance
		Investment income or loss recognized under the equity method	Other equity changes	
<b>I. Joint venture</b>				
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	60,791,825	11,987,192	-	72,779,017
Subtotal	60,791,825	11,987,192	-	72,779,017
<b>II. Associates</b>				
Tibet High-tech Building Materials Group Co., Ltd.	356,279,532	(146,879)	824,675	356,957,328
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,413,957	(255,036)	-	92,158,921
Zhangjiajie Tianzi Concrete Co., Ltd.	2,750,887	(1,078,282)	-	1,672,605
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	-	-	45,000
Subtotal	451,489,376	(1,480,197)	824,675	450,833,854
<b>Total</b>	<b>512,281,201</b>	<b>10,506,995</b>	<b>824,675</b>	<b>523,612,871</b>

## 11. Other equity instrument investments

## (1) Other equity instrument investments

RMB

Items	Closing balance	Opening balance
Equity investment in unlisted companies 1	55,867,066	33,774,995
Equity investment in unlisted companies 2	2,775,600	2,775,600
Subtotal	58,642,666	36,550,595
Less: Impairment provision for equity investment in unlisted companies 2	2,775,600	2,775,600
Total	55,867,066	33,774,995

## (2) Investments in non-trading equity instruments

RMB

Item	Dividend income recognized for the year	Accumulated gains	Accumulated losses	Amount of retained earnings transferred from other comprehensive income	Reasons for the transfer
Equity instrument investments	-	44,142,400	(2,775,600)	-	/
Total	-	44,142,400	(2,775,600)	-	/

## 12. Other non-current financial assets

RMB

Item	Closing balance	Opening balance
Investment in equity instruments (Note)	26,343,260	32,827,254
Total	26,343,260	32,827,254

Note: Equity instrument investments represent the Company's investments in shares of Bank of Communications and China Pacific Insurance purchased from the secondary market in prior years. The Company does not purchase or sell any shares during the current year, and the change in amount represents the change in fair value of the shares.

## 13. Fixed assets

## 13.1 Summary of fixed assets

RMB

Item	Closing balance	Opening balance
Fixed assets	21,326,030,410	19,174,711,857
Disposal of fixed assets	-	10,918,400
Total	21,326,030,410	19,185,630,257

## (1) Fixed assets

RMB

Items	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Cost					
1. Opening balance	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
2. Addition	1,412,720,980	2,567,702,256	41,114,883	77,137,628	4,098,675,747
(1) Purchase	53,051,583	73,069,091	28,390,499	60,521,877	215,033,050
(2) Transferred from construction in progress	1,267,832,927	1,979,848,088	-	-	3,247,681,015
(3) Increase due to business combination	91,836,470	514,785,077	12,724,384	16,615,751	635,961,682
3. Reduction	28,355,067	170,107,867	11,926,512	79,390,477	289,779,923
(1) Disposal or retirement	26,664,165	169,902,535	11,778,607	79,390,477	287,735,784
(2) Disposal of subsidiaries (Note VI (2))	1,690,902	205,332	147,905	-	2,044,139
4. Translation differences of financial statements denominated in foreign currencies	(42,601,031)	(71,130,322)	(412,938)	(2,004,802)	(116,149,093)
5. Closing balance	16,548,660,053	20,769,239,142	315,616,646	482,425,363	38,115,941,204

Con.

Items	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
<b>II. Accumulated depreciation</b>					
1. Opening balance	4,068,881,305	10,155,129,191	208,320,679	368,652,941	14,800,984,116
2. Addition	528,287,347	1,178,096,382	33,651,160	43,849,498	1,783,884,387
(1) Provision	528,287,347	1,178,096,382	33,651,160	43,849,498	1,783,884,387
3. Reduction	11,263,076	140,474,694	11,412,904	72,820,922	235,971,596
(1) Disposal or retirement	10,042,547	140,330,212	11,281,038	72,820,922	234,474,719
(2) Disposal of subsidiaries (Note VI (2))	1,220,529	144,482	131,866	-	1,496,877
4. Translation differences of financial statements denominated in foreign currencies	(7,043,047)	(22,845,194)	(412,338)	(1,680,324)	(31,980,903)
5. Closing balance	4,578,862,529	11,169,905,685	230,146,597	338,001,193.00	16,316,916,004
<b>III. Provision for impairment losses</b>					
1. Opening balance	263,419,885	183,778,033	129,918	170,664	447,498,500
2. Addition	19,242,088	7,445,451	288,659	88,465	27,064,663
(1) Provision	19,242,088	7,445,451	288,659	88,465	27,064,663
3. Reduction	48,379	1,372,284	147,710	-	1,568,373
(1) Disposal or retirement	48,379	1,372,284	147,710	-	1,568,373
4. Closing balance	282,613,594	189,851,200	270,867	259,129	472,994,790
<b>IV. Net book value</b>					
1. Closing balance	11,687,183,930	9,409,482,257	85,199,182	144,165,041	21,326,030,410
2. Opening balance	10,874,593,981	8,103,867,851	78,390,616	117,859,409	19,174,711,857

As at 31 December 2021, buildings and machinery and equipment with carrying amount of RMB 5,413,440 (cost of RMB 8,083,098) (31 December 2020: carrying amount of RMB 5,896,890 and cost of RMB 8,083,098) are treated as the collateral for short-term borrowings. Details are set out in Note V (20).

## (2) Fixed assets leased under finance lease

RMB

Item	Cost	Accumulated depreciation	Impairment provision	Carrying amount
Machinery and equipment	290,000,000	269,722,222	-	20,277,778

The above finance lease of fixed assets is a sale-leaseback transaction, and the Group has not derecognized the relevant fixed assets.

## (3) Fixed assets leased out under operating lease

RMB

Item	Closing balance
Concrete batching plant	15,429,768

## 14. Construction in progress

## 14.1 Categories

RMB

Item	Closing balance	Opening balance
Construction in progress	4,105,013,692	2,967,890,214
Materials for construction of fixed assets	94,127,350	136,539,126
<b>Total</b>	<b>4,199,141,042</b>	<b>3,104,429,340</b>

## (1) Details of construction in progress are as follows

RMB

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Nepal Cement Clinker Production Line	938,758,357	-	938,758,357	562,494,489	-	562,494,489
Huaxin Huangshi Green Building Materials Billion Tons Machine- made Sand Project	442,275,269	-	442,275,269	-	-	-
Huaxin Integrated Series Project	331,401,489	-	331,401,489	144,239,265	-	144,239,265
Huaxin Aggregate Series Project	273,695,791	-	273,695,791	308,210,988	-	308,210,988
Series Project of Huaxin Industrial Park	257,438,184	-	257,438,184	327,767,990	-	327,767,990
Huaxin Environmental Engineering Series Project	224,306,573	-	224,306,573	308,876,320	-	308,876,320
Fuchi Terminal Project	201,924,785	-	201,924,785	-	-	-
Huaxin Packaging Series Project	185,514,315	-	185,514,315	83,433,469	-	83,433,469
Huangshi Cement Production Line and Supporting Project	66,645,129	-	66,645,129	5,062,312	-	5,062,312
Huaxin Vertical Mill Renovation Project	65,013,778	-	65,013,778	118,677,090	-	118,677,090
Huaxin Concrete Series Project	12,919,218	-	12,919,218	5,992,597	-	5,992,597
Maweni 1# Production Line Transformation	10,040,949	-	10,040,949	12,187,915	-	12,187,915
1000T/D Lime Production Line of Huaxin (Lijiang)	1,157,451	-	1,157,451	112,088,905	-	112,088,905
Others	1,103,294,769	9,372,365	1,093,922,404	988,231,239	9,372,365	978,858,874
Total	4,114,386,057	9,372,365	4,105,013,692	2,977,262,579	9,372,365	2,967,890,214

## (2) Movements of significant construction in progress

RMB

Project Name	Budget	Opening balance	Addition	Transfer to fixed assets	Other reductions	Closing balance	Accumulated costs incurred out of budget (%)	Construction progress (%)	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Nepal Cement Clinker Production Line	953,353,800	562,494,489	376,263,868	-	-	938,758,357	98	98	20,196,596	17,387,107	4.3	Self-owned funds and bank borrowings
Huaxin Huangshi Green Building Materials Billion Tons Machine- made Sand Project	9,957,000,000	-	442,941,747	666,478	-	442,275,269	4	4	6,080,131	6,080,131	3.7	Self-owned funds and bank borrowings
Huaxin Integrated Series Project	1,531,673,300	144,239,265	797,185,603	603,900,482	6,122,897	331,401,489	N/A	N/A	-	-	-	Self-owned funds
Huaxin Aggregate Series Project	2,671,352,800	308,210,988	681,686,253	526,859,248	189,342,202	273,695,791	N/A	N/A	10,968,986	6,037,049	3.4	Self-owned funds and bank borrowings
Series Project of Huaxin Industrial Park	537,292,200	327,767,990	178,516,170	248,845,976	-	257,438,184	N/A	N/A	-	-	-	Self-owned funds
Huaxin Environmental Engineering Series Project	1,530,196,542	308,876,320	294,395,356	345,606,246	33,358,857	224,306,573	N/A	N/A	-	-	-	Self-owned funds
Fuchi Terminal Project	404,497,350	-	201,924,785	-	-	201,924,785	50	50	-	-	-	Self-owned funds
Huaxin Packaging Series Project	404,034,700	83,433,469	125,870,249	23,355,928	433,475	185,514,315	N/A	N/A	-	-	-	Self-owned funds
Huangshi Cement Production Line and Supporting Project	2,208,039,800	5,062,312	286,889,159	121,794,652	103,511,690	66,645,129	90	90	-	-	-	Self-owned funds
Huaxin Vertical Mill Renovation Project	309,373,940	118,677,090	15,297,946	41,342,769	27,618,489	65,013,778	N/A	N/A	-	-	-	Self-owned funds
Huaxin Concrete Series Project	323,142,567	5,992,597	174,580,456	166,451,958	1,201,877	12,919,218	N/A	N/A	-	-	-	Self-owned funds
Maweni 1# Production Line Transformation	244,314,000	12,187,915	213,873,456	215,254,621	765,801	10,040,949	93	93	-	-	-	Self-owned funds
1000T/D Lime Production Line of Huaxin (Lijiang)	155,011,387	112,088,905	51,811,323	152,293,744	10,449,033	1,157,451	100	100	-	-	-	Self-owned funds
Others	N/A	978,858,874	1,088,047,496	801,308,913	171,675,053	1,093,922,404	N/A	N/A	11,537,902	-	-	Self-owned funds and bank borrowings
Total		2,967,890,214	4,929,283,867	3,247,681,015	544,479,374	4,105,013,692			48,783,615	29,504,287		

Note: As there are many projects under construction of the same nature in some business segments, they are merged into a series of projects for disclosure; The budget, actual investment and project progress cannot be disclosed one by one, so the proportion of cumulative investment in the budget and project progress for a series of projects is "N/A"; At the same time, the relevant capitalized interest amount is generated by the projects with bank loans in the series of projects.

**(3) Impairment provision for construction in progress in the current period**
**RMB**

Item	Opening balance	Provision	Reductions	Closing balance	Reason for the provision
Fangxian County Project of Huaxin Environmental Engineering	1,520,583	-	-	1,520,583	The project has been suspended because the relocation work cannot be carried out
Loudi Project of Huaxin Environmental Engineering	5,473,353	-	-	5,473,353	The project has been suspended due to invalidation of initial planning
Mining Rights Project of Enping Company	1,892,993	-	-	1,892,993	The project has been suspended due to invalidation of safe production permit of mining
Mining rights of Heshangbao, Zigui	485,436	-	-	485,436	The project has been suspended due to invalidation of initial planning
<b>Total</b>	<b>9,372,365</b>	<b>-</b>	<b>-</b>	<b>9,372,365</b>	<b>/</b>

**14.2 Materials for construction of fixed assets**
**RMB**

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Special equipment	94,127,350	-	94,127,350	136,539,126	-	136,539,126
<b>Total</b>	<b>94,127,350</b>	<b>-</b>	<b>94,127,350</b>	<b>136,539,126</b>	<b>-</b>	<b>136,539,126</b>

**15. Right-of-use assets**
**RMB**

Item	Land use right and mine use right (Note)	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	Total
<b>I. Cost</b>					
1. Opening balance	78,272,699	80,855,915	6,704,145	-	165,832,759
2. Addition	46,844,089	26,140,300	68,967,318	231,522	142,183,229
(1) Rent	46,844,089	26,140,300	68,967,318	231,522	142,183,229
3. Closing balance	125,116,788	106,996,215	75,671,463	231,522	308,015,988
<b>II. Accumulated depreciation</b>					
1. Opening balance	-	-	-	-	-
2. Addition	17,610,936	14,946,789	2,143,673	123,328	34,824,726
(1) Provision	17,610,936	14,946,789	2,143,673	123,328	34,824,726
3. Closing balance	17,610,936	14,946,789	2,143,673	123,328	34,824,726
<b>III. Net book value</b>					
1. Closing balance	107,505,852	92,049,426	73,527,790	108,194	273,191,262
2. Opening balance	78,272,699	80,855,915	6,704,145	-	165,832,759

Note: The project includes the mine use right leased by the Group and the land use right leased overseas.

In the current period, the cost of short-term leases and the cost of leases of low-value assets included in the simplified treatment of profit or loss amount to RMB 11,692,426. The total lease-related cash outflow for the period is RMB 41,981,660 of which the cash outflow of lease liabilities is RMB 30,289,234. The leased assets can't be treated as collaterals.

**16. Intangible assets**
**(1) Intangible assets**
**RMB**

Items	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
<b>I. Cost</b>						
1. Opening balance	2,767,588,560	1,922,911,508	314,133,148	168,200,597	215,056,226	5,387,890,039
2. Addition	472,494,437	2,779,838,900	125,887,799	-	78,178,085	3,456,399,221
(1) Purchase	256,614,645	2,355,106,612	125,887,799	-	821,039	2,738,430,095
(2) Transfer from construction in progress	5,465,435	102,036,838	-	-	8,191,714	115,693,987
(3) Increase due to business combination	210,414,357	322,695,450	-	-	69,165,332	602,275,139

Con.

Items	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
3. Reduction	5,119,438	-	-	-	1,754,641	6,874,079
(1) Disposal of subsidiaries	235,771	-	-	-	125,191	360,962
(2) Disposals	4,883,667	-	-	-	1,629,450	6,513,117
4. Translation differences of financial statements denominated in foreign currencies	(92,574)	(11,755,885)	(2,952)	-	(1,336,048)	(13,187,459)
5. Closing balance	3,234,870,985	4,690,994,523	440,017,995	168,200,597	290,143,622	8,824,227,722
II. Accumulated amortization						
1. Opening balance	466,407,889	310,936,427	84,075,882	34,234,743	201,701,948	1,097,356,889
2. Addition	68,550,340	209,144,471	17,359,407	14,632,368	18,568,166	328,254,752
(1) Provision	68,550,340	209,144,471	17,359,407	14,632,368	18,568,166	328,254,752
3. Reduction	1,049,063	-	-	-	1,623,052	2,672,115
(1) Disposal of subsidiaries	72,309	-	-	-	125,191	197,500
(2) Disposals	976,754	-	-	-	1,497,861	2,474,615
4. Translation differences of financial statements denominated in foreign currencies	(8,914)	(57,949)	-	-	(134,355)	(201,218)
5. Closing balance	533,900,252	520,022,949	101,435,289	48,867,111	218,512,707	1,422,738,308
III. Impairment provision						
Opening balance and closing balance	-	23,524,969	-	-	-	23,524,969
IV. Net book value						
1. Closing balance	2,700,970,733	4,147,446,605	338,582,706	119,333,486	71,630,915	7,377,964,445
2. Opening balance	2,301,180,671	1,588,450,112	230,057,266	133,965,854	13,354,278	4,267,008,181

As at 31 December 2021, the mining rights with carrying amount of RMB 5,006,725, cost of RMB 5,338,700 (31 December 2020: nil) are treated as collaterals for long-term borrowings. Details are set out in Note V (28). The land use rights with carrying amount of RMB 6,081,854, cost of RMB 8,497,487 (31 December 2020: RMB 6,254,797, cost of RMB 8,497,487) are treated as collaterals for short-term borrowings. Details are set out in Note V (20).

## 17. Goodwill

### (1) Original carrying amount of goodwill

Name of investee or matters that form goodwill	Opening balance	Addition		Reduction		Closing balance
		Goodwill arising from business combinations		Goodwill arising from deregistration subsidiaries		
Huaxin Cement (Daye) Co., Ltd.	189,057,605	-	-	-	-	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	-	-	-	-	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	-	-	-	-	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	-	-	-	-	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	-	-	-	-	21,492,135
NETNIXLIMITED	59,573,587	-	-	-	-	59,573,587
Hainan Xinhongda Building Materials Co., Ltd. (Note)	-	79,313,263	-	-	-	79,313,263
CHILANGA Cement PLC	-	87,794,908	-	-	-	87,794,908
Total	567,134,701	167,108,171	-	-	-	734,242,872

Note: A third-party professional institution engaged by the Group has completed the appraisal of the fair value of the net assets acquired by Hainan Xinhongda Building Materials Co., Ltd. at the acquisition date (Note VI), and the amount of goodwill was adjusted based on the appraisal results.

**(2) Provision for impairment of goodwill**

RMB

Name of investee or matters that form goodwill	Opening balance	Addition Provision	Reduction Disposal	Closing balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	-	-	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	-	-	21,492,135
<b>Total</b>	<b>91,049,903</b>	<b>-</b>	<b>-</b>	<b>91,049,903</b>

**(3) Describes the goodwill impairment test process, key parameters and the recognition method of goodwill impairment losses**

On 31 December 2021, the Group assessed the recoverability of the goodwill related to the asset groups of Huaxin Cement (Daye) Co., Ltd. The recoverable amount of the asset group of Huaxin Cement (Daye) Co., Ltd was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the Company's past performance, existing capacity and management's estimates of market development. The cash flow forecast is based on the five-year budget approved by the management and the cash flows in and after 2027 is calculated at the 0% growth rate, gross margins remain unchanged, and using the discount rate of 16%. The management of the Group believes that any reasonable changes in the above assumptions shall not cause the carrying amount of goodwill higher than the recoverable amount of the asset group to which the goodwill belongs, and determines that goodwill is not impaired.

On 31 December 2021, the Group assessed the recoverability of goodwill related to the asset groups of Cambodian Cement Chakrey Ting Factory Co., Ltd. The recoverable amount of the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the Company's past performance, existing capacity and management's estimates of market development. The cash flow forecast is based on the five-year budget approved by the management and the cash flows in and after 2027 is calculated at the 0% growth rate, gross margins remain unchanged, and using the discount rate of 18%. The management of the Group believes that any reasonable changes in the above assumptions shall not cause the carrying amount of goodwill higher than the recoverable amount of the asset group to which the goodwill belongs, and determines that goodwill is not impaired.

On 31 December 2021, the Group assessed the recoverability of goodwill related to the asset groups of Huaxin Jinlong Cement (Yunxian) Co., Ltd., The recoverable amount of the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the Company's past performance, existing capacity and management's estimates of market development. The cash flow forecast is based on the five-year budget approved by the management and the cash flows in and after 2027 is calculated at the 0% growth rate, gross margins remain unchanged, and using the discount rate of 16%. The management of the Group believes that any reasonable changes in the above assumptions shall not cause the carrying amount of goodwill higher than the recoverable amount of the asset group to which the goodwill belongs, and determines that goodwill is not impaired.

On 31 December 2021, the Group assessed the recoverability of goodwill related to the asset groups of NETNIX LIMITED and its subsidiaries. The recoverable amount of the asset group of NETNIX LIMITED and its subsidiaries were determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the Company's past performance, existing capacity and management's estimates of market development. The cash flow forecast is based on the five-year budget approved by the management and the cash flows in and after 2027 is calculated at the 0% growth rate, gross margins remain unchanged, and using the discount rate of 18%. The management of the Group believes that any reasonable changes in the above assumptions shall not cause the carrying amount of goodwill higher than the recoverable amount of the asset group to which the goodwill belongs, and determines that goodwill is not impaired.

On 31 December 2021, the Group assessed the recoverability of goodwill related to the asset groups of Hainan Xinhongda Building Materials Co., Ltd. The recoverable amount of the asset group of Hainan Xinhongda Building Materials Co., Ltd was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the Company's past performance, existing capacity and management's estimates of market development. The cash flow forecast is based on the five-year budget approved by the management and the cash flows in and after 2027 is calculated at the 0% growth rate, gross margins remain unchanged, and using the discount rate of 12%. The management of the Group believes that any reasonable changes in the above assumptions shall not cause the carrying amount of goodwill higher than the recoverable amount of the asset group to which the goodwill belongs, and determines that goodwill is not impaired.



On 31 December 2021, the Group assessed the recoverability of goodwill related to the asset groups of CHILANGA Cement PLC. The recoverable amount of the asset group of CHILANGA Cement PLC was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the Company's past performance, existing capacity and management's estimates of market development. The cash flow forecast is based on the five-year budget approved by the management and the cash flows in and after 2027 is calculated at the 0% growth rate, gross margins remain unchanged, and using the discount rate of 18%. The management of the Group believes that any reasonable changes in the above assumptions shall not cause the carrying amount of goodwill higher than the recoverable amount of the asset group to which the goodwill belongs, and determines that goodwill is not impaired.

## 18. Long-term prepaid expenses

RMB

Item	Opening balance	Addition	Increase due to business combination	Amortization	Closing balance
Mine development cost	141,519,854	15,242,585	16,806,756	21,743,573	151,825,622
Relocation expenses	159,377,296	241,157,507	-	20,658,498	379,876,305
Others	62,863,624	13,045,734	-	25,538,617	50,370,741
Total	363,760,774	269,445,826	16,806,756	67,940,688	582,072,668

## 19. Deferred tax assets / Deferred tax liabilities

## (1) Deferred tax assets before offsetting

RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Provision for impairment of assets	285,744,541	56,807,159	330,765,172	67,387,562
Difference between the fair value and the tax cost of identifiable assets of business combination	674,478,253	198,170,844	663,906,512	194,457,607
Temporary differences arising from expense recognition	337,565,031	72,492,287	394,662,984	92,044,072
Unrealized profit arising from elimination of intra-group transactions	241,873,428	60,468,357	224,685,679	56,171,420
Deductible tax losses	58,883,882	14,720,970	54,756,858	13,689,215
Provision for staff welfare	106,232,320	23,754,973	63,638,841	13,973,057
Others	14,856,758	3,714,191	56,275,616	12,831,370
Total	1,719,634,213	430,128,781	1,788,691,662	450,554,303

## (2) Deferred tax liabilities before offsetting

RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Capitalization of interest on general borrowings	67,452,481	16,863,120	77,046,476	19,261,619
Changes in fair value of other equity instrument investments	44,142,400	11,035,600	22,050,329	5,512,583
Changes in fair value of other noncurrent assets	22,481,535	5,620,384	28,965,529	7,241,382
Valuation appreciation on assets in business combination not involving enterprises under common control	1,329,087,206	338,602,693	801,224,558	153,428,806
Depreciation difference of fixed assets between accounting and tax basis	841,082,137	200,064,065	511,353,931	91,833,095
Others	153,553,771	20,273,943	154,374,699	20,397,083
Total	2,457,799,530	592,459,805	1,595,015,522	297,674,568

**(3) Amounts of deferred tax assets and deferred tax liabilities after offsetting**
**RMB**

Item	The amount offset at the end of the year	Deferred tax assets or liabilities after offsetting at the end of the year	The amount offset at the beginning of the year	Deferred tax assets or liabilities after offsetting at the beginning of the year
Deferred tax assets	19,594,463	410,534,318	12,753,965	437,800,338
Deferred tax liabilities	19,594,463	572,865,342	12,753,965	284,920,603

**(4) Deferred tax assets are not recognized for the following deductible temporary differences and deductible tax losses**
**RMB**

Items	Closing balance	Opening balance
Deductible temporary differences	2,666,417,453	2,891,063,013
Deductible tax losses	734,751,915	794,131,021
Total	3,401,169,368	3,685,194,034

**(5) The deductible tax losses which are not recognized as deferred tax assets will expire in the following years**
**RMB**

Year	Closing balance	Opening balance
2021	-	148,438,766
2022	92,749,520	153,614,289
2023	82,173,463	85,361,238
2024	102,730,946	144,409,755
2025	140,122,291	218,197,292
2026	297,033,457	-
2029	8,523,591	15,592,131
2030	11,418,647	28,517,550
Total	734,751,915	794,131,021

**20. Short-term borrowings**
**(1) Category of short-term borrowings**
**RMB**

Item	Closing balance	Opening balance
Mortgaged bank borrowings	13,000,000	13,000,000
Unsecured bank borrowings	629,946,608	612,000,000
Total	642,946,608	625,000,000

Notes to category of short-term borrowings:

Note 1:As at 31 December 2021, part of buildings, machinery and equipment (Note V (13)) and land use rights (Note V (16)) of the Group were mortgaged for the borrowings of RMB 13,000,000 (31 December 2020: RMB 13,000,000).

Note 2:As at 31 December 2021, unsecured bank borrowings included RMB 629,946,608 (31 December 2020: RMB 612,000,000) guaranteed by the Company for its subsidiaries within the Group.

As at 31 December 2021, the interest rate of short-term borrowings ranges from 1.80% to 4.35% per annum (31 December 2020: from 1.85% to 4.35% per annum).

**21. Notes payable**
**RMB**

Category	Closing balance	Opening balance
Bank acceptances notes	616,215,002	472,696,537
Commercial acceptances notes	54,778,080	-
Total	670,993,082	472,696,537

## 22. Accounts payable

## (1) Disclosure by categories

RMB

Item	Closing balance	Opening balance
Payables for construction and equipment	2,340,144,973	1,653,357,986
Payables for production	4,772,157,382	3,644,275,784
Total	7,112,302,355	5,297,633,770

## (2) Significant accounts payable aged over one year

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Payables for construction and equipment	491,878,632	The main project etc. has not been settled
Payables for production	53,989,990	The bill has not been cleared yet
Total	545,868,622	/

## (3) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year	6,238,836,617	4,696,332,236
1 - 2 years	503,909,807	415,045,035
2 - 3 years	214,470,142	38,622,777
Over 3 years	155,085,789	147,633,722
Total	7,112,302,355	5,297,633,770

## 23. Contract liabilities

## (1) Contract liabilities

RMB

Item	Closing balance	Opening balance
Advance from customers	847,443,693	830,492,042
Total	847,443,693	830,492,042

Notes:

1) Contract liabilities is mainly the advances payment collected by the Group in accordance with the sales contract of building materials, and the relevant income of the contract will be recognized after the Group performs its performance obligations.

2) The amount of revenue realized from contract liabilities at the beginning of the period is RMB 800,888,827.

3) The contract liabilities on 31 December 2021 are expected to be recognized as revenue within 1 year.

## 24. Employee benefits payable

## (1) Disclosure of employee benefits payable

RMB

Item	Opening balance	Addition	Reduction	Closing balance
I. Short-term benefits	412,881,300	2,268,135,059	2,401,085,394	279,930,965
II. Defined contribution plan	11,692,136	264,394,729	269,311,022	6,775,843
III. Long-term employee benefits payable within one year	105,304,485	132,769,322	115,688,610	122,385,197
Total	529,877,921	2,665,299,110	2,786,085,026	409,092,005

**(2) Disclosure of short-term benefits**
**RMB**

Item	Opening balance	Addition	Reduction	Closing balance
I. Salaries or wages, bonuses and allowances	386,054,058	1,631,346,315	1,775,694,027	241,706,346
II. Staff welfare	117,585	250,610,342	243,373,916	7,354,011
III. Social insurance	3,813,663	175,827,328	175,402,988	4,238,003
Including: Medical insurance	3,329,030	158,308,691	157,901,785	3,735,936
Injury insurance	428,842	15,807,989	15,819,742	417,089
Maternity insurance	55,791	1,710,648	1,681,461	84,978
IV. Housing funds	1,303,664	161,366,879	161,349,196	1,321,347
V. Labor union funds and employee education fee	21,592,330	48,984,195	45,265,267	25,311,258
<b>Total</b>	<b>412,881,300</b>	<b>2,268,135,059</b>	<b>2,401,085,394</b>	<b>279,930,965</b>

**(3) Defined contribution plan**
**RMB**

Item	Opening balance	Addition	Reduction	Closing balance
I. Basic pension insurance	10,920,195	254,380,159	258,903,278	6,397,076
II. Unemployment insurance	771,941	10,014,570	10,407,744	378,767
<b>Total</b>	<b>11,692,136</b>	<b>264,394,729</b>	<b>269,311,022</b>	<b>6,775,843</b>

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, except for the reduction for social assurance in part of the month based on the national policy, the Group contributes monthly to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively in the rest month in 2021. In addition to the above monthly contributions, the Group shall not undertake any further payment obligations. The corresponding expenditure is recognized in profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB 254,380,159 and RMB 10,014,570 (2020: RMB 50,769,493 and RMB 1,720,543) to the basic pension insurance and unemployment insurance plans respectively for the current year. As at 31 December 2021, the Group has outstanding contributions to pension insurance and unemployment plans that are due as at the reporting period amounting to RMB 6,397,076 and RMB 378,767 (31 December 2020: RMB 10,920,195 and RMB 771,941). The relevant outstanding expenses have been paid after the reporting period.

**25. Taxes payable**
**RMB**

Item	Closing balance	Opening balance
Enterprise income tax	561,530,002	662,119,248
VAT	208,921,084	223,034,704
Resource tax	27,475,802	28,857,087
Environmental tax	25,061,630	28,299,652
Individual income tax	7,211,063	28,505,648
Others	230,716,886	215,349,804
<b>Total</b>	<b>1,060,916,467</b>	<b>1,186,166,143</b>

**26. Other payables**
**26.1 Summary of other payables**
**RMB**

Item	Closing balance	Opening balance
Interest payable	34,819,098	30,026,120
Dividends payable	58,154,514	63,842,709
Other payables	663,221,058	692,377,410
<b>Total</b>	<b>756,194,670</b>	<b>786,246,239</b>

## 26.2 Interest payable

RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	21,730,154	25,895,025
Interest on long-term borrowings	12,026,749	3,665,489
Interest on short-term borrowings	1,062,195	465,606
Total	34,819,098	30,026,120

## 26.3 Dividends payable

RMB

Item	Closing balance	Opening balance
Dividends of ordinary shares	42,566,956	23,821,382
Minority shareholders		
- Dividends attributable to minority shareholders of CHILANGA Cement PLC	15,587,558	-
- Gede Hong Kong International Investment & Development Co., Ltd.	-	40,021,327
Total	58,154,514	63,842,709

## 26.4 Other payables

## (1) Details of other payables

RMB

Item	Closing balance	Opening balance
Payables for acquisition of equity interests	156,569,856	218,043,450
Amounts due to minority interests	177,377,150	187,605,900
Margin and deposits	221,364,624	178,109,274
Collected or paid for others	6,489,388	13,628,805
Borrowings from government	5,000,000	5,000,000
Others	96,420,040	89,989,981
Total	663,221,058	692,377,410

## (2) Description of significant other payables aged more than one year

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Amounts due to minority interests	157,377,150	Repayment time has not been agreed
Payables for acquisition of equity interests	113,985,242	Payment criteria is not met
Total	271,362,392	/

## (3) Other payables - The maturity date of borrowings is analyzed as follows:

RMB

Item	Closing balance	Opening balance
Maturity date is not determined	162,377,150	192,544,835

The annual interest rate for the above borrowings is not determined.

## 27. Non-current liabilities due within one year

RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	850,880,229	524,266,910
Bonds payable due within one year	-	1,199,284,590
Long-term payables due within one year	329,070,334	150,932,659
Lease liabilities within 1 year	33,699,621	-
Total	1,213,650,184	1,874,484,159

**28. Long-term borrowings**
**(1) Categories of long-term borrowings**

Item	Closing balance	Opening balance
Unsecured bank borrowings	5,524,806,828	3,501,684,221
Pledged bank borrowings	403,280,000	526,140,000
Mortgaged bank borrowings	4,717,907	-
Guaranteed bank borrowings	-	722,662
Less: Long-term borrowings due within one year		
Unsecured bank borrowings	728,020,229	415,684,248
Pledged bank borrowings	122,860,000	107,860,000
Guaranteed bank borrowings	-	722,662
<b>Total</b>	<b>5,081,924,506</b>	<b>3,504,279,973</b>

Notes to category of long-term borrowings:

Note 1: As at 31 December 2021, unsecured bank borrowings of RMB 5,524,806,828 include long-term borrowings of RMB 2,961,113,856 guaranteed by the Company for subsidiaries of the Group and dollar loans equivalent to RMB 1,343,692,971 (31 December 2020: Bank borrowings on credit of RMB 3,501,684,221 include long-term borrowings of RMB 1,641,918,968 and borrowings in USD equivalent to RMB 1,061,265,253). Such unsecured bank borrowings shall be repaid in batches during the period from 2022 to 2028.

Note 2: As at 31 December 2021, pledged assets for pledged borrowings of RMB 403,280,000 (31 December 2020: RMB 526,140,000) are equity of the Group's certain subsidiaries. Such pledged borrowings shall be repaid in batches during the period from 2022 to 2025.

Note 3: As at 31 December 2021, the Group has no guaranteed borrowings (31 December 2020: RMB 722,662).

Note 4: As at 31 December 2021, mining rights of a subsidiary (Note V (16)) are mortgaged for the long-term borrowing of RMB 4,717,907 (31 December 2020: nil). Such mortgaged borrowings shall be repaid in 2023.

**(2) Analysis on maturity date of long-term borrowings**

Item	Closing balance	Opening balance
1 - 2 years	1,899,342,560	481,909,403
2 - 5 years	3,074,885,639	2,359,921,562
Over 5 years	107,696,307	662,449,008
<b>Total</b>	<b>5,081,924,506</b>	<b>3,504,279,973</b>

**(3) Other explanation**

As at 31 December 2021, the interest rate of long-term borrowings ranges between 1.10% and 5.10% (31 December 2020: between 2.90% and 5.70%).

**29. Bonds payable**
**(1) Bonds payable**

Items	Closing balance	Opening balance
Overseas bond issued in 2020	1,901,938,824	1,943,763,447
Bonds issued to professional investors in 2021 (Phase I)	1,297,795,200	-
Phase-I corporate bonds issued in 2016	-	1,199,284,590
Preference shares of subsidiary (Note 1)	128,126,596	-
Less: Bonds payable due within one year	-	1,199,284,590
<b>Total</b>	<b>3,327,860,620</b>	<b>1,943,763,447</b>

Note 1: In August 2021, the Group's subsidiary Huaxin Hong Kong (Tanzania) Investment Limited entered into a subscription agreement with China-Africa Fund Limited, pursuant to which the Group's subsidiary issued 19.25 million preference shares at a price of USD1 per share for a total cash consideration of USD 19.25 million. These preference shares were issued and paid up in August 2021. The principal terms of the preference shares are as follows:

- Terms on redemption:

If the subsidiary of the Group triggers a specific event (such as a breach of the provisions of the transaction documents by the subsidiary of the Group or a condition such as the change of control or the expiration of the eighth anniversary of the date of settlement), the shareholders of preference shares may submit a written request to the subsidiary of the Group to redeem the preference shares. The redemption price of preference shares is determined based on the unit price per share subscribed by the shareholders and the dividend received prior to the redemption date.

- Dividend policy:

From the date of settlement to the date on which the payment is completed, each shareholder of preference shares is entitled to a dividend of 6%/year of the subscription price per share in preference to the shareholders of ordinary shares. Payment is made only when the Board of Directors decides to distribute the profits, and accrued and unpaid interest is calculated at 6%/year. During the period in which shareholders of ordinary shares hold the ordinary shares after the exercise of the rights to transfer the shares, the Group's subsidiary Huaxin Hong Kong (Tanzania) Investment Limited shall urge the project company (Maweni Limestone Limited) to declare and distribute dividends of not less than 70% of the distributable profits (if any) of each financial year, and the Group's subsidiary also commits to distribute annually all the distributable profits for the year as dividends.

- Terms on transfer of shares:

The shareholders of preference shares are entitled to convert their preference shares into ordinary shares at any time from the date of settlement to the maturity date with no consideration by application. From the date of settlement to the third anniversary of the date of settlement (inclusive), the shareholders of preference shares are entitled to convert their preference shares into ordinary shares at a ratio of 1:1; from the third anniversary of the date of settlement to the sixth anniversary of the date of settlement (inclusive), the shareholders of preference shares are entitled to convert their preference shares into ordinary shares at a ratio of 1:0.8571428; from the sixth anniversary of the date of settlement to the maturity date, the shareholders of preference shares are entitled to convert their preference shares to ordinary shares at a ratio of 1:0.7142857.

- Liquidation priority:

In the event of liquidation, termination or dissolution of a subsidiary of the Group, if there are still any preference shares, the shareholders of preference shares are entitled to receive, in preference to other shareholders, an amount equal to the subscription price per share plus the accumulated but undistributed dividends (including fruits) on such shares (collectively referred to as the "amount of priority liquidation"). After the Group's subsidiary has paid the amount of priority liquidation to all shareholders of preference shares, the remaining assets shall be distributed to the shareholders of ordinary shares in proportion to their shareholdings.

During the reporting period, the Group's subsidiary does not pay any dividends to the shareholders of preference shares.

(2) Changes in bonds payable

											RMB
Name of bond	Par value	Issue date	Term of bond	Issue amount	Opening balance	Issuance for the period	Amortization of premium or discount	Repayment	Exchange gain or loss	Closing balance	Balance of accrued interest
Phase-I corporate bonds issued in 2016	100	19 August 2016	5 years	1,200,000,000	1,199,284,590	-	613,209	1,199,897,799	-	-	-
Overseas bond issued in 2020 (Note 1)	100	19 November 2020	5 years	1,973,460,000	1,943,763,447	-	2,652,637	-	(44,477,260)	1,901,938,824	5,020,864
Bonds issued to professional investors in 2021 (Phase I) (Note 2)	100	25 August 2021	3 years	1,300,000,000	-	1,297,504,000	291,200	-	-	1,297,795,200	14,833,000
Less: Bonds payable due within one year					1,199,284,590	-	613,209	1,199,897,799	-	-	-
<b>Total</b>	/	/	/	4,473,460,000	1,943,763,447	1,297,504,000	2,943,837	-	(44,477,260)	3,199,734,024	19,853,864

Note 1: As filed by Fa Gai Ban Wai Zi Bei [2020] No. 160 issued by the National Development and Reform Commission of China, the Company issued of corporate bonds totalling USD 300 million at Singapore Exchange (SGX) on 19 November 2020 at a coupon rate of 2.25%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of five years.

Note 2: As approved by Zheng Jian Xu Ke [2021] No. 2628 of China Securities Regulatory Commission, the Company issued corporate bonds with a total amount not exceeding USD 1300 million on 25 August 2021 at a coupon rate of 3.26%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of three years.

(3) Movements in preference shares outstanding at the end of the period

Outstanding financial instruments	Addition		Gains or losses on changes in fair value	Exchange gains or losses	Closing balance		Balance of accrued interest
	Shares	Carrying amount	Carrying amount	Carrying amount	Shares	Carrying amount	
Preference shares of the subsidiary	19,250,000	124,507,075	5,394,371	(1,774,850)	19,250,000	128,126,596	1,876,290
Total	19,250,000	124,507,075	5,394,371	(1,774,850)	19,250,000	128,126,596	1,876,290

Determination of fair value

The Group determines the equity value of the Preference shares of subsidiary with discounted cash flow method. The key assumptions are as follows:

Key assumptions	31 December 2021
Risk-free return rate	1.5%
Discount rate of bonds	6.1%
Volatility of share price	33.6%
Return rate of dividends	0.00%

30. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	257,279,739	-
Less: Lease liabilities due within 1 year	33,699,621	-
Net amount	223,580,118	-

31. Long-term payables

31.1 Summary of long-term payables

Item	Closing balance	Opening balance
Long-term payables	463,257,160	191,011,663
Total	463,257,160	191,011,663

31.2 Long-term payables by nature

Item	Closing balance	Opening balance
Transaction fees of mining rights paid in installments	769,068,821	253,712,506
Finance lease payable	23,258,673	84,155,203
Others	-	4,076,613
Less: Transaction fees of mining rights paid by installments due within one year	305,811,661	87,382,509
Finance lease payable due within 1 year	23,258,673	63,550,150
Total	463,257,160	191,011,663

As at 31 December 2021, finance lease payable amounted to RMB 23,258,673 which were guaranteed by finance deposit of RMB15,000,000 (Note V (1)).



Finance lease payable is the balance of the minimum lease payments of the Group's fixed assets under finance lease less unrecognized finance costs. The future payment plan of finance lease payable is as follows:

	RMB	
	Closing balance	Opening balance
1 <sup>st</sup> year subsequent to the balance sheet date	23,258,673	63,550,150
2 <sup>nd</sup> year subsequent to the balance sheet date	-	23,258,673
Total future repayments	23,258,673	86,808,823
Interest expenses	-	2,653,620
Finance lease payable	23,258,673	84,155,203
Including: Finance lease payable due within 1 year	23,258,673	63,550,150
Finance lease payable due after 1 year	-	20,605,053

### 32. Long-term employee benefits payable

#### (1) Long-term employee benefits payable by nature

	RMB	
Item	Closing balance	Opening balance
I. Compensation for retired staff (Note 1)	30,028,742	29,834,608
II. Early-retired employee benefits (Note 2)	35,052,846	30,917,902
III. Long-term employee incentives (Note 3)	111,762,003	171,757,079
Less: To be paid within one year	122,385,197	105,304,485
Total	54,458,394	127,205,104

Note 1: Compensation for retired staff: Pursuant to the Group's policies, the Company and its certain subsidiaries are obliged to pay basic pension insurance, allowances and material and supplementary medical insurance to certain retired employees until they pass away.

Management determines the provision for employee benefits based on expected accumulated benefit unit method.

At the balance sheet date, the key assumptions for the calculation of Group's retired staff compensation payable are as follows:

Item	At the end of the period	At the beginning of the period
Discount rate	2.36%~3.75%	2.36%~3.75%
Salary/wage growth rate	10%	10%
Average life expectancy	77	77

Note 2: Early-retired employee benefits: Pursuant to the Group's policies, the Company and certain subsidiaries are obliged to pay the basic wage and social insurance payments for eligible early-retired employees, until the employee reach the statutory retirement age.

Note 3: Long-term employee incentives: Long-term employee incentives represent three batches of three-year long-term incentive plan for core management. The amount of awards granted to the core management under this incentive plan is based on the virtual shares of the Company. (Note XI. (2)).

### 33. Provisions

	RMB		
Item	Closing balance	Opening balance	Underlying reason
Provisions for Mine restoration	345,951,659	230,271,485	Mine restoration obligation
Provision for Others	1,521,803	3,121,801	Expected compensation for pending litigation
Total	347,473,462	233,393,286	/

**34. Deferred income**
**RMB**

Item	Opening balance	Addition	Reduction	Closing balance	Underlying reason
Government grants	301,399,766	21,895,200	30,918,890	292,376,076	Government grants related to assets
Total	301,399,766	21,895,200	30,918,890	292,376,076	/

Items involving government grants:

**RMB**

Items of grant	Opening balance	Subsidies increased for the period	Amortization recognized in other income	Closing balance	Related to assets/income
Cement kiln line infrastructure	238,903,045	21,517,893	20,786,999	239,633,939	Related to assets
Energy saving technological transformation	62,496,721	377,307	10,131,891	52,742,137	Related to assets
Total	301,399,766	21,895,200	30,918,890	292,376,076	

**35. Share capital**
**RMB**

	Closing and opening balance
Listed shares without restriction of trading -	
A-share	1,361,879,855
B-share	734,720,000
Total share capital	2,096,599,855

**36. Capital reserve**
**RMB**

Item	Opening balance	Addition	Reduction	Closing balance
Share premium	1,811,326,903	-	-	1,811,326,903
Equity incentive	33,373,950	86,789,021	-	120,162,971
Transferred from capital reserve recognized under the previous accounting system	45,377,303	-	-	45,377,303
Compensation from the government for plant relocation	7,553,919	-	-	7,553,919
Government grants for capital investments	42,818,800	-	-	42,818,800
Changes in special reserve of associates	3,087,177	824,675	-	3,911,852
Total	1,943,538,052	87,613,696	-	2,031,151,748

**37. Treasury shares**
**RMB**

Item	Closing and opening balance
Treasury share for equity incentive plan	610,051,971
Total	610,051,971

For the year ended 31 December 2021, the Company has accumulatively repurchased 22,689,338 shares and accumulatively paid RMB 610,051,971 for the employee incentive plan.

**38. Surplus reserve**
**RMB**

Item	Closing and opening balance
Statutory surplus reserve	1,048,299,928
Discretionary surplus reserve	63,580,329
Total	1,111,880,257

In accordance with the "Company Law of the People's Republic of China" and Articles of Association of the Company, the Company make provision for statutory surplus reserve at 10% of the net annual profit of the Company. When the accumulated amount of the Company's statutory surplus reserve reaches more than 50% of the registered capital, further appropriation is not required.

The Company's accumulated amount of the Company's statutory surplus reserve more than 50% of the registered capital, thus makes no provision for statutory surplus reserve in 2021 (no provision was made in 2020). Statutory surplus reserve can be used for offsetting losses or increasing share capital after approval.

The amount of provision for discretionary surplus reserve of the Company is proposed by the board of directors and approved by the shareholders meeting. Any discretionary surplus reserve can be used for offsetting losses of previous years or increasing share capital after approval (no provision was made in 2020).

### 39. Other comprehensive income

RMB

Item	Opening balance	Amount for the current period				Closing balance
		Amount incurred before income tax for the period	Less: Income tax expenses	Attributable to owners of the company after tax	Attributable to the minority interest after tax	
I. Other comprehensive income that cannot be reclassified to profit or loss	13,762,146	22,092,071	5,523,018	16,569,053		30,331,199
Including: Changes in fair value of other equity instrument investments	13,762,146	22,092,071	5,523,018	16,569,053		30,331,199
II. Other comprehensive income that will be reclassified to profit or loss	(289,054,909)	(53,719,862)	-	(46,626,422)	(7,093,440)	(335,681,331)
Including: Exchange differences on translation of financial statements denominated in foreign currencies	(289,054,909)	(53,719,862)	-	(46,626,422)	(7,093,440)	(335,681,331)
Total	(275,292,763)	(31,627,791)	5,523,018	(30,057,369)	(7,093,440)	(305,350,132)

### 40. Retained profits

RMB

Item	Amount for the current period	Amount for the prior period
Opening balance	19,304,701,887	16,204,540,023
Add: Net profit attributable to the owners of the parent Company in the current period	5,363,525,692	5,630,598,812
Less: Ordinary share dividends payable (Note)	2,262,545,868	2,530,436,948
Closing balance	22,405,681,711	19,304,701,887

Note: According to the shareholders' meeting on 28 April 2021, the Company distributed a total of RMB 2,262,545,868 of cash dividends to the shareholders.

### 41. Operating income and operating costs

#### (1) Operating income and operating costs

RMB

Item	Amount for current period		Amount for the prior period	
	Income	Costs	Income	Costs
Principal operations	32,237,328,449	21,297,150,550	29,151,495,160	17,953,496,637
Other operations	226,754,930	95,343,915	205,020,531	81,764,829
Total	32,464,083,379	21,392,494,465	29,356,515,691	18,035,261,466

(2) Income from principal operations is presented by products:

Analysis of main operations by product is set out as below:

RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Income
Sales of cement	24,067,650,740	15,924,573,208	23,632,070,676	14,382,604,579
Sales of concrete	3,175,398,379	2,578,492,840	1,879,572,334	1,513,996,311
Sales of aggregate	2,053,535,770	706,001,928	1,183,140,339	442,572,944
Sales of clinker	1,606,353,621	1,314,106,783	1,312,805,606	902,627,538
Others	1,334,389,939	773,975,791	1,143,906,205	711,695,265
Total	32,237,328,449	21,297,150,550	29,151,495,160	17,953,496,637

(3) Significant performance obligation

The Group is mainly engaged in sales of building materials and products

For the revenue arising from the business model which the customers pick up the goods by themselves from the Group, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of deliver the goods; for the revenue arising from the business model which the Group is responsible for delivering the goods to the customers, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of distributing goods to the place designated by the customer. Since the delivery of goods to the customer represents the right to receive the contract consideration unconditionally and the payment is due only depending on the passage of time, the Group acknowledges a receivable when the goods are delivered to the customer.

(4) Transaction price allocated to the remaining performance obligation

As at 31 December 2021, the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied is RMB 847,443,693, which will be recognized in its entirety as revenue during the next year.

(5) External revenue by geographical area of source:

RMB

	Amount for the current period	Amount for the prior period
China	29,881,187,845	27,555,709,343
Central Asia	1,622,706,576	1,215,963,422
Cambodia	570,279,926	513,508,171
Tanzania	321,121,441	71,334,755
Zambia	68,787,591	
Total	32,464,083,379	29,356,515,691

42. Taxes and levies

RMB

Item	Amount for the current period	Amount for the prior period
City maintenance and construction tax	67,126,704	75,539,756
Educational surcharge	36,287,750	42,923,291
Resource tax	276,701,205	189,756,969
Property tax	39,648,029	28,521,057
Land use tax	58,056,074	40,685,125
Environmental protection tax	81,929,737	81,388,161
Others	44,860,795	51,615,913
Total	604,610,294	510,430,272

## 43. Selling and distribution expenses

RMB

Item	Amount for the current period	Amount for the prior period
Consumption of materials	509,729,119	641,829,261
Staff costs	409,717,779	375,034,320
Depreciation and amortization expenses	92,760,671	77,265,289
Electric charge	82,289,636	81,427,135
Entertainment expenses	46,682,938	39,335,236
Repair expenses	38,635,328	40,610,435
Traveling expenses	37,233,595	34,059,225
Rental expenses	11,483,992	10,544,582
Others	102,675,912	127,572,653
Total	1,331,208,970	1,427,678,136

## 44. General and administrative expenses

RMB

Item	Amount for the current period	Amount for the prior period
Staff costs	891,183,100	909,623,652
Depreciation and amortization expenses	198,841,666	167,694,797
Intermediary service fees	79,888,235	96,846,072
Entertainment expenses	66,578,297	60,658,244
Traveling expenses	45,676,035	40,858,657
Outsourced labor expenses	42,007,252	39,672,040
Office and meeting expenses	38,956,954	43,415,695
Sewage expenses	35,247,538	16,452,209
Utilities expenses	17,185,204	18,893,371
Property insurance expenses	14,883,522	13,636,775
Communication expenses	6,591,801	6,888,866
Rental expenses	208,434	32,402,196
Others	197,449,569	157,657,943
Total	1,634,697,607	1,604,700,517

## 45. Financial expenses

RMB

Item	Amount for the current period	Amount for the prior period
Interest expenditure on loans	302,139,663	236,075,150
Interest expenses on lease liabilities	6,115,643	-
Less: Capitalized interest	29,504,287	35,496,920
Subtotal of interest expense	278,751,019	200,578,230
Less: Interest income	155,781,766	63,827,091
Exchange gains or losses	8,633,862	143,400,502
Others	38,656,493	25,553,868
Total	170,259,608	305,705,509

## 46. Other income

RMB

Item	Amount for the current period	Amount for the prior period
Tax refunds from comprehensive utilization of resources	109,462,051	137,780,455
Amortization of deferred income	30,918,890	33,273,433
Other government grants	67,132,883	68,330,061
Total	207,513,824	239,383,949

Other income recorded in non-recurring profit or loss amounted to RMB 98,051,773 in the current period.

**47. Investment income**

Item	Amount for the current period	Amount for the prior period
Investment income of held-for-trading financial assets during the hold period	12,069,964	1,339,145
Income from long-term equity investments under equity method	10,506,995	77,037,487
Income(losses) on disposal of long-term equity investments	2,499,785	36,754,077
Dividend income from other non-current financial assets during the holding period	1,472,536	1,408,167
Interest income of debt investments during the hold period	900,000	900,000
Dividend income from other equity instrument investments during the holding period	-	1,133,360
<b>Total</b>	<b>27,449,280</b>	<b>118,572,236</b>

**48. Gains from changes in fair value**

Item	Amount for the current period	Amount for the prior period
Other non-current financial assets	(6,483,994)	(2,176,354)
Held-for-trading financial assets	7,382,570	4,581,752
Bonds payable	(5,394,371)	-
<b>Total</b>	<b>(4,495,795)</b>	<b>2,405,398</b>

**49. Impairment losses on credit**

Item	Amount for the current period	Amount for the prior period
Impairment losses on credit for accounts receivable	24,883,046	11,049,002
Impairment losses on credit for other receivables	2,778,396	2,948,489
<b>Total</b>	<b>27,661,442</b>	<b>13,997,491</b>

**50. Impairment losses on assets**

Item	Amount for the current period	Amount for the prior period
I. Losses on decline in value of inventories	8,036,195	9,356,529
II. Impairment losses on fixed assets	27,064,663	59,466,857
III. Impairment losses on construction in progress	-	9,372,365
<b>Total</b>	<b>35,100,858</b>	<b>78,195,751</b>

**51. Gains on disposal of assets**

Item	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	15,305,229	14,013,082
Gains on disposal of intangible assets	1,938,956	-
<b>Total</b>	<b>17,244,185</b>	<b>14,013,082</b>

**52. Non-operating income**

Items	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Gains on disposal of fixed assets	885,430	3,387,478	885,430
Government grants	49,894	289,064	49,894
Long-term unpaid payables	-	48,021,990	-
Negative goodwill	10,392,602	-	10,392,602
Others	11,855,042	13,569,284	11,855,042
<b>Total</b>	<b>23,182,968</b>	<b>65,267,816</b>	<b>23,182,968</b>

## 53. Non-operating expenses

RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Losses on retirement of fixed assets	41,631,098	26,413,678	41,631,098
Donations	18,026,701	28,893,355	18,026,701
Compensation for losses	3,613,150	14,833,033	3,613,150
Others	31,276,345	30,424,237	31,276,345
Total	94,547,294	100,564,303	94,547,294

## 54. Income tax expenses

## (1) Table of income tax expenses

RMB

Item	Amount for the current period	Amount for the prior period
Current tax expenses	1,522,117,310	1,407,809,653
Deferred tax expenses	45,941,517	82,242,453
Total	1,568,058,827	1,490,052,106

## (2) Reconciliations of profits before tax and income tax expense

RMB

Item	Amount for the current period	Amount for the prior period
Profit before tax	7,372,995,844	7,663,645,289
Income tax expenses calculated at 25% of tax rate	1,843,248,961	1,915,911,322
Effect of preferential tax rates applicable to subsidiaries	(247,703,732)	(343,053,455)
Non taxable income	(8,610,524)	(20,012,710)
Effect of non-deductible costs, expenses and losses	38,868,707	25,925,521
Effect of weighted deduction of research and development expenses	(14,574,946)	(8,264,337)
Effect of utilizing deductible losses and deductible temporary differences not recognized for deferred tax assets for prior period	(104,760,492)	(130,836,559)
Effect of deductible temporary differences or deductible losses for which deferred tax assets are not recognized for the current period	76,065,156	70,159,199
Others	(14,474,303)	(19,776,875)
Income tax expenses	1,568,058,827	1,490,052,106

## 55. Items in the cash flow statement

## (1) Other cash receipts relating to operating activities

RMB

Item	Amount for the current period	Amount for the prior period
Margin and deposits	117,954,442	54,431,205
Government subsidies	89,077,977	87,538,762
Interest income	155,781,766	63,827,091
Others	1,931,016	13,576,900
Total	364,745,201	219,373,958

**(2) Other cash payments relating to operating activities**
**RMB**

Item	Amount for the current period	Amount for the prior period
Travelling expenses	82,909,630	74,917,882
Margin and deposits	81,163,871	113,500,775
Pollution expenses	35,247,538	16,452,209
Entertainment expenses	113,261,235	99,993,480
Agency and other service fees	79,888,235	96,846,072
Low value consumables	43,782,197	59,779,746
Environmental maintenance expenses	46,806,361	44,975,210
Office and meeting expenses	38,956,954	43,415,695
Rental expenses	11,692,426	42,946,778
Property insurance expenses	14,883,522	13,636,775
Donations and other social responsibility expenses	86,329,195	57,681,606
Third-party personnel costs	42,007,252	-
Others	299,830,490	186,119,617
<b>Total</b>	<b>976,758,906</b>	<b>850,265,845</b>

**(3) Other cash receipts relating to financing activities**
**RMB**

Item	Amount for the current period	Amount for the prior period
Preference shares received	124,507,075	-
<b>Total</b>	<b>124,507,075</b>	<b>-</b>

**(4) Other cash payments relating to financing activities**
**RMB**

Item	Amount for the current period	Amount for the prior period
Repayment for principal and deposit of finance lease	68,973,653	92,936,980
Payments for leases	30,289,234	-
Payments for repurchasing long-term incentives	-	610,051,971
Repayments of government borrowings	-	4,012,411
<b>Total</b>	<b>99,262,887</b>	<b>707,001,362</b>

**56. Supplementary information to the cash flow statement**
**(1) Supplementary information to the cash flow statement**
**RMB**

Supplementary information	Amount for the current period	Amount for the prior period
<b>1.Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	5,804,937,017	6,173,593,183
Add: Provision for impairment of assets	35,100,858	78,195,751
Allowance for credit impairment	27,661,442	13,997,491
Depreciation of fixed assets	1,783,884,387	1,579,377,786
Depreciation of right-of-use assets	34,824,726	-
Amortization of intangible assets	328,254,752	184,064,872
Amortization of long-term prepaid expenses	67,940,688	61,012,213
Amortization of deferred income	(30,918,890)	(33,451,033)
Gains on disposal of fixed assets, intangible assets and other long-term assets	(17,244,185)	(14,013,082)
Losses on retirement of fixed assets	40,745,668	23,026,200
Gains from changes in fair value	4,495,795	(2,405,398)
Financial expenses	278,751,019	200,578,230



Con.

Supplementary information	Amount for the current period	Amount for the prior period
Investment income	(27,449,280)	(118,572,236)
Decrease(Increase) in deferred tax assets	35,507,341	97,540,904
Increase (Decrease) in deferred tax liabilities	10,434,176	(15,298,451)
Decrease(Increase) in inventories	(1,085,937,588)	(363,434,701)
Decrease (Increase)in operating receivables	(802,012,433)	(198,626,001)
Increase in operating payables	1,105,981,629	739,887,032
Net cash flow from operating activities	7,594,957,122	8,405,472,760
<b>2. Net changes in cash and cash equivalents</b>		
Closing balance of cash	8,550,475,141	8,420,246,369
Less: Opening balance of cash	8,420,246,369	4,918,296,452
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	130,228,772	3,501,949,917

## (2) Net cash paid for acquisition of subsidiaries and other business units

RMB

	Amount
Cash and cash equivalents paid for the business combinations in the current period	1,021,912,610
Including: Hainan Xinhongda Building Materials Co., Ltd.	177,361,390
Yidu Honghua Xintong Logistics Co., Ltd.	56,574,700
CHILANGA Cement PLC	719,329,160
Portland Cement (MALAWI) Limited	68,647,360
Less: Cash and cash equivalents held by the subsidiaries at the date of purchase	103,536,258
Including: Hainan Xinhongda Building Materials Co., Ltd.	2,433,934
Yidu Honghua Xintong Logistics Co., Ltd.	239,549
CHILANGA Cement PLC	57,672,436
Portland Cement (MALAWI) Limited	43,190,339
Add: Cash or cash equivalents paid for business combinations and acquisition of other operating entities in the prior period	10,000,000
Including: Wanyuan Dabashan Cement Co., Ltd.	10,000,000
Net cash payments for acquisition of subsidiaries and other business units	928,376,352

## (3) Net cash receipts from disposal of subsidiaries

	Amount
Cash and cash equivalents received from disposal of subsidiaries in the current period	22,000
Including: Yidu Packaging	22,000
Net cash receipts from disposal of subsidiaries	22,000

## (4) Composition of cash and cash equivalents

RMB

Items	Closing balance	Opening balance
I. Cash	8,550,475,141	8,420,246,369
Including: Cash on hand	604,954	620,098
Cash at bank without restriction	8,549,870,187	8,419,626,271
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	8,550,475,141	8,420,246,369
Including: Cash and cash equivalents with limited use right of the parent company or subsidiaries within the Group	-	-

## 57. Assets with limited ownership or use right

RMB

Items	Closing balance	Opening balance
Cash and bank balances	285,964,244	221,366,478
Notes receivable	23,000,000	7,000,000
Financing with receivables	236,214,382	94,904,632
Fixed assets	5,413,440	5,896,890
Intangible assets	11,088,579	6,254,797
<b>Total</b>	<b>561,680,645</b>	<b>335,422,797</b>

The equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note V (28)). As at 31 December 2021, the net book value of such equity amounted to approximately RMB 5,080,267,607. (31 December 2020: approximately RMB 4,526,129,297).

## 58. Foreign currency monetary items

## (1) Foreign currency monetary items

RMB

Items	Closing balance of foreign currency	Exchange rate	RMB balance
<b>Cash and bank balances</b>			
Including:USD	230,081,444	6.3757	1,466,930,263
RMB	5,597,329	1.0000	5,597,329
EUR	2,165,226	7.2197	15,632,282
HKD	63,678	0.8176	52,063
ZAR	88,462	0.4007	35,447
RUB	182	0.0855	16
AUD	206	4.6220	952
CHF	11	6.9776	77
SGD	2	4.7179	9
<b>Accounts receivable</b>			
Including:USD	4,700,885	6.3757	29,971,432
ZAR	54,519	0.4007	21,846
<b>Other receivables</b>			
Including:USD	93,327	6.3757	595,025
KZT	314,716	0.0147	4,626
RUB	26,154	0.0855	2,236
<b>Accounts payable</b>			
Including:USD	8,410,073	6.3757	53,620,102
ZAR	799,786	0.4007	320,474
EUR	105,595	7.2197	762,364
RMB	779,663	1.0000	779,663
RUB	12,514,850	0.0855	1,070,020
GBP	541	8.6064	4,656
<b>Other payables</b>			
Including:USD	584,749	6.3757	3,728,184
ZAR	1,543	0.4007	618
EUR	16,717	7.2197	120,692
CHF	58,049	6.9776	405,043
<b>Interest payable</b>			
Including:USD	1,227,295	6.3757	7,824,865
<b>Bonds payable</b>			
Including:USD	20,096,083	6.3757	128,126,596
<b>Non-current liabilities due within 1 year</b>			
Including:USD	38,390,000	6.3757	244,763,123
<b>Long-term borrowings</b>			
Including:USD	161,340,000	6.3757	1,028,655,438

## (2) Description of significant overseas entities

Name of subsidiary	Place of business overseas	Functional currency	Basis
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	USD	Economic environment in which it operates
Huaxin Gayur (Sogd) Cement LLC	Tajikistan	TJS	Economic environment in which it operates
Huaxin Yovon Cement LLC	Tajikistan	TJS	Economic environment in which it operates
Huaxin Cement Dzizak Co., Ltd.	Uzbekistan	UZS	Economic environment in which it operates
Huaxin Cement Narayani Co., Ltd.	Nepal	RUB	Economic environment in which it operates
Yuzhno-Kyrgyzskiy Cement CJSC	Kyrgyzstan	KGS	Economic environment in which it operates
Maweni limestone limited	Tanzania	TZS	Economic environment in which it operates
CHILANGA Cement PLC	Zambia	Kwacha	Economic environment in which it operates
PORTLAND CEMENT (MALAWI) LIMITED	Malawi	MWK	Economic environment in which it operates

## VI. CHANGES IN SCOPE OF CONSOLIDATION

## 1. Business combinations not involving enterprises under common control

## (1) Business combinations not involving enterprises under common control

Name of acquiree	Acquisition consideration	Proportion of equity interest acquired	Consideration settled/ to be settled by	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net profit of the acquiree from the date of acquisition to the period-end
Yidu Honghua Xintong Logistics Co., Ltd.	58,800,000	100%	Cash	9 March 2021	Date of change in control	18,127,089	96,473
Hainan Xinhongda Building Materials Co., Ltd.	186,696,200	100%	Cash	5 February 2021	Date of change in control	75,328,945	(12,166,295)
CHILANGA Cement Plc	720,353,664	75%	Cash	30 November 2021	Date of change in control	68,787,591	12,943,409
Portland Cement (MALAWI) Limited	68,647,360	100%	Cash	23 December 2021	Date of change in control	-	-

## (2) Acquisition consideration and goodwill

RMB

Acquisition consideration	Yidu Honghua Xintong Logistics Co., Ltd.	Hainan Xinhongda Building Materials Co., Ltd.	CHILANGA Cement Plc	Portland Cement (MALAWI) Limited
- Cash	56,574,700	177,361,390	719,329,160	68,647,360
- Fair value of liabilities assumed	2,225,300	9,334,810	1,024,504	-
Total acquisition costs	58,800,000	186,696,200	720,353,664	68,647,360
Less: Fair value of identifiable net assets acquired	58,800,000	107,382,937	632,558,756	79,039,962
Amount of acquisition consideration higher than fair value of identifiable	-	79,313,263	87,794,908	(10,392,602)

## (3) Identifiable assets and liabilities of acquiree at the acquisition date

## (a) Yidu Honghua Xintong Logistics Co., Ltd.

RMB

Item	Yidu Honghua Xintong Logistics Co., Ltd.	
	Fair value on the acquisition date	Carrying amount on the acquisition date
Assets:		
Cash and bank balances	239,549	239,549
Accounts receivable	6,960,110	6,960,110
Prepayments	1,132,550	1,132,550
Other receivables	1,208,144	1,208,144
Inventories	3,131,977	3,131,977
Fixed assets	44,617,394	30,955,579
Intangible assets	8,383,300	2,566,663

Con.

Item	Yidu Honghua Xintong Logistics Co., Ltd.	
	Fair value on the acquisition date	Carrying amount on the acquisition date
<b>Liabilities:</b>		
Taxes payable	242,935	242,935
Other payables	1,760,476	1,760,476
Deferred tax liabilities	4,869,613	-
<b>Net Assets</b>	<b>58,800,000</b>	<b>44,191,161</b>

The Group applied valuation techniques to determine the fair value of assets and liabilities of the underlying company at the acquisition date. The valuation method of major assets and key assumptions are as follows:

The valuation method for fixed assets is replacement cost method: the method of determining the value of an appraised asset at the current replacement cost less the value of losses. Intangible assets mainly include land use rights, which are mainly evaluated using the method of base price of land coefficient modification.

(b) Hainan Xinhongda Building Materials Co., Ltd.

RMB

Item	Hainan Xinhongda Building Materials Co., Ltd.	
	Fair value on the acquisition date	Carrying amount on the acquisition date
<b>Assets:</b>		
Cash and bank balances	2,433,934	2,433,934
Accounts receivable	26,879,096	26,879,096
Other receivables	100,745	100,745
Prepayments	1,338,893	1,338,893
Inventories	3,020,488	3,020,488
Fixed assets	69,320,053	44,994,124
Construction in progress	3,262,397	3,262,397
Intangible assets	102,219,392	10,883,635
Deferred tax assets	-	1,292,272
<b>Liabilities:</b>		
Short-term borrowings	2,000,000	2,000,000
Accounts payable	15,252,259	15,252,259
Contract liabilities	3,332,680	3,332,680
Employee benefits payable	339,863	339,863
Taxes payable	1,267,966	1,267,966
Other payables	42,929,505	42,929,505
Long-term borrowings	8,446,638	8,446,638
Deferred tax liabilities	27,623,150	-
<b>Net Assets</b>	<b>107,382,937</b>	<b>20,636,673</b>

The Group applied valuation techniques to determine the fair value of assets and liabilities of the underlying company at the acquisition date. The valuation method of major assets and key assumptions are as follows:

The valuation method for fixed assets is replacement cost method: the method of determining the value of an appraised asset at the current replacement cost less the value of losses. Intangible assets mainly include land use rights, unfilled orders, customer relationships and patent groups. Land use rights are mainly evaluated using the method of base price of land coefficient modification. Unfilled orders and customer relationships are mainly evaluated using the multi-period excess earning method at an expected long-term revenue growth rate of 3% and a discount rate of 13%. The patent groups are discounted using the royalty saving method at a discount rate of 14%.

## (c) CHILANGA Cement Plc

RMB

Item	CHILANGA Cement Plc	
	Fair value on the acquisition date	Carrying amount on the acquisition date
Assets:		
Cash and bank balances	57,672,436	57,672,436
Accounts receivable	42,753,173	42,753,173
Other receivables	53,724,200	53,724,200
Inventories	69,716,627	64,389,172
Other current assets	16,092,455	16,092,455
Construction in progress	3,824,190	3,824,190
Fixed assets	478,987,185	491,117,828
Intangible assets	491,672,447	133,474
Long-term prepaid expenses	16,806,757	16,806,757
Liabilities:		
Accounts payable	47,236,738	47,236,738
Employee benefits payable	34,086	34,086
Other payables	79,526,944	79,526,944
Other non-current liabilities	15,315,108	15,315,108
Deferred tax liabilities	245,724,919	76,067,394
Net Assets	843,411,675	528,333,415
Less: Minority interests	210,852,919	132,083,354
Net assets acquired	632,558,756	396,250,061

The Group applied valuation techniques to determine the fair value of assets and liabilities of the underlying company at the acquisition date. The valuation method of major assets and key assumptions are as follows:

The valuation method for fixed assets is replacement cost method: the method of determining the value of an appraised asset at the current replacement cost less the value of losses. Intangible assets mainly include land use rights and mining rights. Land use rights are mainly evaluated using the method of base price of land coefficient modification. The mining rights are mainly evaluated using the income approach. The discount rate of the mining rights is 12% calculated based on the net income that can be received from the mining rights each year in the forecast period.

## (d) Portland Cement (MALAWI) Limited

RMB

Item	Portland Cement (MALAWI) Limited	
	Fair value on the acquisition date	Carrying amount on the acquisition date
Assets:		
Cash and bank balances	43,190,339	43,190,339
Accounts receivable	6,596,607	6,596,607
Other receivables	4,814,291	4,814,291
Inventories	39,087,175	39,087,175
Long-term receivables	3,161,770	3,161,770
Fixed assets	43,037,050	90,791,395
Construction in progress	5,606,429	13,846,604
Liabilities:		
Accounts payable	57,847,391	57,847,391
Employee benefits payable	2,100,453	2,100,453
Taxes payable	5,753,148	5,753,148
Provisions	142,343	142,343
Deferred tax liabilities	610,364	17,408,720
Net Assets	79,039,962	118,236,126

The Group applied valuation techniques to determine the fair value of assets and liabilities of the underlying company at the acquisition date. The valuation method of major assets and key assumptions are as follows:

The valuation method for fixed assets and construction in progress is replacement cost method: the method of determining the value of an appraised asset at the current replacement cost less the value of losses.

## 2. Disposal of subsidiary

As at 14 January 2021, the Group entered into an equity transfer agreement to sell 100% equity interest of Huaxin Packaging (Yidu) Co., Ltd. totally held by the Group at a consideration of RMB2,510,700. Huaxin Packaging (Yidu) Co., Ltd. will no longer included in the consolidation scope. Gains from and disposal of RMB2,499,785 are recognized in investment income.

## 3. Changes in scope of consolidation due to other reasons

- (a) In January 2021, Huaxin Aggregate Co., Ltd., a subsidiary of the Group, established Yangxin County Fuhua Handling Co., Ltd. ("Fuhua Handling") jointly with the third party Yangxin Transportation Investment Co., Ltd. ("Yangxin Transportation Investment"). The registered capital of Fuhua Handling is RMB 200 million, of which Yangxin Transportation Investment contributed RMB 130 million in physical asset of Fuchi Integrated Terminal, which is still in construction, and Huaxin Aggregate contributed RMB 70 million in cash and bank balances. After the contribution, the Group shall hold 35% of equity in Fuhua Handling, and account for it as an associate. In August 2021, Huangshi Huaxin Green Building Materials Co., Ltd., a subsidiary of the Group, acquired 65% of equity of Yangxin After the acquisition, the Group shall hold 100% of equity in Fuhua Handling, and include it in the scope of consolidation. Currently, the major asset of Fuhua Handling is Fuchi Integrated Terminal in construction, therefore, the Group determines the 65% equity acquisition as purchase of asset.
- (b) In November 2021, Huangshi Huaxin Green Building Materials Industry Co., Ltd., a subsidiary of the Group, acquired 100% of equity of Honghu Yian Metallurgical Building Materials Co., Ltd. and Honghu Zhengxin Chuangtian Technology Co., Ltd. in Huangshi Jingshan Mining Co., Ltd. ("Jingshan Mining") for a consideration of RMB 445 million. After the acquisition, the Group shall hold 100% of equity in Jingshan Mining, and include it in the scope of consolidation. Currently, the major asset of Jingshan Mining is the mineral resource exploration permit in Neiwang Mining Area, therefore, the Group determines this acquisition as purchase of asset.
- (c) In addition, the subsidiaries set up in the current period mainly include Huaxin Cambodia Trading Co., Ltd., Hainan Baihuitong Supply Chain Technology Co., Ltd., Huaxin New Materials (Yidu) Co., Ltd., Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd., Huaxin New Materials (Enshi) Co., Ltd. Huaxin Concrete (Suizhou) Co., Ltd., Huaxin Concrete (Shishou) Co., Ltd., Fumin Park New Building Materials Co., Ltd., Huaxin New Building Materials (Hainan) Co., Ltd., Huaxin New Materials (Zigui) Co., Ltd., Huaxin (Zhuzhou) New Material Technology Co., Ltd., Changzhou Huaxin Concrete Co., Ltd., Huaxin Fortress New Building Materials (Daye) Co., Ltd., Jingjiang Huaxin Concrete Co., Ltd., Huaxin Zhongnan (Wuhan) Environmental Protection Technology Co., Ltd., Huaxin New Materials Concrete Xiangyang Co. Ltd., Yancheng Huaxin Concrete Co., Ltd., Nanjing Huxin Concrete Co., Ltd., Huaxin Concrete (Qianjiang) Co., Ltd., Huaxin Concrete (Zigui) Co., Ltd., New Gayur New Building Materials Co., Ltd., Huaxin Fine Calcium Industry (Xiangyang) Co., Ltd., Yangxin County Fuhua Handling Co., Ltd., Huaxin Light Construction Aggregate (Changyang) Co., Ltd.

## VII. EQUITY INTERESTS IN OTHER ENTITIES

### 1. Equity interests in subsidiaries

#### (1) Components of the Group

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Light Construction Aggregate (Changyang) Co., Ltd. (Note 3)	Changyang	Changyang	Production and sales of aggregate	-	100	Set up
Yangxin County Fuhua Handling Co., Ltd. (Note 3)	Yangxin	Yangxin	Loading and unloading, warehousing and other services	-	100	Set up
Huaxin Fine Calcium Industry (Xiangyang) Co., Ltd. (Note 3)	Xiangyang	Xiangyang	Production and sales of building materials	-	100	Set up
New Gayur New Building Materials Co., Ltd. (Note 3)	Tajikistan	Tajikistan	Production and sales of new materials	-	85	Set up
Huaxin Concrete (Zigui) Co., Ltd. (Note 3)	Zigui	Zigui	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Qianjiang) Co., Ltd. (Note 3)	Qianjiang	Qianjiang	Production and sales of concrete	-	100	Set up
Nanjing Huaxin Concrete Co., Ltd. (Note 3)	Nanjing	Nanjing	Production and sales of concrete	-	100	Set up
Yancheng Huaxin Concrete Co., Ltd. (Note 3)	Yancheng Huaxin	Yancheng Huaxin	Production and sales of concrete	-	100	Set up
Huaxin New Materials Concrete Xiangyang Co. Ltd. (Note 3)	Xiangyang	Xiangyang	Production and sales of concrete	-	100	Set up
Huaxin Zhongnan (Wuhan) Environmental Protection Technology Co., Ltd. (Note 3)	Wuhan	Wuhan	Environmental design and construction and waste disposal	-	55	Set up
Jingjiang Huaxin Concrete Co., Ltd. (Note 3)	Jingjiang	Jingjiang	Production and sales of concrete	-	100	Set up
Huaxin Fortress New Building Materials (Daye) Co., Ltd. (Note 3)	Daye	Daye	Production and sales of new materials	-	100	Set up
Changzhou Huaxin Concrete Co., Ltd. (Note 3)	Changzhou	Changzhou	Production and sales of concrete	-	100	Set up
Huaxin (Zhuzhou) New Material Technology Co., Ltd. (Note 3)	Zhuzhou	Zhuzhou	Production and sales of new materials	-	100	Set up
Huaxin New Materials (Zigui) Co., Ltd. (Note 3)	Zigui	Zigui	Production and sales of new materials	-	100	Set up
Huaxin New Building Materials (Hainan) Co., Ltd. (Note 3)	Wenchang	Wenchang	Production and sales of new materials	-	100	Set up
CHILANGA Cement Plc (Note 3)	Zambia	Zambia	Production and sales of building materials	-	75	Equity acquisition
Portland Cement (MALAWI) Limited (Note 3)	Malawi	Malawi	Production and sales of building materials	-	100	Equity acquisition
Fumin Park New Building Materials Co., Ltd. (Note 3)	Fumin	Fumin	Production and sales of new materials	-	70	Set up
Huaxin Concrete (Shishou) Co., Ltd. (Note 3)	Shishou	Shishou	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Suizhou) Co., Ltd. (Note 3)	Suizhou	Suizhou	Production and sales of concrete	-	100	Set up
Huaxin New Materials (Enshi) Co., Ltd. (Note 3)	Enshi	Enshi	Production and sales of new materials	-	100	Set up
Hainan Xinhongda Building Materials Co., Ltd. (Note 3)	Haikou	Haikou	Production and sales of new materials	-	100	Equity acquisition
Yidu Honghua Xintong Logistics Co., Ltd. (Note 3)	Yidu	Yidu	Loading and unloading, warehousing and other services	-	100	Equity acquisition
Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd. (Note 3)	Huangshi	Huangshi	Production and sales of aggregate	-	51	Set up
Huaxin New Materials (Yidu) Co., Ltd. (Note 3)	Yidu	Yidu	Production and sales of new materials	-	100	Set up
Hainan Baihuitong Supply Chain Technology Co., Ltd. (Note 3)	Haikou	Haikou	Loading and unloading, warehousing and other services	-	100	Set up
Huaxin Cambodia Trading Co., Ltd. (Note 3)	Cambodia	Cambodia	Cement import and export trade	-	100	Set up
Huangshi Huaxin Green Building Materials Co., Ltd.	Huangshi	Huangshi	Production and sales of aggregate	58	-	Set up
Maweni limestone limited	Tanzania	Tanzania	Production and sales of building materials	-	100	Equity acquisition
Huaxin Concrete (Huanggang) Co., Ltd.	Huanggang	Huanggang	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Macheng) Co., Ltd.	Macheng	Macheng	Production and sales of concrete	-	100	Set up
Chongqing Huaxin Renewable Resource Utilization Co., Ltd.	Chongqing	Chongqing	Industrial solid wastes	-	100	Set up
Huaxin Environmental Engineering (Hefeng) Co., Ltd.	Hefeng	Hefeng	Environmental design and construction and waste disposal	-	100	Set up
Huaxin New Building Materials (Luonan) Co., Ltd.	Luonan	Luonan	Production and sales of new materials	-	55	Set up
Cambodia Concrete Chakrey Ting Co., Ltd.	Cambodia	Cambodia	Production and sales of concrete	-	100	Set up
Changzhou Huaxin Concrete Co., Ltd.	Changzhou	Changzhou	Production and sales of concrete	-	100	Set up
Huaxin Cement International Finance Company Limited	Hong Kong	Hong Kong	Investment	-	100	Set up
Huaxin New Building Materials (Kunming) Co., Ltd.	Kunming	Kunming	Production and sales of new materials	-	100	Set up
Huaxin (Hainan) Investment Co., Ltd.	Haikou	Haikou	Investment	60	40	Set up
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sales of building materials	100	-	Set up
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of building materials	100	-	Set up
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sales of building materials	100	-	Set up
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sales of building materials	100	-	Set up

Con.

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sales of building materials	100	-	Set up
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sales of building materials	67	33	Set up
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Production and sales of building materials	60	40	Set up
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sales of building materials	79	-	Set up
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of building materials	70	30	Set up
Huaxin Cement (Xiantao) Co., Ltd.	Xiantao	Xiantao	Production and sales of building materials	80	-	Set up
Huaxin Cement (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sales of building materials	100	-	Set up
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sales of building materials	100	-	Set up
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sales of building materials	100	-	Set up
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of building materials	100	-	Set up
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sales of building materials	100	-	Set up
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sales of building materials	100	-	Set up
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sales of building materials	51	-	Equity acquisition
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sales of building materials	100	-	Set up
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sales of building materials	100	-	Set up
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sales of building materials	100	-	Set up
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sales of building materials	100	-	Set up
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sales of building materials	51	-	Equity acquisition
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of building materials	100	-	Equity acquisition
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sales of building materials	100	-	Set up
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sales of building materials	100	-	Set up
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sales of building materials	100	-	Equity acquisition
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sales of building materials	70	-	Equity acquisition
Huaxin Cement (Danjiangkou) Co., Ltd.	Danjiangkou	Danjiangkou	Production and sales of building materials	-	70	Equity acquisition
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sales of building materials	90	-	Set up
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sales of building materials	69	-	Equity acquisition
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sales of building materials	80	-	Equity acquisition
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sales of building materials	60	-	Equity acquisition
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Sangzhi	Production and sales of building materials	80	-	Set up
Huaxin Yovon Cement LLC	Tajikistan	Tajikistan	Production and sales of building materials	-	75	Set up
Huaxin Gayur (Sogd) Cement LLC	Tajikistan	Tajikistan	Production and sales of building materials	-	95	Set up
Huaxin Gayur Logistics Co., Ltd.	Tajikistan	Tajikistan	Loading and unloading, warehousing and other services	-	100	Set up
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sales of building materials	70	-	Equity acquisition
Huaxin Cement (Ezhou) Co., Ltd.	Ezhou	Ezhou	Production and sales of building materials	70	-	Equity acquisition
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sales of building materials	0.2	99.8	Equity acquisition
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sales of building materials	-	68	Equity acquisition
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of building materials	-	100	Equity acquisition
Yunnan Huaxin Dongjun Cement Co., Ltd.	Kunming	Kunming	Production and sales of building materials	-	100	Equity acquisition
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sales of building materials	-	100	Equity acquisition
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sales of building materials	-	100	Equity acquisition
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Chuxiong	Production and sales of building materials	-	100	Equity acquisition
Yanshan County Yuanda Honghe Co., Ltd.	Honghe	Honghe	Production and sales of building materials	-	100	Equity acquisition
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sales of building materials	-	100	Equity acquisition
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sales of building materials	-	100	Equity acquisition
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sales of building materials	-	100	Equity acquisition
Panzhihua Huaxin Cement Co., Ltd.	Panzhihua	Panzhihua	Production and sales of building materials	-	100	Equity acquisition
Kunming Chongde Cement Co., Ltd.	Kunming	Kunming	Production and sales of building materials	-	100	Equity acquisition
Yunnan State-owned Cement Kunming Co., Ltd.	Kunming	Kunming	Production and sales of building materials	-	100	Equity acquisition
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	80	-	Equity acquisition
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	97	-	Equity acquisition
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	100	-	Equity acquisition
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sales of building materials	-	100	Equity acquisition
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sales of building materials	-	70	Equity acquisition



Con.

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Cement Narayani Co., Ltd.	Narayani	Narayani	Production and sales of building materials	-	100	Set up
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of building materials	80	20	Set up
Wuhan Ganghua Cement Co., Ltd. (Note 1)	Wuhan	Wuhan	Production and sales of slag cement	50	-	Set up
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of concrete	100	-	Set up
Huaxin Concrete (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Jingmen) Co., Ltd.	Jingmen	Jingmen	Production and sales of concrete	-	100	Equity acquisition
Xinyang Huaxin Concrete Co., Ltd.	Xinyang	Xinyang	Production and sales of concrete	-	100	Set up
Tibet Huaxin Building Materials Co., Ltd.	Tibet	Tibet	Production and sales of concrete	-	71.43	Set up
Jiujiang Huaxin Concrete Co., Ltd.	Jiujiang	Jiujiang	Production and sales of concrete	-	100	Set up
Jiujiang Rongda Energy Saving and Environmental Protection Building Materials Co., Ltd.	Jiujiang	Jiujiang	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Xiaogan) Co., Ltd.	Xiaogan	Xiaogan	Production and sales of concrete	-	100	Set up
Huaxin Concrete Xiangyang Fancheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	-	100	Set up
Huaxin Building Materials Xiangyang Xiangcheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Xianning) Co., Ltd.	Xianning	Xianning	Production and sales of concrete	-	100	Equity acquisition
Zaoyang Huaxin Concrete Co., Ltd.	Zaoyang	Zaoyang	Production and sales of concrete	-	100	Equity acquisition
Huaxin Concrete (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of concrete	-	100	Set up
Hubei Zhushen Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sales of concrete	-	100	Equity acquisition
Huaxin Concrete (Enshi) Co., Ltd.	Enshi	Enshi	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Ezhou) Co., Ltd.	Ezhou	Ezhou	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Jianli) Co., Ltd.	Jianli	Jianli	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sales of concrete	-	51	Equity acquisition
Huaxin Concrete (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of concrete	-	100	Set up
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	-	84	Equity acquisition
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sales of concrete	100	-	Equity acquisition
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Chongqing	Production and sales of concrete	100	-	Equity acquisition
Huaxin Concrete Yangxin New Material Co., Ltd.	Yangxin	Yangxin	Production and sales of concrete	-	100	Set up
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	100	-	Set up
Huaxin Environment Engineering (Huangshi) Co., Ltd.	Huangshi	Huangshi	Environmental design and construction and waste disposal	-	70	Set up
Huaxin Environment Engineering (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Xinyang	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Fengjie) Co., Ltd.	Fengjie	Fengjie	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Zhuhai) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	-	80	Set up
Huaxin Environment Engineering (Fangxian) Co., Ltd.	Fangxian	Fangxian	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Ezhou) Co., Ltd.	Ezhou	Ezhou	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Yingcheng) Co., Ltd.	Yingcheng	Yingcheng	Environmental design and construction and waste disposal	-	100	Set up
Enping Huaxin Environment Engineering Co., Ltd.	Enping	Enping	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Zigui) Co., Ltd.	Zigui	Zigui	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Youxian) Co., Ltd.	Youxian	Youxian	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Daye) Co., Ltd.	Daye	Daye	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Loudi	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Yunyang) Co., Ltd.	Yunyang	Yunyang	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	-	100	Equity acquisition
Wuhan Dragon Mouth Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Yidu) Co., Ltd.	Yidu	Yidu	Environmental design and construction and waste disposal	-	100	Set up

Con.

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Chongqing Fulin Huaxin Environment Engineering Co., Ltd.	Chongqing	Chongqing	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Lijiang) Co., Ltd.	Lijiang	Lijiang	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environment Engineering (Yichang) Co., Ltd.	Yichang	Yichang	Environmental design and construction and waste disposal	100	-	Set up
Huaxin Environment (Shiyan) Renewable Resources Utilization Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	-	100	Set up
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	-	80	Set up
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., Ltd.	Yangxin	Yangxin	Environmental design and construction and waste disposal	-	100	Set up
Huaxin (Nanzhang) Renewable Resources Utilization Co., Ltd.	Nanzhang	Nanzhang	Industrial solid waste, hazardous waste disposal and recycling	-	100	Set up
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of aggregate	-	100	Set up
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sales of aggregate	-	100	Set up
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sales of new materials	100	-	Set up
Chongqing Huaxin New Building Materials Co., Ltd.	Chongqing	Chongqing	Production and sales of new materials	-	100	Set up
Huaxin New Building Materials (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of new materials	-	60	Set up
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of new materials	-	100	Set up
Huaxin New Building Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of new materials	-	65	Set up
Hubei Dailing future Environmental Packaging Technology Co., Ltd.	Huangshi	Huangshi	Production and sales of cement packaging bags	100	-	Set up
Huaxin Packaging (Chibi) Co., Ltd.	Chibi	Chibi	Production and sales of cement packaging bags	-	100	Set up
Huaxin Packaging (Ezhou) Co., Ltd.	Ezhou	Ezhou	Production and sales of cement packaging bags	-	100	Set up
Huaxin Packaging (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of cement packaging bags	-	100	Set up
Huaxin Packaging (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Production and sales of cement packaging bags	-	100	Set up
Huaxin Packaging (Quxian) Co., Ltd.	Quxian	Quxian	Production and sales of cement packaging bags	-	100	Set up
Cambodia Zoretta Packaging Co., Ltd.	Cambodia	Cambodia	Production and sales of cement packaging bags	-	100	Set up
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	-	Set up
Xiangyang Huaxin Logistics Co., Ltd.	Xiangyang	Xiangyang	Loading and unloading, warehousing and other services	-	100	Set up
Kunming Huaxin Logistics Co., Ltd.	Kunming	Kunming	Loading and unloading, warehousing and other services	-	100	Equity acquisition
Chongqing Huaxin Logistics Co., Ltd.	Chongqing	Chongqing	Loading and unloading, warehousing and other services	-	100	Equity acquisition
Huaxin Logistics (Zigui) Co., Ltd.	Zigui	Zigui	Loading and unloading, warehousing and other services	-	100	Set up
Zhuzhou Huaxin Logistics Co., Ltd.	Zhuzhou	Zhuzhou	Loading and unloading, warehousing and other services	-	100	Set up
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Wuhan	Investment	100	-	Set up
Huaxin Concrete Co., Ltd.	Wuhan	Wuhan	Investment	100	-	Set up
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	100	-	Set up
Huaxin (Hong Kong) International Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment	100	-	Set up
Success Eagle Cement (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Investment	-	65	Equity acquisition
Huaxin Hong Kong (Cambodia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	-	100	Set up
Huaxin Hong Kong (Central Asia) Investment Co., Ltd. (Note 2)	Hong Kong	Hong Kong	Investment	-	51	Set up
Huaxin Narayani Investment (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100	-	Set up
Yunnan Huaxin Building Materials Investment Co., Ltd.	Kunming	Kunming	Investment	100	-	Equity acquisition
Somerset Mauritius Investment Co., Ltd.	Mauritius	Mauritius	Investment	100	-	Equity acquisition
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	Huangshi	Huangshi	Building materials engineering design, etc.	99	-	Set up
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100	-	Set up
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	-	100	Set up
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	100	-	Set up
Nanzhang Huaxin Xinrui Hotel Management Co., Ltd.	Nanzhang	Nanzhang	Accommodation services	-	99	Set up

Con.

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Cement Dzizak Co., Ltd.	Uzbekistan	Uzbekistan	Production and sales of building materials	-	100	Set up
Wuhan South Taizihu Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Environmental Engineering (Badong) Co., Ltd.	Badong	Badong	Environmental design and construction and waste disposal	-	100	Set up
Shannan Huaxin Environmental Engineering Co., Ltd.	Shannan	Shannan	Environmental design and construction and waste disposal	-	100	Set up
Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Aggregate (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of aggregate	-	70	Set up
Huaxin Hong Kong Tanzania Co., Ltd.	Hong Kong	Hong Kong	Investment	-	100	Set up
Wuhan Huaxin Changshankou Logistics Co., Ltd.	Wuhan	Wuhan	Loading and unloading, warehousing and other services	-	100	Set up
Huaxin (Huangshi) Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	-	Set up
Huaxin New Building Materials Xiangyang Co., Ltd.	Xiangyang	Xiangyang	Production and sales of new materials	-	100	Set up
Huaxin Seepage-proofing and Energy-saving Special New Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of new materials	-	100	Set up
Huaxin Concrete (Yichang) Co., Ltd.	Yichang	Yichang	Production and sales of concrete	-	100	Set up
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd.	Lijiang	Lijiang	Production and sales of new materials	-	70	Set up
Huaxin Environmental Engineering (Yunnan) Co., Ltd.	Kunming	Kunming	Environmental design and construction and waste disposal	-	100	Set up
Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of new materials	-	100	Set up
HX International (Tanzania) Limited.	Tanzania	Tanzania	Investment	-	100	Set up
NETNIX LIMITED	Cyprus	Cyprus	Investment	-	100	Equity acquisition
Yuzhno-Kyrgyzskiy Cement CJSC	Kyrgyzstan	Kyrgyzstan	Production and sales of building materials	-	100	Equity acquisition
Stone Group LLC	Kyrgyzstan	Kyrgyzstan	Management and staff dispatch services	-	100	Equity acquisition
Power Assets LLC	Kyrgyzstan	Kyrgyzstan	Land and house lease services	-	100	Equity acquisition
Hubei Huaxin Environmental Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing, transporting, and other services	-	100	Set up
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Baoshan	Production and sales of building materials	-	80	Equity acquisition
Huaxin Cement (Songming) Co., Ltd.	Kunming	Kunming	Production and sales of building materials	-	100	Set up
Huaxin Environmental Engineering (Changyang) Co., Ltd.	Changyang	Changyang	Environmental design and construction and waste disposal	-	100	Set up
Huaxin (Changyang) Renewable Resource Utilization Co., Ltd.	Changyang	Changyang	Environmental design and construction and waste disposal	-	100	Set up

Note 1: Wuhan Ganghua Cement Co., Ltd. is included in the scope of consolidation since the Group has the right to govern its operation decision making.

Note 2: The Group effectively holds 51% of equity interest of Huaxin Hong Kong (Central Asia) Investment Limited. The approval mechanism of the board of directors of Huaxin Hong Kong (Central Asia) Investment is simple majority, and the Group is eligible to assign three out of the five directors. Hence, the Group obtains control of Huaxin Hong Kong (Central Asia) Investment Co., Ltd.

Note 3: These companies are established or acquired by the Group in 2021, and are included in the scope since 2021.

(2) Significant non-wholly subsidiaries

RMB

Subsidiaries	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Consolidated increase in the current period	Closing balance of minority interests
Huaxin Hong Kong (Central Asia) Investment Limited	49%	158,400,364	67,817,819	-	411,627,322
Cambodian Cement Chakrey Ting Factory Co., Ltd.	32%	37,810,417	92,026,080	-	218,646,527
Huaxin Cement (Daye) Co., Ltd.	30%	31,605,696	24,000,000	-	219,165,401
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49%	26,485,681	78,181,932	-	158,703,334
Huaxin Cement (Tibet) Co., Ltd.	21%	25,167,413	-	-	232,958,775
CHILANGA Cement PLC	25%	3,235,852	-	210,852,919	223,168,036

**(3) Main financial information of the above significant subsidiaries with minority interests**
**RMB**

Subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Huaxin Hong Kong (Central Asia) Investment Limited	203,187,463	674,019,648	877,207,111	143,050,778	45,434,007	188,484,785	207,532,325	730,317,128	937,849,453	295,648,501	93,283,897	388,932,398
Cambodian Cement Chakrey Ting Factory Co., Ltd.	293,087,154	610,535,411	903,622,565	144,181,874	76,170,295	220,352,169	422,874,468	682,474,348	1,105,348,816	121,479,377	109,461,716	230,941,093
Huaxin Cement (Daye) Co., Ltd.	227,161,721	822,350,189	1,049,511,910	216,187,575	102,772,998	318,960,573	479,269,499	452,929,272	932,198,771	206,517,942	20,481,810	226,999,752
Huaxin Hongta Cement (Jinghong) Co., Ltd.	140,377,362	323,720,595	464,097,957	133,037,532	7,176,069	140,213,601	210,695,237	349,301,834	559,997,071	124,121,015	6,489,148	130,610,163
Huaxin Cement (Tibet) Co., Ltd.	613,682,124	1,112,217,312	1,725,899,436	401,545,816	253,238,543	654,784,359	545,698,696	992,800,571	1,538,499,267	412,211,505	176,226,162	588,437,667
CHILANGA Cement PLC	195,099,432	1,025,027,001	1,220,126,433	61,378,917	266,075,372	327,454,289	-	-	-	-	-	-

**RMB**

Subsidiaries	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd	785,010,331	256,381,322	240,236,344	305,543,407	855,278,792	213,684,099	79,537,210	351,253,662
Cambodian Cement Chakrey Ting Factory Co., Ltd.	568,332,182	118,157,553	96,444,172	136,057,705	586,349,404	88,847,570	28,536,670	180,317,151
Huaxin Cement (Daye) Co., Ltd.	750,591,000	105,352,320	105,352,320	60,471,055	734,842,960	124,502,937	124,502,937	239,163,936
Huaxin Hongta Cement (Jinghong) Co., Ltd.	414,797,853	54,052,411	54,052,411	77,139,277	577,536,237	177,283,292	177,283,292	212,526,592
Huaxin Cement (Tibet) Co., Ltd.	893,177,126	121,053,478	121,053,478	198,607,387	1,435,017,145	394,423,378	394,423,378	476,122,534
CHILANGA Cement PLC	68,787,591	12,943,409	12,943,409	6,219,336	-	-	-	-

**2. Equity interests in joint ventures or associates**
**(1) Joint ventures or associates**
**RMB**

Name	Place of business	Place of registration	Nature of business	Proportion of ownership interest		Accounting treatment for investments in joint ventures or associates	Registered capital	Is it strategic to the activities of the Group
				Directly	Indirectly			
<b>Joint ventures</b>								
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Chibi	Chibi	Production and sales of aggregate	51%	-	Equity method	100,000,000	Yes
<b>Associates</b>								
Tibet High-tech Building Materials Group Co., Ltd.	Tibet	Tibet	Production and sales of building materials	43%	-	Equity method	272,760,000	Yes
Shanghai Wan'an Huaxin Cement Co., Ltd.	Shanghai	Shanghai	Production and sales of building materials	49%	-	Equity method	100,000,000	No
Zhangjiajie Tianzi Concrete Co., Ltd.	Sangzhi	Sangzhi	Production and sales of concrete	30%	-	Equity method	10,000,000	No
Chenfeng Intelligent Equipment Hubei Co., Ltd	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	45%	-	Equity method	10,000,000	No

## (2) Key financial information of significant associates

RMB

	Closing balance/ Amount for current period Tibet High-tech Building Materials Co., Ltd.	Opening balance/ Amount for prior period Tibet High-tech Building Materials Co., Ltd.
Current Assets	591,133,978	709,248,857
Non-current Assets	864,692,460	877,725,350
Total Assets	1,455,826,438	1,586,974,207
Current Liabilities	294,735,832	347,374,337
Non-current Liabilities	187,636,346	270,793,670
Total Liabilities	482,372,178	618,168,007
Minority interests	128,417,825	125,346,036
Equity interest attributable to the shareholders of the parent company	845,036,435	843,460,164
Share of net assets calculated based on the proportion of shareholding	363,365,667	362,687,871
Adjustment	(6,408,339)	(6,408,339)
-Unrealized profits from internal transactions	(6,408,339)	(6,408,339)
Carrying amount of equity investments in associates	356,957,328	356,279,532
Fair value of equity investments in associates with a publicly quoted price		
Operating income	655,276,487	1,075,707,112
Net profit	(341,579)	158,914,122
Other comprehensive income	1,917,850	-
Total comprehensive income	1,576,271	158,914,122
Dividends received from associates in the current year	-	-

## (3) Summarized financial information of insignificant joint ventures and associates

RMB

	Closing balance/ Amount for the current period	Opening balance/ Amount for the prior period
Joint ventures		
Gross carrying amount of investments	72,779,017	60,791,825
Total amounts calculated based on proportion of ownership interest:		
-Net profit	11,987,192	9,791,825
-Other comprehensive income		-
-Total comprehensive income	11,987,192	9,791,825
Associates		
Gross carrying amount of investments	93,876,526	95,209,844
Total amounts calculated based on proportion of ownership interest		
-Net profit	(1,333,318)	(1,087,410)
-Other comprehensive income	-	-
-Total comprehensive income	(1,333,318)	(1,087,410)

### VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Group's major financial instruments include cash and bank balances, held-for-trading financial assets, notes receivable, financing with receivables, accounts receivable, other receivables, debt investments, long-term receivables, other equity instrument investments, other non-current financial assets, borrowings, notes payable, accounts payable, other payables, bonds payable and long-term payables, etc. Details of these financial instruments are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

	Closing balance	Opening balance
Financial assets		
Measured at FVTPL		
Held-for-trading financial assets	711,964,323	1,004,581,752
Other non-current financial assets	26,343,260	32,827,254
Measured at FVTOCI		
Financing with receivables	761,050,910	1,020,306,419
Other equity instrument investments	55,867,066	33,774,995
Measured at amortized cost		
Cash and bank balances	8,836,439,385	8,641,612,847
Notes receivable	145,430,152	79,939,117
Accounts receivable	956,580,152	653,219,779
Other receivables	356,013,351	375,253,958
Debt investments	7,500,000	7,500,000
Long-term receivables	35,934,266	29,141,216
Financial liabilities		
Measured at FVTPL		
Bonds payable (preference shares)	128,126,596	-
Measured at amortized cost		
Short-term borrowings	642,946,608	625,000,000
Notes payable	670,993,082	472,696,537
Accounts payable	7,112,302,355	5,297,633,770
Other payables	756,194,670	786,246,239
Non-current liabilities due within 1 year	1,213,650,184	1,874,484,159
Lease liabilities	223,580,118	N/A
Long-term borrowings	5,081,924,506	3,504,279,973
Bonds payable (other than preference shares)	3,199,734,024	1,943,763,447
Long-term payables	463,257,160	191,011,663

The Group adopts sensitivity analysis technique to analyze the impact of reasonable and possible variations of risk variables on current profit or loss and shareholders' equity. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the followings are based on the assumption that the change in each risk variable is on a stand-alone basis.

#### 1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

## 1.1 Market risk

### 1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. Several of the Group's subsidiaries have purchases and sales denominated in USD while the Group's other principal activities are denominated and settled in RMB. The balance of other foreign currencies is small, including HKD, EUR and RUB, and has no significant impact on the Group's currency risk.

The Finance Department of the Head Office of the Group monitors the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, to reduce the currency risks to the greatest extent; therefore, the Group is likely to avoid currency risks by signing forward exchange contracts or currency swaps. In 2021 and 2020, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2021 and 31 December 2020, for companies of the Group whose functional currency is not USD, the financial assets and financial liabilities denominated in USD are translated into RMB as follows:

	RMB	
	Closing balance	Opening balance
Cash and bank balances	1,466,930,263	1,159,655,707
Accounts receivable	29,971,432	-
Other receivables	595,025	-
Accounts payable	53,620,102	1,490,643
Other payables	3,728,184	2,348,997
Interest payable	7,824,865	-
Bonds payable	128,126,596	-
Borrowings	1,273,418,561	156,206,106

#### Sensitivity analysis on currency risk

Where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and owners' equity:

Items	Change in exchange rate	Amount for the current period		Amount for the prior period	
		Effect on profit before tax	Effect on shareholders' equity	Effect on profit before tax	Effect on shareholders' equity
USD	5% appreciation	1,538,921	1,154,191	49,980,498	37,170,197
USD	5% depreciation	(1,538,921)	(1,154,191)	(49,980,498)	(37,170,197)

### 1.1.2. Interest rate risk - risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to floating-rate Long-term bank borrowings. As at 31 December 2021, the balance of the Group's long-term borrowings at floating rate was RMB 5,810,304,734 (31 December 2020: RMB 4,107,824,221) (please refer to Note V. (20) and Note V. (28) for details). Financial liabilities with floating rates expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Finance Department of the Head Office of the Group continues to monitor the Group's interest rate level. Increase in interest rates will increase the costs of new interest-bearing liabilities and the interest expenses with respect to the Group's outstanding floating rate liabilities, and therefore have a material adverse effect on the Group's financial results. The management will make adjustments which are likely to mitigate interest rate risks through interest rate swaps in accordance with the latest market conditions. In the current period, the Group has entered into interest rate swap agreements with China Merchants Bank Hong Kong Branch and HSBC Bank Hong Kong Branch respectively to reduce interest rate risk.

#### Sensitivity analysis on interest rate risk

As at 31 December 2021, where all other variables are held constant and the borrowing rate determined at floating rate increases or decreases by 100 base points, the reasonably possible changes in the interest rate may have the following effect on the pre-tax profit and shareholders' equity:

RMB

Change in interest rate	Amount for the current period		Amount for the prior period	
	Effect on profit before tax	Effect on shareholders' equity	Effect on profit before tax	Effect on shareholders' equity
Benchmark interest rate increased by 1%	(58,103,047)	(43,577,286)	(41,078,242)	(30,808,682)
Benchmark interest rate reduced by 1%	58,103,047	43,577,286	41,078,242	30,808,682

### 1.1.3. Other price risk

The Group's investments classified as other equity instrument investments and other non-current financial assets are measured at fair value at each balance sheet date. As at 31 December 2021, the other equity instrument investments and other non-current financial assets held by the Group were not significant, therefore, the risk of changes in the security market the Group exposed to was not significant.

### 1.2 Credit risk

At 31 December 2021, the maximum exposure to credit risk which will cause a financial loss to the Group is arising from the failure to discharge an obligation by the counterparties, which specifically includes cash and bank balances (Note V (1)), notes receivable (Note V (3)), accounts receivable (Note V (4)), financing with receivables (Note V (5)), other receivables (Note V (7)), long-term receivables and debt investments, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

The Group's risk exposure is distributed in many different regions and involves a number of clients, therefore, the Group does not have significant concentration of credit risks. As at 31 December 2021, the balance of amounts due from the Group's top five clients amounts to RMB 86,924,239 (31 December 2020: RMB 111,267,028), representing 7% (31 December 2020: 14%) of the balance of the Group's accounts receivable. In addition, the Group has no other credit risk exposure concentrated on a single financial asset or a portfolio of financial assets sharing similar characteristics.

The table below details the credit risk exposure of the Group's financial assets and other items:

RMB

Items	Note	12-month or lifetime ECL	
		Category	Account balance
Financial assets measured at amortized cost			
-Cash and bank balances	Note V (1)	12-month ECL	8,836,439,385
-Notes receivable	Note V (3)	Lifetime ECL	145,430,152
-Accounts receivable	Note V (4)	Lifetime ECL (not credit-impaired)	1,039,183,748
		Lifetime ECL (credit-impaired)	81,626,344
		Sub-total	1,120,810,092
-Other receivables	Note V (7)	12-month ECL	352,152,775
		Lifetime ECL (credit-impaired)	107,137,233
		Sub-total	459,290,008
-Long-term receivables		Lifetime ECL (not credit-impaired)	35,934,266
-Debt investments		Lifetime ECL (not credit-impaired)	7,500,000
		Lifetime ECL (credit-impaired)	2,000,000
		Sub-total	9,500,000
Financial assets at FVTOCI			
-Financing with receivables	Note V (5)	12-month ECL	761,050,910

The Group manages credit risks by portfolios, which mainly refer to accounts receivable.

The Group's bank deposits are mainly deposited in banks with high credit rating. The Group believes that the credit risk is lower and there will be no significant losses due to the default of the counterparties.

The Group believes that the accepting bank for the bank acceptances has a high credit rating and there is no significant credit risk.

For other receivables, most of them are security fund, deposits, deposits for equity acquisition and petty cash for employees. The Group believes that the credit risk is low and there will be no significant losses due to the default of the counterparties. For borrowings and out-of-pocket expenses, the Group has made appropriate provision for ECL based on the repayment abilities and willingness of the counterparties.



The Group defines relevant policies for accounts receivable to control credit risk exposure. The Group assesses the credit qualification of the client and sets up the corresponding credit period and credit limit based on the financial status of the client, the possibility of obtaining guarantee from a third party, credit record and other factors such as the current market conditions. The Group will regularly monitor the credit records of clients. For clients with poor credit records, the Group will use written reminders, shorten credit period or cancel credit limit to ensure that the Group's overall credit risk is controlled at a certain level.

### 1.3 Liquidity risk

The Group has established an internal cash pool management system, and entered into cash pool management agreements with Bank of China, China Merchants Bank, China Construction Bank and Agricultural Bank of China. The Company gathers the balances of the bank accounts of certain subsidiaries to the bank account of the Company at regular time or in real time every day and manages the limits on the balances of the bank accounts of the subsidiaries to achieve overall allocation of funds within the Group, improve the efficiency of fund scale and reduce liquidity risk. Each subsidiary within the Group is responsible for its own cash flow forecast. Based on the cash flow forecasts of each subsidiary, the finance department of the headquarter of the Group continuously monitors the short-term and long-term capital demands at the Group level to ensure the maintenance of sufficient cash reserves. At the same time, it continuously monitors the compliance with the provisions of the loan agreement and acquires the loan commitment from the major financial institutions to meet short-term and long-term capital demands.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	RMB				
	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Short-term borrowings	648,379,659	-	-	-	648,379,659
Notes payable	670,993,082	-	-	-	670,993,082
Accounts payable	7,112,302,355	-	-	-	7,112,302,355
Other payables	756,194,670	-	-	-	756,194,670
Long-term borrowings	1,048,863,579	2,052,295,315	3,231,258,456	110,681,262	6,443,098,612
Bonds payable	92,789,343	92,789,343	3,330,813,919	146,871,693	3,663,264,298
Long-term payables	329,070,335	317,567,246	187,515,544	16,229,944	850,383,069
Lease liabilities	41,664,705	41,664,705	120,961,902	112,036,185	316,327,497
Total	10,700,257,728	2,504,316,609	6,870,549,821	385,819,084	20,460,943,242

## IX. DISCLOSURE OF FAIR VALUE

### 1. Closing fair value of assets and liabilities measured at fair value

Items	RMB			
	Closing fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	26,343,260	711,964,323	-	738,307,583
1. Held-for-trading financial assets	-	711,964,323	-	711,964,323
(1) Monetary market fund		706,243,178		706,243,178
(2) Interest rate swaps		5,721,145		5,721,145
2. Other non-current financial assets	26,343,260	-	-	26,343,260
(1) Equity instrument investments	26,343,260	-	-	26,343,260
(II) Financing with receivables	-	-	761,050,910	761,050,910
(III) Other equity instrument investments	-	-	55,867,066	55,867,066
Total assets continuously measured at fair value	26,343,260	711,964,323	816,917,976	1,555,225,559
I. Continuous fair value measurement				
(I) Bonds payable - Preference shares	-	-	128,126,596	128,126,596
Total liabilities continuously measured at fair value	-	-	128,126,596	128,126,596

### 2. Basis for determining the market price of Level 1 fair value measurement items on recurring and non-recurring bases

The market prices of the above items measured at Level 1 fair value are determined based on the closing price of stock at 31 December 2021.

3. Valuation techniques and qualitative and quantitative information of key inputs adopted for Level 2 fair value measurement items on recurring and non-recurring bases

The fair value of the above monetary funds is determined based on the market value of the fund products at 31 December 2021.

The fair value of the above interest rate swaps is determined based on the notice of market value at 31 December 2021.

4. Valuation techniques and qualitative and quantitative information of key inputs adopted for Level 3 fair value measurement items on recurring and non-recurring bases

Items measured at Level 3 fair value held by the Group are as follows:

				RMB
Items	Financing with receivables	Other equity instrument investments	Bonds payable (preference shares)	
Closing fair value	761,050,910	55,867,066	128,126,596	
Valuation techniques	Discounted cash flow method	Comparative method of listed companies	Discounted cash flow method	
Inputs	Discount rate -3.5%	Liquidity discount - 0.8	Note V(29)(3)	

5. The reconciliation information of opening and closing carrying amounts of items measured at Level 3 fair value on recurring and non-recurring bases

Items	1 January 2021	Issue amount	Addition	Reduction	Total profit or loss		31 December 2021
					Amount included in profit or loss	Amount included in other comprehensive income	
Financial assets at FVTOCI							
- Other equity instrument investments	33,774,995	-	-	-	/	22,092,071	55,867,066
- Financing with receivables	1,020,306,419	-	2,717,586,765	2,976,842,274	-	/	761,050,910
Financial assets at FVTOCI							
-Bonds payable (preference shares)	-	124,507,075	-	-	3,619,521	/	128,126,596

6. Fair value of financial assets and financial liabilities not measured at fair value

The Group's financial assets and liabilities not measured at fair value mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, bank borrowings, notes payable, accounts payable, bonds payable (other than preference shares), other financial liabilities, etc. As at 31 December 2021, there is no significant difference between the carrying amount and the fair value of the Company's financial assets and financial liabilities.

## X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

						RMB
Name of major shareholders	Place of registration	Nature of business	Registered capital	Proportion of ownership interest of the major shareholders in the Company (%)	Proportion of voting rights of major shareholders in the Company (%)	
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	EUR 100,000	39.85	41.84	
Huaxin Group Co., Ltd.	Huangshi, Hubei	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of services etc.	RMB 340,000,000	16.12	16.12	

Holchin B.V. is the Company's largest shareholder and its ultimate holding shareholder is Holcim Ltd. Holpac Limited, the person acting in concert of Holchin B.V., holds 1.99% of equity in the Company. Therefore, Holchin B.V. maintains 41.84% voting rights of the company.

## 2. The Company's subsidiaries

See Note VII for details of the Company's subsidiaries.

## 3. The Company's joint associates

See Note VII for details of the Company's significant joint ventures and associates.

## 4. Other related parties

Other related parties	Relationship with the Company
Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
Lafarge Asia Sdn Bhd	Controlled by Holcim Ltd.
Mbeya Cement Company Limited	Controlled by Holcim Ltd.
LafargeHolcim Distribution	Controlled by Holcim Ltd.
Pan African Cement	Controlled by Holcim Ltd.
Financière Lafarge SAS	Controlled by Holcim Ltd.
Hubei Shuyuxuan Culture Communication Co., Ltd.	Related party of associated natural person
Hubei Huaxin Real Estate Co., Ltd.	Related party of associated natural person
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Joint venture of the Group
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Associate of the Group
Shanghai Wan'an Huaxin Cement Co., Ltd.	Associate of the Group
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Subsidiary of the Group's associate

## 5. Related party transactions

## (1) Sales and purchase of goods, provision and receipt of services

Purchases of goods/receipts of services

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Huaxin Group Co., Ltd.	Comprehensive service fees	6,226,415	6,226,415
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Purchase of materials	7,988,910	346,975
LafargeHolcim Distribution	Purchase of materials	3,515,429	9,459,440
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	188,679	424,528

Sales of goods/provision of services

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of spare parts	29,392,091	41,983,966
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Service fees, etc.	2,840,019	3,167,428
Huaxin Group Co., Ltd.	Provision of IT services	47,170	-
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Sales of spare parts/goods	30,874	-
MBEYA CEMENT COMPANY LIMITED	Sales of cement	26,299,026	9,652,542
Hubei Shuyuxuan Culture Communication Co., Ltd.	Service fees, etc.	30,000	688,876
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Sales of spare parts/goods	2,341,756	-
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Service fees, etc.	154,526	-

## (2) Equity acquisition

Related party	Nature of transaction	Amount for the current period	Amount for the prior period
Financière Lafarge SAS	Acquisition of subsidiaries	240,117,888	-
Pan African Cement	Acquisition of subsidiaries	548,883,136	-

On 30 November 2021, the Group acquired 75% of equity interest held by Financière Lafarge SAS and Pan African Cement. in CHILANGA Cement Plc at a consideration of RMB 720,353,664. On 23 December 2021, the Group acquired 100% of equity interest held by Financière Lafarge SAS and Pan African Cement. in Portland Cement (MALAWI) Limited at a consideration of RMB 68,647,360. For details, see Note VI (1).

(3) Leases with related parties

The Group as a lessee

RMB			
Name of lessor	Category of leased assets	Rental expenses recognized in the current period	Rental expenses recognized in the prior period
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	13,989,672	13,079,685

(4) Advances paid on behalf of related parties

RMB			
Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Payments for spare parts	2,826,521	-
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Payments for social security contributions	2,998,266	-
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Payments for equity incentives	340,557	-
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Payments for spare parts	278,898	-
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Payments for social security contributions	1,171,030	-
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Payments for equity incentives	107,539	-

(5) Remuneration for key management personnel

RMB		
Item	Amount for the current period	Amount for the prior period
Remuneration for key management personnel	80,119,866	94,617,796

(5.1) Remuneration for directors and supervisors

The remuneration for each director in the year 2021 is as follows:

	Remuneration for directors	Salaries	Bonuses	Social security and housing fund	Total
	RMB000'	RMB000'	RMB000'	RMB000'	RMB000'
<b>Executive directors</b>					
Li Yeqing (Note 1)	-	3,288	2,441	311	6,040
Liu Fengshan (Note 1)	-	1,511	1,125	188	2,824
<b>Non-executive directors</b>					
Xu Yongmo (Note 1)	828	-	-	-	828
Geraldine Picaud (Note 1)	216	-	-	-	216
Chen Tinghui (Note 1)	216	-	-	-	216
Luo Zhiguang (Note 1)	216	-	-	-	216
<b>Independent non-executive directors</b>					
Liu Yan (Note 1)	120	-	-	-	120
Simon MacKinnon (Note 1)	120	-	-	-	120
Wang Liyan (Note 1)	120	-	-	-	120
Huang Guanqiu (Note 1)	240	-	-	-	240
Zhang Jiping (Note 1)	240	-	-	-	240
Jiang Hong (Note 1)	240	-	-	-	240
<b>Total</b>	<b>2,556</b>	<b>4,799</b>	<b>3,566</b>	<b>499</b>	<b>11,420</b>

The remuneration for each director in the year 2020 is as follows:

	Remuneration for directors	Salaries	Bonuses	Social security and housing fund	Total
	RMB 000'	RMB 000'	RMB 000'	RMB 000'	RMB 000'
Executive directors					
Li Yeqing (Note 1)	-	3,273	4,225	280	7,778
Liu Fengshan (Note 1)	-	1,508	1,855	157	3,520
Non-executive directors					
Roland Koehler (Note 1)	126	-	-	-	126
Xu Yongmo (Note 1)	828	-	-	-	828
Geraldine Picaud (Note 1)	216	-	-	-	216
Chen Tinghui (Note 1)	54	-	-	-	54
Luo Zhiguang (Note 1)	216	-	-	-	216
Independent non-executive directors					
Liu Yan (Note 1)	360	-	-	-	360
Simon MacKinnon (Note 1)	360	-	-	-	360
Wang Liyan (Note 1)	360	-	-	-	360
Total	2,520	4,781	6,080	437	13,818

The remuneration for each supervisor in the year 2021 is as follows:

	Salaries	Bonuses	Social security and housing fund	Total
	RMB 000'	RMB 000'	RMB 000'	RMB 000'
Fu Guohua	127	61	29	217
Liu Weisheng	346	180	86	612
Peng Qingyu (Note 2)	958	474	-	1,432
Yang Xiaobing	335	158	106	599
Yu Yousheng	137	66	51	254
Zhang Lin	642	431	122	1,195
Zhu Yaping	468	263	96	827
Ming Jinhua (Note 3)	491	350	70	911
Total	3,504	1,983	560	6,047

The remuneration for each supervisor in the year 2020 is as follows:

	Salaries	Bonuses	Social security and housing fund	Total
	RMB 000'	RMB 000'	RMB 000'	RMB 000'
Fu Guohua	373	203	71	647
Peng Qingyu	1,641	2,004	84	3,729
Yang Xiaobing	345	168	68	581
Yu Yousheng	399	224	73	696
Zhang Lin	653	731	86	1,440
Total	3,411	3,330	382	7,123

Note : In addition to the above remuneration, in 2021, executive directors and supervisors still have the amount of RMB 14,796 thousand (2020: RMB 18,472 thousand) accrued of share based payments (Note 11), where the actual amount to be paid will be subject to the appraisal of the performance status.

Note 1: According to the resolution of the annual general meeting of the Group in 2020, Xu Yongmo, Li Yeqing, Liu Fengshan, Geraldine Picaud, Luo Zhiguang and Chen Tinghui were elected as directors, and Huang Guanqiu, Zhang Jiping and Jiang Hong were elected as independent directors of the tenth Board of Directors of the Company.

Note 2: On 29 July 2021, Peng Qingyu resigned as the supervisor and Chairman of the Board of Supervision of the Group. The period for the above remuneration is from January to July 2021.

Note 3: According to the resolution of the Fourth Extraordinary General Meeting of the Group in 2021, Ming Jinhua was elected as the shareholder supervisor of the Tenth Board of Supervision of the Company.

(5.2) Five employees with the highest remuneration:

	Closing balance	Opening balance
Directors and supervisors	2	2
Non-directors and non-supervisors	3	3
Total	5	5

The remuneration paid to the above non-directors and non-supervisors is as follows:

	Closing balance	Opening balance
	RMB 000'	RMB 000'
Salaries	4,722	4,814
Share-based payment	6,888	10,938
Bonuses	3,488	6,119
Social security and housing fund	577	319
Total	15,675	22,190

The remuneration range of the five employees in 2021:

Range	Number of employees in the current period	Number of employees in the prior period
HKD 6,000,001 to HKD 6,500,000 (equivalent to RMB 4,906,000 to RMB 5,314,000)	3	-
HKD 6,500,001 to HKD 7,000,000 (equivalent to RMB 5,314,000 to RMB 5,723,000)	1	-
HKD 8,500,001 to HKD 9,000,000 (equivalent to RMB 6,950,000 to RMB 7,358,000)	-	1
HKD 9,000,001 to HKD 9,500,000 (equivalent to RMB 7,358,000 to RMB 7,767,000)	-	3
HKD 18,000,001 to HKD 18,500,000 (equivalent to RMB 14,717,000 to RMB 15,126,000)	1	-
HKD 20,500,001 to HKD 21,000,000 (equivalent to RMB 16,761,000 to RMB 17,170,000)	-	1

6. Amounts due to/from related parties

(1) Amounts due from related parties

Items	Related parties	Closing balance		Opening balance	
		Account balance	Bad debt provision	Account balance	Bad debt provision
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	1,974,656	-	16,207,703	-
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	1,009,216	-	1,009,216	-
Accounts receivable	Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	1,892,876	-	-	-
Accounts receivable	Mbeya Cement Company Limited	366,123	-	-	-
Prepayments	Chenfeng Intelligent Equipment Hubei Co., Ltd.	-	-	4,480,000	-
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	-	-	3,618,968	-
Other receivables	Shanghai Wan'an Huaxin Cement Co., Ltd.	-	-	22,365	-

RMB

## (2) Amounts due to related parties

		RMB	
Items	Related parties	Closing balance	Opening balance
Accounts payable	LafargeHolcim distribution	2,401,412	-
Accounts payable	Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	1,249,254	-
Other payables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	1,643,355	15,224,013
Other payables	Financière Lafarge SAS.	341,501	-
Other payables	Pan African Cement	24,490	-
Other payables	Huaxin Group Co., Ltd.	-	23,684
Other payables	LAFARGE ASIA SDN BHD	410,394	409,394

**XI. SHARE-BASED PAYMENTS**

## 1. Equity-settled share-based payments

		RMB
The method for determining the fair value of the equity instruments on the grant date	Fair value determined based on the share price granted to the Japanese Company	
The basis of determining the number of equity instruments expected to be vested	At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may unlock, the company's performance conditions and individual performance assessment and evaluation of incentive targets, etc. and revises the number of equity instruments expected to be unlocked. At the date expected to be unlocked, the number of equity instruments finally expected to be unlocked is consistent with the number of equity instruments actually to be unlocked.	
Reasons for the significant difference between the estimate in the current period and that in the prior period	None	
The cumulative amounts of equity-settled share-based payments recognized into capital reserves	116,016,407	
The total amount of recognised expenses paid by equity-settled shares in the current period	86,789,021	

On 25 September 2020, the Company granted a total of 22,689,338 zero-priced restricted shares to the core employees through the resolution of the Second extraordinary general meeting of shareholders of 2020 on the Company's 2020-2022 Core Employee Stock Ownership Plan (Draft) and Its Summary. The restricted shares mentioned above will be repurchased by the Company from the secondary market at an average price of RMB 26.88 per share. The stock ownership plan includes two parts: Plan A and Plan B. Plan A refers to the long-term incentive plan linked to the annual performance assessment of the Company from 2020 to 2022, including A-0, A-1, A-2 and A-3 batches, which are awarded, assessed and unlocked by stages. Plan B refers to the Company's long-term incentive plan linked to the milestone performance assessment from 2020 to 2022, with one-time award, one-time assessment and one-time unlock. As at 31 December 2021, the Group has completed the grants of 5,038,246 shares for Plan A-0. The restricted sale period of restricted shares for Plan A-0 is 36, 48 and 60 months from the date of transfer of restricted shares to the employee stock ownership plan, and the restricted sale period will be released at the ratio of 33%, 33% and 34% respectively. As at 31 December 2021, 1,161,328 shares have been granted for Plan A-1. The restricted sale period of restricted shares for Plan A-1 is 24 months from the date of transfer of restricted shares to the employee stock ownership plan, and the restricted sale period will be released at the ratio of 100%; As at 31 December 2021, 14,880,609 shares have been granted for Plan B. The restricted sale period of Plan B is 48 months from the date of transfer of restricted shares to the employee stock ownership plan. When 100% of the appraisal targets are met, the unlock ratio is 100%; when 90% of the appraisal targets are met, the unlock ratio is 87.5%; and when 80% of the appraisal targets are met, the unlock ratio is 75%.

## 2. Cash-settled share-based payments

	RMB
The accumulated amounts of liabilities arising from cash-settled share-based payments	111,762,003
The total expenses recognized in the current period for cash-settled share payments	47,153,021

As at 2 December 2016, according to the “ Long-term Incentive Plan of Huaxin Cement Co., Ltd. for Core Management Staff from 2017 to 2019” approved by the 20th meeting of the 8th Board of Directors and the achievement of performance target of the Group from 2017 to 2019 under the incentive plan, the core management would be granted certain number of virtual shares of the Company. At the end of the third years after grant date (“the settlement date”), the core management can receive a cash bonus calculated by the share price at the settlement date multiplied by the number of the granted virtual shares. If the share price at the settlement date is over 200% of the share price of the grant date, the cash bonus should be calculated at 200% of share price of the grant date; if the share price at the settlement date is lower than 50% of the share price at the grant date, the cash bonus should be calculated at 50% of share price at the grant date.

## XII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

Significant external commitments existing at the balance sheet date, and the nature and amount of the commitments

Capital commitments

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
- Commitment for acquisition and construction of long-term assets	2,825,031,865	1,177,743,687

### 2. Pending litigation

- (1) In September 2020, Moncement Building Materials LLC (“Moncement”) filed an application for arbitration with the ICC, claiming that the Group had breached relevant warranty obligations and maintenance obligations as stipulated in the EPC Agreement and related supplementary agreement for the construction of the cement production line from 2013 to 2017, and thus requested the Group to compensate for the losses caused to Moncement and all arbitration costs due to the breach of warranty obligations and maintenance obligations by the Group (amounting to USD 35,724,579.38) and pay interest at the rate of 10% per annum from the date of application for the arbitration to the date of actual payment for the compensation. The management of the Group is of the view that: (1) The technical advice given by the consulting company engaged by Moncement was not reliable. The EPC Contract clearly stated that the contract shall be governed by GB building standards, therefore, the European, Mongolian and Russian building standards on which the technical advice was based were not applicable to the EPC Agreement; (2) The steel grade adopted by the Group was in compliance with the requirements of the GB building standards agreed in the EPC Contract; (3) The wind load data used for the design by the Group was provided by Moncement, which was in compliance with the requirements of EPC Contract; (4) Moncement didn't provide any evidence to demonstrate the deficiencies in the interfaces of the preheating tower. As at the date on which the financial statements are authorized for issue, this arbitration case has not been heard yet. The management believes that the outcome is not predictable, which does not meet the criteria that it is probable that economic benefits will flow out of the enterprise, therefore, no provision has been made.

(2) In July 2021, the Group received an arbitration notice from Wuhan Arbitration Committee in relation to the application for arbitration by Wuhan Qingshan State-owned Capital Investment and Operation Holding Group Co., Ltd. (“Qingshan State-owned Capital Operation Company”) to Wuhan Arbitration Committee, claiming that it paid RMB 26,000,000 on behalf of the Group for the relocation of residents for construction of a cement powder plant and a mixing plant project in Qingshan District, Wuhan City in June 2007, and the Group agreed to repay the principal amount of RMB 6,000,000, RMB 10,000,000 and RMB 10,000,000 in instalments on 31 December 2008, 31 December 2009 and 31 December 2010. It requested the Group to repay the principal amount of RMB 26,000,000 and pay liquidated damages at the base daily interest rate of 0.021% from the date of overdue repayment to the date of actual payment. The Group is of the view that according to the borrowing agreement entered into in June 2007, the Group built



a cement grinding plant in Qingshan District and enjoyed the relevant preferential tax policies after its formal operation, with the refunded VAT on the comprehensive utilization of product resources as the main source of repayment and the incentive fund as a supplement to repayment, which were transferred directly to Qingshan State-owned Capital Operation Company by the VAT Refund Department and Incentive Fund Granting Department. As Qingshan State-owned Capital Operation Company failed to properly relocate the residents in the sanitary protection zone, the cement grinding plant did not pass the environmental protection inspection during construction and could not start production and operation. As at the date on which the financial statements are authorized for issue, the arbitration committee has not announced the outcome of the arbitration yet. The management believes

that the outcome is not predictable, which does not meet the criteria that it is probable that economic benefits will flow out of the enterprise, therefore, no provision has been made.

### XIII. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Profit distribution

In accordance with the resolution of the Board of Directors on 29 March 2022, the Board of Directors proposes to distribute a cash dividend of RMB 1.00 per share (including tax) to all shareholders on the basis of the total share capital of the company at the end of 2021 of 2,096,599,855 shares, after deducting the number of shares in the company's repurchase of shares in the special securities account on the equity record date of the implementation of the annual equity distribution in 2021, where the balance is transferred to the retained profit. In fiscal 2021, the plan to transfer capital reserve to increase the share capital will not be implemented. The above proposal has not yet been approved by the Shareholders' General Meeting.

#### 2. Progress of B shares to H shares

The group received the notice of hearing through the stock exchange of Hong Kong Limited on February 25, 2022, and the group applied to the Shanghai stock exchange for suspension of B shares on March 2, 2021. As of March 28, 2021, the group has been successfully listed on the stock exchange of Hong Kong.

### XIV. SEGMENT REPORTING

#### 1. Determination basis and accounting policies of reporting segments

As operating income, expenses, assets and liabilities of the Group are primarily attributable to manufacturing and sales of cement and related products, the Group considers that the business of various companies in the Group have obvious similarities. Thus, no segment information of the Group is presented after considering the internal organization structure, management requirement and the internal financial reporting system within the Group.

#### 2. Financial information of reporting segments

Non-current assets by geographical location

	RMB	
	Closing balance	Opening balance
China	30,701,575,970	24,408,221,749
Central Asia	1,655,462,979	1,828,399,859
Cambodia	731,558,724	682,081,096
Nepal	957,030,129	689,076,875
Tanzania	851,495,244	645,073,560
Zambia	1,025,027,001	-
Malawi	48,643,479	-
Total	35,970,793,526	28,252,853,139

The above non-current assets do not include debt investments, other equity instrument investments, other non-current financial assets, long-term receivables and deferred tax assets.

**XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS**

## 1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	127	136
Bank deposits	5,151,662,302	4,624,314,187
RMB	4,733,479,244	4,286,869,760
USD	402,982,693	337,441,363
Others	15,200,365	3,064
Other cash and bank balances	17,845,771	26,103,996
RMB	17,845,771	26,103,996
<b>Total</b>	<b>5,169,508,200</b>	<b>4,650,418,319</b>

As at 31 December 2021, other cash and bank balances include letter of guarantee security deposits of RMB 1,800,000, notes and L/C security deposits of RMB 16,045,771, amounting to RMB 17,845,771 (31 December 2020: letter of guarantee security deposits of RMB 2,200,000, notes and L/C security deposits of RMB 23,903,996, amounting to RMB 26,103,996). The restricted cash is not regarded as cash and cash equivalents when preparing the cash flow statements.

## 2. Notes receivable

## (1) Category of notes receivable

Item	Closing balance	Opening balance
Bank acceptances	32,408,118	100,000
<b>Total</b>	<b>32,408,118</b>	<b>100,000</b>

## (2) Notes receivable of the Company pledged at the end of the period

Item	Pledged amount
Bank acceptances	22,000,000

## (3) Notes receivable of the Company that have been endorsed or discounted but have not yet expired as at the balance sheet date

Item	Derecognized amount	Non-derecognized amount
Bank acceptances	-	4,408,118

## (4) Disclosure by classification of bad debt provision methods

The Group believes that the credit rating of the accepting bank that holds the bank acceptances is relatively high and free of significant credit risk, thus no provision for loss has been made.

## 3. Accounts receivable

## (1) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year		
1 - 6 months	857,465,222	520,489,417
6 - 12 months	18,477,768	940,457
Subtotal, within 1 year	875,942,990	521,429,874
1 - 2 years	27,603,660	25,185,682
2 - 3 years	3,599,573	294,243
Over 3 years	19,141,880	20,277,245
Less: Provision for credit loss	22,989,785	21,437,478
Total	903,298,318	545,749,566

## (2) Disclosure by bad debt provision methods

RMB

Category	Closing balance					Opening balance				
	Account balance		Bad debt provision		Carrying amount	Account balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Receivables for which bad debt provision is assessed on an individual basis	895,248,506	97	20,108,874	2	875,139,632	552,623,510	97	21,201,797	4	531,421,713
Including:Accounts receivable from subsidiaries and related parties	876,113,333	95	-	-	876,113,333	532,156,905	94	-	-	532,156,905
Accounts receivable from third party customers	19,135,173	2	20,108,874	100	(973,701)	20,466,605	3	21,201,797	100	(735,192)
Receivables for which bad debt provision is assessed on a portfolio basis	31,039,597	3	2,880,911	9	28,158,686	14,563,534	3	235,681	2	14,327,853
Total	926,288,103	100	22,989,785	2	903,298,318	567,187,044	100	21,437,478	4	545,749,566

Receivables for which bad debt provision is collectively assessed on a portfolio basis :

Category of cement receivable:

RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Expected average loss rate (%)
1 - 6 months	17,889,922	948,166	5
6 - 12 months	7,507,247	1,306,261	17
1 - 2 years	1,185,727	400,776	34
2 - 3 years	357,997	187,948	52
Total	26,940,893	2,843,151	

## Category of other business receivable

RMB

Name	Closing balance		
	Accounts receivable	Bad debt provision	Expected average loss rate (%)
1 - 6 months	3,167,240	3,167	-
6 - 12 months	336,381	673	-
1 - 2 years	595,083	33,920	6
<b>Total</b>	<b>4,098,704</b>	<b>37,760</b>	

## (3) Bad debt provision

RMB

Category	Opening balance	Changes for the year				Closing balance
		Provision	Recovery or reversal	Write-off or elimination	Provision	
Bad debt provision for accounts receivable	21,437,478	2,686,999	(181,146)	(953,546)	-	22,989,785
<b>Total</b>	<b>21,437,478</b>	<b>2,686,999</b>	<b>(181,146)</b>	<b>(953,546)</b>	<b>-</b>	<b>22,989,785</b>

## (4) Amounts due from top five clients are summarized as below:

Item	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
SubsidiaryA	117,645,841	13	-
SubsidiaryB	97,571,941	11	-
SubsidiaryC	83,650,861	9	-
SubsidiaryD	43,358,244	5	-
SubsidiaryE	35,525,843	4	-
<b>Total</b>	<b>377,752,730</b>	<b>42</b>	

## 4. Financing with receivables

## (1) Category of notes receivable

RMB

Item	Closing balance	Opening balance
Bank acceptances	247,445,734	151,473,769
<b>Total</b>	<b>247,445,734</b>	<b>151,473,769</b>

## (2) Financing with receivables of the Company pledged at the end of the period

RMB

Item	Pledged amount
Bank acceptances	169,703,499

## (3) Financing with receivables of the Company that has been endorsed but has not yet expired as at the balance sheet date

RMB

Item	Derecognized amount	Non-derecognized amount
Bank acceptances - Endorsed but not yet expired as at the balance sheet date	140,763,225	-

## 5. Prepayments

(1) Aging of prepayments is as follows:

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	357,294,905	94	225,391,498	100
1 - 2 years	24,628,232	6	1,004,734	-
2 - 3 years	339,042	-	-	-
Total	382,262,179	100	226,396,232	100

(2) Prepayments from top five suppliers are summarized as below

RMB

Name of supplier	Amount	% of total balance
Supplier A	38,934,941	10
Supplier B	22,761,948	6
Supplier C	22,571,316	6
Supplier E	10,431,340	3
Supplier F	7,068,070	2
Total	101,767,615	27

## 6. Other receivables

6.1 Summary of other receivables

RMB

Items	Closing balance	Opening balance
Dividends receivable	208,190,000	-
Other receivables	4,108,876,529	4,396,614,326
Total	4,317,066,529	4,396,614,326

6.2 Other receivables

(1) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year	1,326,758,452	2,056,247,333
1 - 2 years	1,103,184,328	1,243,904,562
2 - 3 years	736,660,629	437,314,641
Over 3 years	989,226,736	706,042,459
Subtotal	4,155,830,145	4,443,508,995
Less: Credit loss allowance	46,953,616	46,894,669
Total	4,108,876,529	4,396,614,326

(2) Classification by nature

RMB

Nature	Closing balance	Opening balance
Amounts due from subsidiaries and related parties	4,129,067,980	4,422,786,704
Margin and deposits	22,797,458	17,237,489
Others	3,964,707	3,484,802
Total	4,155,830,145	4,443,508,995

**(3) Bad debt provision**
**RMB**

Category	Opening balance	Changes for the period		Closing balance
		Provision	Recovery or reversal	
Bad debt provision for other receivables	46,894,669	294,858	(235,911)	46,953,616
Total	46,894,669	294,858	(235,911)	46,953,616

**(4) Other receivables written off in the current period**
**RMB**

Item	Write-off amount
Other receivables written off	-

**(5) Amounts due from top five debtors are analyzed as below:**
**RMB**

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
SubsidiaryF	Amounts due from subsidiaries	572,180,683	Within 1 year	14	-
SubsidiaryG	Amounts due from subsidiaries	354,488,779	Within 1 year, 1 - 2 years, 2 - 3 years	9	-
SubsidiaryH	Amounts due from subsidiaries	339,864,615	Within 1 year, 1 - 2 years, 2 - 3 years and over 3 years	8	-
SubsidiaryI	Amounts due from subsidiaries	206,221,748	Within 1 year, 1 - 2 years, 2 - 3 years and over 3 years	5	-
SubsidiaryJ	Amounts due from subsidiaries	197,075,738	Within 1 year, 1 - 2 years, 2 - 3 years and over 3 years	5	-
Total	--	1,669,831,563	--	41	-

**7. Inventories**
**(1) Categories of inventories**
**RMB**

Item	Closing balance			Opening balance		
	Account balance	Provision for decline in value of inventories	Carrying amount	Account balance	Provision for decline in value of inventories	Carrying amount
Raw materials	636,375,560	-	636,375,560	226,540,245	-	226,540,245
Work in progress	16,326,746	-	16,326,746	24,994,114	-	24,994,114
Finished goods	62,398,415	-	62,398,415	63,102,983	-	63,102,983
Spare parts	17,327,868	6,113,870	11,213,998	11,430,237	5,068,803	6,361,434
Total	732,428,589	6,113,870	726,314,719	326,067,579	5,068,803	320,998,776

**(2) Provision for decline in value of inventories**
**RMB**

Items	Opening balance	Increase	Decrease		Closing balance
		Provision	Reversal	Write-off	
Spare parts	5,068,803	1,045,067	-	-	6,113,870
Total	5,068,803	1,045,067	-	-	6,113,870

**8. Long-term equity investments**
**RMB**

Item	Closing balance			Opening balance		
	Account balance	Impairment provision for long-term equity investments	Carrying amount	Account balance	Impairment provision for long-term equity investments	Carrying amount
Subsidiaries	11,529,823,034	42,000,000	11,487,823,034	10,712,823,034	42,000,000	10,670,823,034
Associates	449,116,249	-	449,116,249	448,693,489	-	448,693,489
Total	11,978,939,283	42,000,000	11,936,939,283	11,161,516,523	42,000,000	11,119,516,523

## (1) Subsidiaries

RMB

Subsidiaries	Opening balance	Changes for the year		Closing balance	Balance of impairment provision
		Additional investment	Decrease in investment		
Huaxin Aggregate Co., Ltd.	258,100,000	-	-	258,100,000	-
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	-	-	91,601,080	-
Huaxin Environment Engineering (Yichang)Co., Ltd.	20,000,000	-	-	20,000,000	-
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	-	-	1,000,000,000	-
Huaxin (Huangshi) Logistics Co., Ltd.	20,000,000	-	-	20,000,000	-
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	30,000,000	-	110,502,159	-
Huaxin Concrete Co., Ltd.	80,000,000	50,000,000	-	130,000,000	-
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	-	-	363,802,268	-
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	-	-	500,000	-
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	-	-	197,590,806	-
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	-	-	220,000,000	-
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	-	-	140,000,000	-
Huaxin Cement (Daye) Co., Ltd.	420,100,753	-	-	420,100,753	-
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	-	-	180,000,000	-
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	-	-	65,550,000	-
Huaxin Cement (Ezhou) Co., Ltd.	99,437,031	-	-	99,437,031	-
Huaxin Cement (Enping) Co., Ltd.	674,058	-	-	674,058	-
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	-	-	40,200,000	-
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	-	-	30,124,664	-
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	-	-	200,000,000	-
Huaxin Cement (Hefeng) National Materials Co., Ltd.	44,700,483	-	-	44,700,483	-
Huaxin Cement (Huangshi) Bulk Storage and transportation Co., Ltd.	20,000,000	-	-	20,000,000	-
Huaxin Cement (Huangshi) Co., Ltd.	400,000,000	280,000,000	-	680,000,000	-
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	-	-	20,000,000	-
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	-	-	70,800,000	-
Huaxin Cement Research and Design Co., Ltd.	990,000	-	-	990,000	-
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	-	-	140,000,000	-
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	-	-	180,000,000	-
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	-	-	65,000,000	-
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	-	-	240,000,000	-
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	-	-	120,000,000	-
Huaxin Cement (Suizhou) Co., Ltd.	24,600,000	-	-	24,600,000	-
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	-	-	190,000,000	-
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	-	-	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	-	-	300,000,000	-
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	-	-	50,000,000	-
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	-	-	14,658,135	-
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	-	-	40,000,000	-
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	-	-	140,000,000	-
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	-	-	653,713,479	-
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	-	-	505,589,562	-
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	-	-	22,500,000	-
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	15,000,000	-	60,000,000	-
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	-	-	200,000,000	-

Con.

Subsidiaries	Opening balance	Changes for the year		Closing balance	Balance of impairment provision
		Additional investment	Decrease in investment		
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	-	-	340,000,000	-
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	-	-	240,000,000	-
Huaxin (Hong Kong) International Holdings Limited	157,935,219	-	-	157,935,219	-
Huaxin New Building Materials Co., Ltd.	50,000,000	-	-	50,000,000	-
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	388,623,689	-	-	388,623,689	-
Huaxin Equipment Engineering Co., Ltd.	190,000,000	-	-	190,000,000	-
Huangshi Huaxin Packaging Co., Ltd.	60,229,648	-	-	60,229,648	-
Mauritus Somerset Investment Co., Ltd.	252,000,000	-	-	252,000,000	-
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	-	-	20,000,000	-
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	-	-	977,000,000	-
Chongqing Lafarge Shui On Cement Co., Ltd.	253,300,000	-	-	253,300,000	-
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	-	-	73,000,000	-
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	-	-	40,000,000	-
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	-	-	29,000,000	-
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	-	-	4,000,000	-
Huangshi Huaxin Green Building Materials Co., Ltd.	600,000,000	-	-	600,000,000	-
Huaxin (Hainan) Investment Co., Ltd.	-	442,000,000	-	442,000,000	-
<b>Total</b>	<b>10,712,823,034</b>	<b>817,000,000</b>	<b>-</b>	<b>11,529,823,034</b>	<b>42,000,000</b>

## (2) Associates

RMB

	Opening balance	Changes for the period		Closing balance	Balance of impairment provision
		Investment profit or loss recognized under equity method	Other equity changes		
<b>I. Associates</b>					
Tibet High-tech Building Materials Co., Ltd.	356,279,532	(146,879)	824,675	356,957,328	-
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,413,957	(255,036)	-	92,158,921	-
<b>Total</b>	<b>448,693,489</b>	<b>(401,915)</b>	<b>824,675</b>	<b>449,116,249</b>	<b>-</b>

## (3) Provision for impairment losses of long-term equity investments

RMB

	Closing balance & opening balance
Subsidiary -	
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000

## 9. Fixed assets

## 9.1 Categories of fixed assets

RMB

Item	Closing balance	Opening balance
Fixed assets	384,704,226	433,680,623
Disposal of fixed assets	-	3,459,210
<b>Total</b>	<b>384,704,226</b>	<b>437,139,833</b>



## (1) Fixed assets

RMB

Item	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
<b>I. Cost</b>					
1. Opening balance	535,562,484	1,051,145,788	21,637,710	22,672,180	1,631,018,162
2. Addition	-	5,395,175	917,266	268,549	6,580,990
(1)Purchase	-	1,138,259	917,266	268,549	2,324,074
(2)Transfer from construction in progress	-	4,256,916	-	-	4,256,916
3. Reduction	433,329	36,199,756	470,367	845,534	37,948,986
(1)Disposal or retirement	433,329	36,199,756	470,367	845,534	37,948,986
4. Closing balance	535,129,155	1,020,341,207	22,084,609	22,095,195	1,599,650,166
<b>II. Accumulated depreciation</b>					
1. Opening balance	312,889,928	842,606,251	17,158,678	20,635,446	1,193,290,303
2. Addition	16,539,219	33,957,004	1,181,315	1,059,106	52,736,644
(1)Provision	16,539,219	33,957,004	1,181,315	1,059,106	52,736,644
3. Reduction	349,437	33,723,945	429,535	625,326	35,128,243
(1)Disposal or retirement	349,437	33,723,945	429,535	625,326	35,128,243
4. Closing balance	329,079,710	842,839,310	17,910,458	21,069,226	1,210,898,704
<b>III. Impairment provision</b>					
1. Opening and closing balance	2,142,897	1,904,339	-	-	4,047,236
<b>IV. Net book value</b>					
1. Closing balance	203,906,548	175,597,558	4,174,151	1,025,969	384,704,226
2. Opening balance	220,529,659	206,635,198	4,479,032	2,036,734	433,680,623

## 10. Construction in progress

## 10.1 Categories of construction in progress

RMB

Item	Closing balance	Opening balance
Construction in progress	291,058,245	209,760,886
Materials for construction of fixed assets	8,487	12,124
Total	291,066,732	209,773,010

## (1) Construction in progress

RMB

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
New Material and Intelligent Equipment Manufacturing Technology Part Series 1 Project	189,619,817	-	189,619,817	184,979,265	-	184,979,265
New Material Park Huangshi Packaging Project	90,130,402	-	90,130,402	19,723,328	-	19,723,328
Others	11,308,026	-	11,308,026	5,058,293	-	5,058,293
Total	291,058,245	-	291,058,245	209,760,886	-	209,760,886

**(2) Changes of significant construction in progress**
**RMB**

Project Name	Budget	Opening balance	Addition	Transfer to fixed assets	Other reduction	Closing balance	Accumulated costs incurred out of budget(%)	Construction progress	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
New Material and Intelligent Equipment Manufacturing Technology Part Series 1 Project	220,077,000	184,979,265	4,640,552	-	-	189,619,817	86	86	-	-	-	Self-owned funds
New Material Park Huangshi Packaging Project	378,277,400	19,723,328	70,407,074	-	-	90,130,402	24	24	-	-	-	Self-owned funds
Others	N/A	5,058,293	10,547,199	4,256,916	40,550	11,308,026	N/A	N/A	-	-	-	Self-owned funds
<b>Total</b>		<b>209,760,886</b>	<b>85,594,825</b>	<b>4,256,916</b>	<b>40,550</b>	<b>291,058,245</b>						

**11. Intangible assets**
**RMB**

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others
<b>I. Cost</b>					
1. Opening balance	45,882,870	17,930,600	14,255,065	100,377,679	178,446,214
2. Addition	-	-	-	40,550	40,550
Purchase	-	-	-	40,550	40,550
3. Closing balance	45,882,870	17,930,600	14,255,065	100,418,229	178,486,764
<b>II. Accumulated amortization</b>					
1. Opening balance	18,261,652	12,485,705	9,334,594	97,966,389	138,048,340
2. Addition	921,730	114,253	103,378	850,724	1,990,085
Provision made during the year	921,730	114,253	103,378	850,724	1,990,085
3. Closing balance	19,183,382	12,599,958	9,437,972	98,817,113	140,038,425
<b>III. Net book value</b>					
1. Closing balance	26,699,488	5,330,642	4,817,093	1,601,116	38,448,339
2. Opening balance	27,621,218	5,444,895	4,920,471	2,411,290	40,397,874

**12. Short-term borrowings**
**RMB**

Item	Closing balance	Opening balance
Bank borrowings on credit	-	300,000,000
<b>Total</b>	<b>-</b>	<b>300,000,000</b>

**13. Notes payable**
**RMB**

Category	Closing balance	Opening balance
Bank acceptances notes	309,821,465	24,246,455
<b>Total</b>	<b>309,821,465</b>	<b>24,246,455</b>

**14. Accounts payable**
**(1) Disclosure by categories**
**RMB**

Item	Closing balance	Opening balance
Payables for construction and equipment	80,266,093	43,190,672
Payables for production	267,153,200	367,374,798
<b>Total</b>	<b>347,419,293</b>	<b>410,565,470</b>

## (2) Disclosure by aging

	RMB	
Aging	Closing balance	Opening balance
Within 1 year	231,041,924	307,805,728
1 - 2 years	24,444,614	80,170,045
2 - 3 years	76,445,923	1,901,150
More than 3 years	15,486,832	20,688,547
<b>Total</b>	<b>347,419,293</b>	<b>410,565,470</b>

## 15. Other payables

## 15.1 Summary of other payables

	RMB	
Item	Closing balance	Opening balance
Interest payable	21,201,683	22,543,588
Dividends payable	42,566,956	23,821,382
Other payables	7,969,178,308	7,178,214,529
<b>Total</b>	<b>8,032,946,947</b>	<b>7,224,579,499</b>

## 15.2 Interest payable

	RMB	
Item	Closing balance	Opening balance
Interest on corporate bonds	14,833,000	20,756,667
Interest on long-term borrowings that are due with interest paid in installments	6,368,683	1,505,810
Interest on short-term borrowings	-	281,111
<b>Total</b>	<b>21,201,683</b>	<b>22,543,588</b>

## 15.3 Dividend payable

	RMB	
Item	Closing balance	Opening balance
Dividends of ordinary shares	42,566,956	23,821,382
<b>Total</b>	<b>42,566,956</b>	<b>23,821,382</b>

## 15.4 Other payables

## (1) Disclosure of other payables by nature

	RMB	
Item	Closing balance	Opening balance
Payments payable to related parties	7,938,933,541	7,147,812,678
Margin and deposits	7,898,208	9,501,717
Withholding amounts	83,386	84,102
Others	22,263,173	20,816,032
<b>Total</b>	<b>7,969,178,308</b>	<b>7,178,214,529</b>

## 16. Non-current Liabilities due within one year

	RMB	
Item	Closing balance	Opening balance
Long-term borrowings due within one year	155,860,000	122,582,662
Bonds payable due within one year	-	1,199,284,591
Lease liabilities within one year	11,497,327	-
<b>Total</b>	<b>167,357,327</b>	<b>1,321,867,253</b>

**17. Long-term borrowings**
**RMB**

Item	Closing balance	Opening balance
Bank borrowings on credit	1,171,000,000	798,500,000
Pledged bank borrowings(Note 1)	403,280,000	526,140,000
Guaranteed bank borrowings	-	722,662
Less: Long-term borrowings due within one year		
Bank borrowings on credit	33,000,000	14,000,000
Pledged bank borrowings	122,860,000	107,860,000
Guaranteed bank borrowings	-	722,662
<b>Total</b>	<b>1,418,420,000</b>	<b>1,202,780,000</b>

Note 1: As at 31 December 2021, the pledged assets for pledged bank borrowings of RMB 403,280,000 (31 December 2020: RMB 526,140,000) are equity of part of the Group's subsidiaries. Such pledged bank borrowings shall be repaid in batches during the period from 2022 to 2025.

**18. Bonds payable**
**(1) Bonds payable**
**RMB**

Item	Closing balance	Opening balance
Bonds issued to professional investors in 2021 (Phase I)	1,297,795,200	-
<b>Total</b>	<b>1,297,795,200</b>	<b>-</b>

**(2) Changes in bonds payable**
**RMB**

Name of bonds	Par value	Issue date	Term of bonds	Issue amount	Opening balance	Issuance for the current period	Amorization of premium or discount	Repayment	Exchange gains or losses	Closing balance	Balance of accrued interest
Bonds issued to professional investors in 2021 (Phase I) (Note 1)	100	25 August 2021	3 years	1,300,000,000	-	1,297,504,000	291,200	-	-	1,297,795,200	14,833,000
<b>Total</b>	/	/	/	1,300,000,000	-	1,297,504,000	291,200	-	-	1,297,795,200	14,833,000

Note 1: As approved by Zheng Jian Xu Ke [2021] No. 2628 of China Securities Regulatory Commission, the Company issued corporate bonds with a total amount not exceeding USD 1300 million on 25 August 2021 at a coupon rate of 3.26%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of three years.

**19. Retained profits**
**RMB**

Item	Amount for the current period	Amount for the prior period
Opening balance of retained profits before adjustment	7,370,600,800	6,745,724,011
Add: Net profit attributable to the owners of the parent company in the current period	3,256,784,379	3,155,313,737
Less: Dividends payable for ordinary shares (Note)	2,262,545,868	2,530,436,948
<b>Closing balance of retained profits</b>	<b>8,364,839,311</b>	<b>7,370,600,800</b>

## 20. Operating income and operating costs

RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Main operations	833,001,902	736,317,143	1,135,016,134	820,011,662
Other operations	4,272,275,261	4,014,357,621	2,878,207,488	2,574,643,647
Total	5,105,277,163	4,750,674,764	4,013,223,622	3,394,655,309

## 21. General and administrative expenses

RMB

Item	Amount for the current period	Amount for the prior period
Staff costs	215,643,507	276,011,898
Depreciation and amortization expenses	51,650,682	7,116,467
Intermediary service expenses	43,275,369	54,411,210
Traveling expenses	10,153,712	12,383,144
Office and meeting expenses	7,328,022	9,101,021
Entertainment expenses	4,845,724	5,365,062
Outsourced labor expenses	4,238,055	2,865,502
Others	25,681,450	34,336,814
Total	362,816,521	401,591,118

## 22. Investment income

RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	3,282,892,916	3,006,506,405
Investment income of held-for-trading financial assets during the hold period	12,069,964	1,339,145
Dividend income of other non-current financial assets during the hold period	1,472,536	1,408,167
Investment income from disposal of subsidiaries	-	124,500,000
Dividend income of other equity instrument investments during the hold period	-	1,133,360
Income from long-term equity investments under equity method	(401,915)	67,717,486
Total	3,296,033,501	3,202,604,563

## 23. Income tax expenses

## (1) Income tax expenses

RMB

Item	Amount for the current period	Amount for the prior period
Current tax expenses	-	14,379,131
Deferred tax expenses	(17,984,345)	(3,574,932)
Total	(17,984,345)	10,804,199

## (2) Reconciliation of profits before tax and income tax expenses

RMB

Item	Amount for the current period	Amount for the prior period
Profit before tax	3,238,800,034	3,166,117,936
Income tax expenses calculated 25% of tax rate	809,700,009	791,529,484
Effect of non-taxable income	(824,008,375)	(769,526,141)
Effect of non-deductible cost, expense and loss	649,453	1,676,902
Effect of research and development expense	(4,325,432)	(2,908,921)
Others	-	(9,967,125)
Income tax expenses	(17,984,345)	10,804,199

**24. Supplementary information to the cashflow statement**
**RMB**

Supplementary information	Amount for the current period	Amount for the prior period
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	3,256,784,379	3,155,313,737
Add: Provision for impairment of assets	1,048,704	206,466
Losses (Gains) on impairment of credit	2,564,799	(398,978)
Depreciation of fixed assets	52,736,644	40,782,415
Depreciation of right-of-use assets	10,067,868	-
Amortization of intangible assets	1,990,085	3,543,039
Amortization of long-term prepaid expenses	2,231,680	2,413,779
Amortization of deferred income	(3,302,665)	(3,844,333)
Losses on disposal of fixed assets, intangible assets and other long-term assets	(17,691,662)	(10,798,209)
Losses on retirement of fixed assets	67,191	148,238
(Gains) on changes in fair value	(898,576)	(2,405,398)
Financial expenses	267,742,269	143,467,622
Investment (income)	(3,296,033,501)	(3,202,604,563)
(Increase) Decrease in deferred tax assets	(17,984,345)	7,181,746
Increase in inventories	(406,361,010)	(37,726,016)
(Increase) Decrease in operating receivables	(1,293,040,471)	(153,368,102)
(Decrease) Increase in operating payables	1,008,017,572	327,593,301
Net cash flow from operating activities	(432,061,039)	269,504,744
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	5,151,662,429	4,624,314,323
Less: Opening balance of cash	4,624,314,323	3,141,838,852
Net increase (decrease) in cash	527,348,106	1,482,475,471

**25. Related party transactions**

The company's subsidiaries are detailed in Note VII (1), and the Company's joint ventures and associates and other affiliated parties are detailed in Note VII (2).

**(1) Sales and purchase of goods, provision and receipt of services**
**RMB**

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Consolidation of subsidiaries within the scope	Sales of spare parts/Provide labor services	4,802,927,382	3,388,500,026
Merge related parties outside the scope			
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sale of spare parts	23,808,527	15,003,013
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Provide labor services	1,228,730	1,741,661
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Sales of spare parts/goods	30,874	-
Huaxin Trading (chibi) New building materials Co., LTD	Sales of spare parts/goods	221,794	-
Total of related parties outside the scope of consolidation		25,289,925	16,744,674
Total		4,828,217,307	3,405,244,700

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Consolidation of subsidiaries within the scope	Purchase of materials	684,821,183	232,211,244
Merge related parties outside the scope			
Huaxin Group Co., Ltd	Comprehensive service fees	6,226,415	6,226,415
Total		691,047,598	238,437,659

## (2) Leases with related parties

The Group as the lessee

RMB

Related party	Nature of transaction	Amount for the current period	Amount for the prior period
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	13,289,645	10,157,643

## (3) Related party capital occupation

Summary of capital occupation for the company and its related parties within the group as below:

RMB

	Amount of borrowing for the current period	Amount of repayment for the current period	Amount of borrowing for the prior period	Amount of repayment for the current period
Borrowing within the group from the company	4,429,257,344	4,639,485,395	3,226,012,310	3,537,201,880

	Distribution of funds for the current period	Collection of funds for the current period	Distribution of funds for the prior period	Collection of funds for the prior period
Cash pool transactions between companies within the group	11,179,693,331	11,855,709,076	7,855,957,835	10,002,784,639

## (4) Advances paid on behalf of related parties

RMB

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Merge related parties outside the scope			
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Payments for social security contributions	1,894,839	-
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Payments for spare parts	2,826,521	-
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Payments for equity incentives	340,557	-
Huaxin Trading (Chibi) New building materials Co., LTD	Payments for spare parts	278,898	-
Huaxin Trading (Chibi) New building materials Co., LTD	Payments for social security contributions	623,090	-
Huaxin Trading (Chibi) New building materials Co., LTD	Payments for equity incentives	107,539	-
Total of related parties outside the scope of consolidation		6,071,444	-
Total		6,071,444	-

## (5) Related party interest

Summary of the interest for capital occupation between the company and its related parties:

RMB

	Amount for the current period	Amount for the prior period
Interest from the related party borrowing within the group	(116,274,894)	(95,206,875)
Interest from the related party cash pool within the group	119,857,675	98,119,078

## (6) Related party guarantee

Guarantee party	Guaranteed party	The total amount of guarantee	Date of guarantee	Guarantee maturity date	Whether the guarantee has been fulfilled
Huaxin Cement Co., Ltd.	Huaxin (Hong Kong) International Holdings Co., Ltd.	1,066,654,610	05/06/2020	20/08/2026	
Huaxin Cement Co., Ltd.	Huaxin Gayur (Sogd) Cement LLC	47,371,451	29/05/2015	28/05/2022	
Huaxin Cement Co., Ltd.	Huaxin Environment Engineering (E'zhou) Co., Ltd.	12,730,000	26/04/2016	25/04/2024	
Huaxin Cement Co., Ltd.	Huaxin Environment Engineering (Zhuhai) Co., Ltd.	42,000,000	30/06/2015	30/06/2025	
Huaxin Cement Co., Ltd.	Huaxin Environment Engineering Co., Ltd.	188,926,664	22/09/2017	21/09/2027	
Huaxin Cement Co., Ltd.	Huaxin Cement (Chenzhou) Co., Ltd.	20,000,000	14/05/2021	10/05/2022	
Huaxin Cement Co., Ltd.	Huaxin Cement (Enping) Co., Ltd.	10,000,000	14/09/2021	14/09/2022	
Huaxin Cement Co., Ltd.	Huaxin Cement (Enshi) Co., Ltd.	20,000,000	22/09/2021	15/12/2022	

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Guarantee party	Guaranteed party	The total amount of guarantee	Date of guarantee	Guarantee maturity date	Whether the guarantee has been fulfilled
Huaxin Cement Co., Ltd.	Huaxin Cement (Fangxian) Co., Ltd.	30,000,000	26/07/2021	25/07/2022	
Huaxin Cement Co., Ltd.	Huaxin Cement (Huangshi) Co., Ltd.	1,013,707,754	29/05/2019	29/08/2026	
Huaxin Cement Co., Ltd.	Huaxin Cement (Sangzhi) Co., Ltd.	10,000,000	21/05/2021	29/08/2026	
Huaxin Cement Co., Ltd.	Huaxin Cement (Tibet) Co., Ltd.	152,950,000	31/10/2018	20/10/2026	
Huaxin Cement Co., Ltd.	Huaxin Cement (Xiangyang) Co., Ltd.	110,000,000	11/06/2021	30/11/2024	
Huaxin Cement Co., Ltd.	Huaxin Cement (Yichang) Co., Ltd.	124,000,000	04/02/2021	22/11/2024	
Huaxin Cement Co., Ltd.	Huaxin Cement (Changyang) Co., Ltd.	119,000,000	29/04/2019	28/06/2024	
Huaxin Cement Co., Ltd.	Huaxin Cement (Zhaotong) Co., Ltd.	67,000,000	04/11/2020	03/11/2023	
Huaxin Cement Co., Ltd.	Huaxin Cement (Zhuzhou) Co., Ltd.	114,000,000	03/02/2021	11/05/2022	
Huaxin Cement Co., Ltd.	Huaxin Cement (Zigui) Co., Ltd.	79,000,000	31/05/2021	01/07/2024	
Huaxin Cement Co., Ltd.	Huaxin Cement Narayani Co., Ltd.	159,392,500	21/09/2021	21/06/2023	
Huaxin Cement Co., Ltd.	Huaxin New Building Materials (Changyang) Co., Ltd.	70,000,000	27/12/2021	21/12/2026	
Huaxin Cement Co., Ltd.	Huaxin New Building Materials Co., Ltd.	10,000,000	24/09/2021	24/09/2022	
Huaxin Cement Co., Ltd.	Huangshi Huaxin Green Building Materials Co., Ltd.	830,000,000	30/09/2021	29/09/2026	
Huaxin Cement Co., Ltd.	Kunming Chongde Cement Co., Ltd.	250,000,000	24/12/2021	04/08/2028	
Huaxin Cement Co., Ltd.	Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	10,000,000	29/12/2021	04/12/2022	
<b>Total</b>		<b>4,556,732,979</b>			

## (7) Amounts due from related parties

Item	Related parties	Closing balance	Opening balance
Accounts receivable	Consolidation of subsidiaries within the scope	876,113,333	532,156,905
	Merge related parties outside the scope		
	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	259,859	6,000,328
	<b>Total</b>	<b>876,373,192</b>	<b>538,157,233</b>
Dividends receivable	Consolidation of subsidiaries within the scope	208,190,000	-
	<b>Total</b>	<b>208,190,000</b>	<b>-</b>
Prepayments	Consolidation of subsidiaries within the scope	196,270,007	50,310
	<b>Total</b>	<b>196,270,007</b>	<b>50,310</b>
Other receivables	Consolidation of subsidiaries within the scope	4,129,067,980	4,421,753,858
	Merge related parties outside the scope		
	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	-	1,011,926
	Shanghai Wan'an Huaxin Cement Co., Ltd.	-	20,920
	<b>Total</b>	<b>4,129,067,980</b>	<b>4,422,786,704</b>
Long-term receivables	Consolidation of subsidiaries within the scope	87,898,132	18,738,953
	<b>Total</b>	<b>87,898,132</b>	<b>18,738,953</b>
Non-current assets due within 1 year	Consolidation of subsidiaries within the scope	1,580,000	1,580,000
	<b>Total</b>	<b>1,580,000</b>	<b>1,580,000</b>
Contract liability	Consolidation of subsidiaries within the scope	69,111,755	-
	<b>Total</b>	<b>69,111,755</b>	<b>-</b>
Accounts payable	Consolidation of subsidiaries within the scope	79,747,121	72,085,139
	<b>Total</b>	<b>79,747,121</b>	<b>72,085,139</b>
Other payables	Consolidation of subsidiaries within the scope	7,938,933,541	7,147,548,419
	Merge related parties outside the scope		
	Huaxin Group Co., Ltd.	-	23,684
	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	-	238,300
	Huaxin Trading (Chibi) New building materials Co., LTD	-	2,275
	<b>Total</b>	<b>7,938,933,541</b>	<b>7,147,812,678</b>



**XVI. SUPPLEMENTARY INFORMATION**

## 1. Breakdown of non-recurring profit or loss for the current period

Item	Amount
Profit or loss on disposal of non-current assets	(21,001,698)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	98,101,667
Profit on acquiring subsidiaries, associated enterprises and joint ventures when investment cost is less than the fair value of the investee's identifiable net assets	10,392,602
Profit or loss on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, other than those used in the effective hedging activities relating to normal operating business	7,574,169
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment	10,361,223
Other non-operating income or expenses other than the above	(41,061,154)
Effect of income tax	(11,441,802)
Effect of minority interests	5,722,567
<b>Total</b>	<b>58,647,574</b>

RMB

## 2. Return on net assets and earnings per share ("EPS")

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	21.30	2.58	2.58
Net profit after deduction of non-recurring profit or loss attributable to ordinary shareholders of the Company	21.07	2.55	2.55