



華新水泥股份有限公司
HUAXIN CEMENT CO., LTD.

HUAXIN CEMENT CO., LTD.*
華新水泥股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock code : 6655

ANNUAL REPORT

2021

* For identification purposes only

Important Notice

1. The Board of Directors of the Company and all directors, the Board of Supervisors of the Company and all supervisors, and the senior management, collectively and individually accept full responsibility for the purpose of giving information to the public with regard to the Company, and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.
2. All directors of the Company attended the 12th meeting of the 10th session of Board of Directors.
3. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued an auditor's report with standard unqualified opinions for the Company.
4. Mr. Li Yeqing, Executive Director and CEO, Mr. Chen Qian, person in charge of accounting, and Mr. Wu Xin, chief of accounting agency, declare and confirm that the financial statements contained in herein are true, accurate and complete.
5. The profit distribution plan for 2021 adopted at the 12th meeting of the 10th session of Board of Directors of the Company is as follows: a cash dividend of RMB1.00 per share (tax inclusive) was proposed to be distributed to all shareholders, and no capitalization of common reserve fund was provided. The Company's shares held by the Company's repurchased securities account shall not be eligible for the cash dividend.
6. Forward-looking risk statement: future plan, development strategies and other forward-looking statements in this report do not constitute any substantive commitments of the Company to its investors. Investors and the public are kindly advised to be cautious of the investment risk.
7. There was no appropriation of the Company's funds for non-operating purpose by the controlling shareholders or their related parties.
8. All the external guarantees provided by the Company are in compliance with the decision-making procedures.
9. Material risk warning: the risks that the Company may be exposed to have been described in detail in this report. Please refer to the section headed "V. Management Discussion and Analysis on the Operations of the Company".

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INTERPRETATION

Unless otherwise required, the terms and expressions contained in this report shall have the following meanings:

A Shares	means	Ordinary shares listed on the SSE with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in RMB
AFR	means	Alternative fuel raw material
Board	means	the board of directors of the Company
China or PRC	means	The People's Republic of China
CO ₂	means	Carbon dioxide
CSRC	means	China Securities Regulatory Commission
Director(s)	means	the director(s) of the Company
EBITDA	means	Earnings before interest, tax, depreciation and amortization
EPC	means	Engineering Procurement Contract
Group	means	The Company and its subsidiaries. "subsidiary(ies)" has the meaning ascribed to it under the Listing Rules
H Shares	means	Foreign shares listed on the SEHK with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in Hong Kong dollars
H Shares Listing Date	means	28 March 2022, the date on which the Company's H Shares were listed on the Main Board of the SEHK
Holcim	means	Holcim Limited
Hong Kong	means	Hong Kong Special Administrative Region of China
Hong Kong Listing Rules	means	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
ICC	means	International Chamber of Commerce
IT	means	Information technology
kgce/t.KK	means	Kilogram standard coal/ton clinker
KPI	means	Key performance indicators
NOx	means	Nitrogen oxide(s)
PRC Accounting Standards	means	Accounting Standards for Business Enterprises of the People's Republic of China
Reporting Period	means	From 1 January to 31 December 2021
RMB or Yuan	means	Renminbi, the lawful currency of the PRC. K Yuan, 10K Yuan, Million Yuan, 100 Million Yuan shall be construed as references to RMB1,000, RMB10,000, RMB1 million, RMB100 million

INTERPRETATION

Securities and Futures Ordinance	means	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	means	The Stock Exchange of Hong Kong Limited
SNCR	means	Selective non-catalytic reduction
SSE	means	Shanghai Stock Exchange
SSE Listing Rules	means	Rules Governing the Listing of Shares on Shanghai Stock Exchange
Supervisor(s)	means	the supervisor(s) of the Company
The Company or Huaxin Cement	means	Huaxin Cement Co., Ltd.
VAP	means	Value-added product

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

1. COMPANY INFORMATION

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

2. Contact persons and means of contact

Title	Joint Company Secretary	Securities Affairs Representative
Name	Mr. Ye Jiaxing (Secretary to the Board of Directors)	Ms. Wang Lu
Contact address	Block B, Huaxin Building, No. 426, Gaoxin Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province	Block B, Huaxin Building, No. 426, Gaoxin Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province
Tel	0086 27 87773898	0086 27 87773898
Fax	0086 27 87773992	0086 27 87773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

3. BASIC INFORMATION

Registered office of the Company	No. 600, East Daqi Avenue, Huangshi City, Hubei Province
Business address of the Company	Block B, Huaxin Building, No. 426, Gaoxin Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province
Post code of the business address	430073
Website of the Company	www.huaxincem.com
E-mail	investor@huaxincem.com

4. INFORMATION DISCLOSURE AND AVAILABLE ON DISPLAY

Press designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News
Website designated by CSRC to publish the annual report	www.sse.com.cn
Website designated by SEHK to publish the annual report	www.hkexnews.hk
Location where the Company's annual report is available for inspection	Securities and Investor Relations Department of the Company

5. COMPANY'S SHARES

Type	Place of listing	Abbreviation	Stock code
A Shares	SSE	Huaxin Cement	600801
H Shares	SEHK	Huaxin Cement	06655

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

6. REGISTRAR FOR SHARE TRANSFER

A Shares registrar and transfer office	China Securities Depository and Clearing Corporation Limited Shanghai Branch
H Shares registrar and transfer office	Tricor Investor Services Limited

7. OTHER INFORMATION

Compliance advisor	Shenwan Hongyuan Capital (H.K.) Limited 17/F, 28 Hennessy Road, Hong Kong
Legal advisor as to PRC law	Hubei Sunshine Law Firm 18/F, Building 1, Zhengtang IBO Times Square, 9 Huanle Avenue, Hongshan District, Wuhan City, Hubei Province
Legal advisor as to Hong Kong law	Howse Williams 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong
Certified Public Accountants (domestic)	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F, 222 Yan'an East Road, Huangpu District, Shanghai
Authorised Signatory of the accountant	Mr. Chen Jialei, Mr. Pang Yong

8. FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

(1) Major financial information for the three years ended 31 December 2021

Table 1

Unit: RMB

Item	2021	2020	Year-over-year change (%) between 2021 and 2020	2019
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 after extraordinary items attributable to equity shareholders of the Company	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

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Table 2

Unit: RMB

Item	31 December 2021	31 December 2020	Year-over-year change (%) between 2021 and 2020	31 December 2019
Net assets	26,729,911,468	23,571,375,317	13.4	21,309,042,690
Total liabilities and shareholders' equity	52,549,618,050	43,928,509,151	19.63	36,645,386,717

(2) Key financial ratios for the three years ended 31 December 2021

Unit: RMB

Item	2021	2020	Year-over-year change (%) between 2021 and 2020	2019
Basic earnings per share (RMB/share)	2.58	2.69	-4.09	3.03
Diluted earnings per share (RMB/share)	2.58	2.69	-4.09	3.03
Basic earnings per share after extraordinary items (RMB/share)	2.55	2.65	-3.77	2.95
Weighted average return on net assets (%)	21.30	25.03	Decreased by 3.73 percentage points	33.63
Diluted return on net assets after extraordinary items (%)	21.07	24.68	Decreased by 3.61 percentage points	32.77

(3) Key financial data by quarters in 2021

Unit: RMB

Item	Quarter 1 (January - March)	Quarter 2 (April - June)	Quarter 3 (July - September)	Quarter 4 (October - December)
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 after extraordinary items attributable to equity shareholders of the Company	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

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(4) Extraordinary items and amount

Unit: RMB

Extraordinary items	2021	2020	2019
Profit or loss on disposal of non-current assets	-21,001,698	-9,013,118	157,081,620
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	101,892,558	74,943,476
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	—	3,823,563
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	3,744,543	12,735,027
Reversal of provisions for impairment of receivables and contract assets that have been separately tested for impairment	10,361,223	2,338,361	43,412,375
Other non-operating income or expenses other than the above	-41,061,154	-12,559,351	-13,216,729
Less: effect of income tax	11,441,802	11,733,195	68,926,365
Effect of minority interests	-5,722,567	-2,220,722	47,537,062
Total	58,647,574	76,890,520	162,315,905

(5) Items measured by fair value

Unit: RMB

Item	Opening balance	Closing balance	Change in the period	Impacts on the profits of the period
Held-for-trading financial assets	1,004,581,752	711,964,323	-292,617,429	19,452,534
Financing with receivables	1,020,306,419	761,050,910	-259,255,509	—
Other equity instrument investments	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 (preferred stock)	—	128,126,596	128,126,596	-5,394,371
Total	2,091,490,420	1,683,352,155	-408,138,265	9,046,705

COMPANY BUSINESS

1. CEMENT

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

In 2021, overall Chinese economy trend continues to be stable with good momentum. GDP growth rate was 8.1%, ranking among the top among global economies. Although major macro statistics were within a reasonable range, the consumption relating to cement, such as fixed-asset investment, real estate investment, and infrastructure investment have weakened. Overall cement consumption demand is characterized by an easing trend during the year. For the whole year, total cement output was 2.363 billion tons, decreased by 1.2% as compared to that of 2020. Cement production costs increased drastically due to the dual control on energy consumption and intensity, the limit and restrictions on electricity and production, and the surge in coal price resulting in a rise of cement price was first down then up. Overall profit for the industry remained a relatively healthy level as compared with historic data. Total operating income in the cement industry was RMB1075.4 billion, increasing increased by 7.3% as compared to that of 2020. Total profit was RMB169.4 billion, decreasing by 10% as compared to that of 2020. (Source: National Statistics Bureau and Material Department of the Ministry of Industry and Information)

According to the statistics of China Cement Association Information Research Center, in 2021, cement clinker capacity utilization rate was 74%. Cement production overcapacity remained as a major issue in the cement industry. Issues of shrinking demand and highlighting the overcapacity problem. Backward production capacity phasing out slowly, the ratio of advanced production capacity being low, and production overcapacity are still urgent problems to be solved.

Dual control on the energy consumption and intensity is an important step to reach carbon peak and carbon neutrality, as well as a pivotal point to help achieve phasing out overcapacity and backward production capacity. Cement therefore is a focus of the dual control given its high energy consumption and high emission (“two high”). Since the second half of 2021, the National Development and Reform Commission and the relevant departments issued the “Plan for Improving the Dual Control on 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 reckless 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 Standard Level in Key Fields of High Energy-consuming Industries (2021 Edition)”, the government will aim to bring the projects to up to the standards according to the comprehensive energy consumption in the kiln line. Projects below the standard level will either 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 production capacity will exceed 30% of the benchmark level. With the continuous progress of the “dual carbon” strategy, the impact on the cement industry mainly includes: phasing out backward production capacity progressively; boosting the green development of energy conservation and carbon reduction in the industry; promoting industrial upgrading and transformation; urging cement enterprises to integrate along the industry value chain; stimulating the industry to increase investment in innovation; promoting the coordinated utilization, digitalization and deployment of new energy in the industry; increasing the use of alternative energy; promoting the research and development of carbon reduction technologies in the industry; and building a collaborative mechanism for carbon reduction in the industry.

COMPANY BUSINESS

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

2. MAIN BUSINESS AND OPERATION MODEL OF THE COMPANY

(1) Main business of the Company

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

The Company is one of the Top 500 Chinese Manufacturing Enterprises and Fortune China 500 List. By the end of 2021, the Company owned around 270 subsidiaries across 14 provinces and cities in China including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi, with total cement grinding capacity of 116 million tons/year (grinding capacity, including capacity in associates), cement equipment production capacity of 50,000 tons/year, ready-mixed concrete capacity of 43.80 million m³/year, aggregate capacity of 154 million tons/year, composite eco wall material capacity of 540 million units/year, aerated concrete product (brick, board) capacity of 850,000 m³/year, mortar capacity of 300,000 tons/year, UHPC capacity of 40,000 m³/year, civil building curtain wall slab production of 800,000 m²/year, industrial anti-corrosion tile production of 3 million m²/year, lime production of 690,000 tons/year, cement packaging bag production of 700 million bags/year, and wastes disposal capacity of 5.53 million tons/year (including CIPs).

In 2021, the revenue attributed by the cement business accounted for approximately 79% of the total income of the Company, while the share of non-cement business has been gradually improves.

(2) Operation model of the Company

Management: The Company has established a matrix and flat organization structure of "regional management + business operation + functional management", and by establishing a technology institute, it implements the Company's business portfolio strategy from two different directions, namely "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.

Production: Production of the Company adopts a production organisation method based on sales volume. Subsidiaries formulate annual production and operation plan and organise the production based on the demand in their respective regions.

Sales: The Company implements a marketing model, which the headquarter of the Company leads and directly operates certain core areas, industrial parks and factory bases as units for operation and management, with equal emphasis on direct sales and distribution. With the pursuit of quality as the core, the Company strives to promote its brand and maintain its value so as to improve competitiveness in the market.

COMPANY BUSINESS

Procurement: The Company initiated the procurement strategy of “Unified Procurement + Online Procurement”. Important raw materials and fuels are centralisedly procured by the headquarters collectively. The Company continues to develop and maintain direct supply of strategic resources. All the office supplies, IT consumables and some industrial products are procured under internal framework agreement or by external e-commerce channel. 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 through a standard and process-oriented bidding platform of the headquarters.

3. COMPETITIVE STRENGTH DURING THE REPORTING PERIOD

Established in 1907, the Company has a long history and profound cultural heritage, and it is one of the top 100 large scale companies listed in “China’s 500 Most Valuable Brands”. By unswervingly taking efforts in management and technology 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 follows:

(1) Advantages in scale operation and integral industry chain

Since its listing on SSE, through continuous mergers and acquisitions, the Company is now equipped with 116 million tons of cement 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 has steadily developed concrete, aggregates, eco wall materials, cement equipment and engineering, cement-based new building materials, and eco business relied on cement kiln co-processing, realizing vertically integrated development earlier than other companies and forming coordinated competitiveness in both upstream and downstream whole industry chain.

(2) Advantages in green and low-carbon development

Guided by the new development concept, the Company was the first in the industry to implement environmental transformation and development. Through extensive use of alternative fuels, green mining, improvement of the intelligence level of industrial system, and the pilot projects of co-generation and carbon reduction for integrated projects such as cement-aggregate-wall material, the Company has been a forerunner in carbon reduction practices to build competitive advantages. The Company was the first in the cement industry to release the white paper on carbon emission reduction under the “carbon peak and carbon neutrality” initiative from 2025 to 2060. The world’s first “Auto Production Line of Cement Kiln CO₂ 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, in the Energy Efficiency “Leader” selection event organized by the Ministry of Industry and Information Technology, the Company’s Xinyang and Zhuzhou plants were selected and ranked first and second in the industry, respectively. The Company was the first amongst its to publish White Paper on Low-carbon Development, demonstrating its determination and confidence to be the avant-garde in carbon neutrality leadership.

As of the end of 2021, the Company’s “Complete Technology of Efficient Ecological Utilization of Solid Wastes in Cement Kilns” with independent intellectual property rights were applied in 20 cement factories in 7 provinces and cities in China, and the environmental protection business covered 50% of cement kiln lines. The newly operated production line in Huangshi Factory with an annual production capacity of 10,000 tons has achieved a TSR of more than 40% at the peak, which is among the international leading level.

COMPANY BUSINESS

(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, design, manufacturing, installation, commissioning and “turkey 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 commercially applying the relevant technologies in industrial production practices.

The Company was awarded the National Science and Technology Progress Award (Second Prize) (the first batch of units to finish the award) in 2009 and 2016. In 2021, the Company’s technology of using alternative fuels to reduce clinker carbon emission was listed among the category of low carbon technology by the Ministry of Industry and Information. The development and application of low-carbon and nitrogen-reducing superscale cement production technology and equipment were recognized as world’s leading level by the building materials association.

As at the end of 2021, the Company has registered 48 patents for invention derived from production practices 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 was one of “China’s 500 Most Valuable Brands” for seven consecutive years, ranking 80th with a brand value of RMB70.269 billion, increased by 17.4% as compared to that of 2020. Meanwhile, the Company had been listed among the Top 500 of Asian Brands for the sixth year in a row, ranking to the 167th in 2021. In addition, the Company was ranked the 306th in the Top 500 Chinese Manufacturing Enterprises and also won Top 100 Chinese Listed Enterprises Award in 2021.

(5) Advantages in product quality

The Company was selected as one of the national “Quality Model” enterprises. The Company was the first in cement industry that passed the certification of the GB/T19001—ISO9001 Quality Management System. All 15 types of cement products of the Company were in the roll of the first batch of national quality inspection-free products, and the quality of these products has been among the best in the national cement quality competition. The cement products of the Company have been used as building materials in construction of the national landmark buildings and key projects such as the Great Hall of the People, Wuhan Yangtze River Bridge, Beijing-Zhuhai Expressway, Qinghai-Tibet Railway, Three Gorges Project, winning widespread acclaim.

COMPANY BUSINESS

(6) Advantages in Strategic plan

The Company's production facilities in China are mainly located along the Yangtze River economic belt and key areas or hot spots in the western China where economy is vibrant and market demand can be guaranteed comparatively. Overseas plants are mainly set up in countries along the Belt and Road that have good relationships with China. The choice of plant location adheres to the principle of "guaranteed resources, convenient transportation and potential 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 the synergy with its main cement business. The Company's strategic advantages stem from the synergy from its business and market.

(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, the Company continuously promotes the optimization of business operations and production management in 272 projects under 5 categories to support business transformation and development, thus enhancing its corporate competitiveness.

The Company has built an internal-to-external, upstream and downstream collaborative digital operation system. At the same time, unmanned industrial intelligent operation have been deployed in mining, cement production and logistics delivery. Relying on its integrated management and control platform for intelligent cement manufacturing, the Company was amongst the first batch of industrial internet enterprises in Hubei Province in 2021, and Huaxin Cement (Enshi) Co., Ltd. was amongst the second batch of cloud-based benchmark enterprises in Hubei Province.

By the end of 2021, the Company had implemented a total of 272 digital projects in 41 categories in its 33 subordinate 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 for the Company's business operation.

(8) Advantages in professional, stable and efficient management team

Senior Management's leadership is the key to the Company's strategical success. Huaxin is equipped with a stable management team with advanced management concept and strong ability of learning and execution. Most of them have over 20 years of experience in the industry.

DIRECTORS' REPORT

The Board of Directors presented the directors' report and the audited financial statements of the Group for the year ended 31 December 2021 set out on pages 89 to 282.

1. INVESTMENT DURING THE REPORTING PERIOD

(1) Analysis of foreign equity investment

Unit: RMB

Item	Amount for current period	Amount for same period of last year	Changes (%)
Held-for-trading financial assets	711,964,323	1,004,581,752	-29.13
Other equity instrument investments	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

(2) Changes in the scope of consolidation due to changes in the equity of major subsidiaries during the Reporting Period

On 14 January 2021, Huaxin entered into an equity transfer agreement with Yidu Baishui Port Industry and Trade Co., Ltd., to sell 100% equity of Huangshi Yidu Packaging Co., Ltd. in the consideration of RMB2,510,700, as a result of which Huangshi Yidu Packaging Co., Ltd. was no longer included in the scope of consolidation.

(3) Shareholdings in other listed companies and trading of shares in other listed companies

As of the end of the Reporting Period, the Company's shareholdings in other listed companies are as follows:

Unit: RMB

Stock code	Securities short name	Initial investment cost	Shareholding at the beginning of the period	Shareholding at the end of the period	Book value at the end of the period	Gains or losses during the Reporting Period
601328	Bank of Communications	3,165,725	0.003%	0.003%	10,071,260	976,541
601601	China Pacific Insurance	696,000	0.006%	0.006%	16,272,000	-5,988,000
Total		<u>3,861,725</u>			<u>26,343,260</u>	<u>-5,011,459</u>

Note: The above securities held by the Company are all included under "Other non-current financial assets".

(4) Major equity investments during the Reporting Period

Unit: RMB

Investee	Principal business	Investment proportion (%)
Tibet Gaoxin Building Materials Group Co., Ltd.	Manufacture and sales of cement	43%

DIRECTORS' REPORT

(5) Major subsidiaries and associated companies

Unit: RMB

Company name	Major product and service	Registered capital	Total assets	Net assets	Net profit	Operating income
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 aggregates	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

2. PROFIT DISTRIBUTION POLICY AND ITS IMPLEMENTATION

(1) The formulation and implementation of cash dividend policy

On 27 April 2021, the 2020 Annual General Meeting (the "AGM") approved the *2020 Profit Distribution Plan*. On the basis 2,093,874,372 shares, being a total of 2,096,599,855 shares at the end of 2020 less 2,725,483 shares in the special repurchase account, equivalent to a cash dividend of RMB1.08 per share (tax inclusive) was distributed to all shareholders, representing 40.16% of the consolidated net profit attributable to the shareholders. The undistributed amount was retained as undistributed profit for distribution. No capitalizations of common reserve fund was made in the profit distribution plan for 2020. Shares in the special account for the share repurchase were not eligible for cash dividend.

On 10 June 2021, the Company published the 2020 Announcement on Distribution of Equity Holders. Based on the 2,094,949,878 shares outstanding (being total issued 2,096,599,855 shares at the end of 2020 less the 1,649,977 shares in the special account for the repurchase at the date of registration for dividend distribution), RMB2,262,545,868 was distributed to all shareholders, representing a cash dividend of RMB1.08 per share (tax inclusive).

The profit distribution plan was completed on 29 June 2021.

(2) Profit distribution plan for 2021

The net profit of the Company in 2021 amounted to RMB3,256,784,379, and the consolidated net profit attributable to the shareholders amounted to RMB5,363,525,692. The profits of the Company available for distribution was RMB8,364,839,311 as at 31 December 2021.

DIRECTORS' REPORT

Based on the Company's total share capital of 2,096,599,855 shares less the shares kept in the repurchased securities account on the record date for the implementation of the profit distribution for year 2021, a cash dividend of RMB1.00 per share (tax inclusive) was proposed to be distributed to all shareholders (it was estimated cash dividends of RMB2,094,949,878 for distribution). The undistributed amount will be retained as undistributed profit for distribution. No capitalizations of common reserve fund is made in the profit distribution plan for 2021.

As at the date of this report, no shareholders waived or agreed to waive the dividend distribution plan for 2021.

The Company's shares held under the Company's repurchased securities account shall not be eligible for the cash dividend. The profit distribution plan is subject to approval at the 2021 AGM of the Company. The date of the Company's 2021 AGM and the relevant book closure arrangement, as well as the arrangement of book closure for the final dividend, will be announced in the Notice of the 2021 AGM which will be published in due course.

3. DIVIDENDS

The Board of Directors of the Company proposed to distribute a final dividend of RMB1 (tax inclusive) per share for 2021, subject to the approval at the Company's 2021 AGM. The above proposed final dividends are expected to be distributed to the shareholders of the Company before 20 July 2022.

4. TAXES

Details of taxes are set out in Notes 19, 25, 42 and 54 in Note IV "Taxes" and V "Notes to Items in the Consolidated Financial Statements" of the financial statements prepared in accordance with the PRC Accounting Standards.

5. MAJOR CUSTOMERS AND SUPPLIERS

(1) Customers

Sales to the Top 5 customers amounted to approximately RMB909.09 million, representing approximately for 2.8% of the annual total sales for the year ended 31 December 2021. No related-party transaction was in the total Top 5 customers' sales, accounting for 0% of the annual total sales.

During the Reporting Period, the Company did not sell more than 50% of the annual total sales to a single client or rely heavily on a few customers. The following table shows the sales to the top 5 customers during the Reporting Period and their proportions in the annual total sales.

Unit: RMB10,000

Item	Customers	Net sales	Percentage of the total sales (%)
1	Customer A	20,185	0.6
2	Customer B	19,444	0.6
3	Customer C	18,871	0.6
4	Customer D	18,698	0.6
5	Customer E	13,710	0.4

DIRECTORS' REPORT

(2) Suppliers

Procurement from the Top 5 suppliers amounted to approximately RMB3,826.82 million, representing approximately 19.2% of the annual total purchases. No related-party transaction was in the total top 5 suppliers' purchases, accounting for 0% of the annual total purchases.

During the Reporting Period, the Company did not purchase more than 50% of the annual total purchases from a single supplier or rely heavily on a few suppliers. The following table shows the purchases of the top 5 suppliers during the Reporting Period and their proportions in the annual total purchases.

Unit: RMB10,000

Item	Suppliers	Purchase amount	Percentage of the total purchases (%)
1	Supplier A	200,376	10.1
2	Supplier B	98,863	5.0
3	Supplier C	31,602	1.6
4	Supplier D	28,163	1.4
5	Supplier E	23,678	1.2

None of the Company's directors, supervisors or their respective close associates (as defined in the Hong Kong Listing Rules) or shareholders of the Company (who or which to the best knowledge of the directors of the Company) holding more than 5% of the Company's issued shares had any interest in the Company's top 5 customers or suppliers as at 31 December 2021.

6. R&D EXPENSES

Unit: RMB

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 income	0.25
% of capitalized R&D expenses	/

7. LAND LEASE, REAL ESTATE, FACTORY AND EQUIPMENT

Changes in land lease, real estate, factory and equipment of the Company for the year ended 31 December 2021 are set out in Note V (13) to the financial statements prepared in accordance with the PRC Accounting Standards.

8. TOTAL ASSETS

The total assets of the Group as at 31 December 2021 determined in accordance with the PRC Accounting Standards were approximately RMB52.55 billion, representing an increase of approximately RMB8.621 billion as compared to that as at 31 December 2020.

DIRECTORS' REPORT

9. RESERVES

Changes in land lease, real estate, factory and equipment of the Company during this year as of 31 December 2021 are set out in Notes V (35) to (40) to the financial statements prepared in accordance with the PRC Accounting Standards.

10. DEPOSITS, LOANS AND CAPITALIZED INTERESTS

Details of the Group's loans as at 31 December 2021 are set out in Note V (20), (27) and (28) to the financial statements prepared in accordance with the PRC Accounting Standards. The Group's depository banks as at 31 December 2021 were all commercial banks with good credit standing. The Group did not have any fixed time deposits that cannot be withdrawn due to maturity. During the Reporting Period, the capitalized interest of construction in progress was RMB30 million. Details are set out in Note V (14) to the financial statements prepared in accordance with the PRC Accounting Standards.

11. EXCHANGE RATE RISK AND RELATED FINANCIAL INSTRUMENT HEDGING

The Group's exposure to foreign exchange risk is mainly related to US dollars. Except that several subsidiaries of the Group purchase and sell in US dollars, other major business activities of the Group are denominated and settled in RMB. The balance of other foreign currencies (mainly Hong Kong dollars, Euros and Rubles) is relatively small, so their impact on the foreign exchange risk of the Group is immaterial.

The Finance Department of the Group's headquarters is responsible for monitoring the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, so as to minimize the foreign exchange risks it faces. The Group may avoid foreign exchange risks by signing forward foreign exchange contracts or currency swap contracts. In 2021, the Group did not sign any forward foreign exchange contracts or currency swap contracts.

12. BUSINESS REVIEW, OUTLOOK AND MAIN RISK FACTORS

For the Group's business review, outlook for 2021 and main risk factors, please refer to the sections "III. Company Business" and "V. Management Discussion and Analysis on the Operations of the Company" of this report.

13. SUFFICIENT PUBLIC FLOAT

Based on the public information obtained by the Company and to the best knowledge of the Directors of the Company, the Board of Directors confirmed that the Company maintained sufficient public float on the date of this report.

14. COMPLIANCE WITH LAWS AND REGULATIONS

As a public company listed in the Mainland of China and Hong Kong, the Company formulates and continuously improves its rules and regulations in strict accordance with the *Company Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies in China*, *Corporate Governance Code* and *Corporate Governance Report* as stipulated in Appendix 14 to *Hong Kong Listing Rules* and other applicable laws and regulations of domestic and overseas listing venues, as well as requirements of relevant documentation and the provisions of the articles of association of the Company to standardize the operation of the Company and continuously maintain and improve the Company's market image.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

1. OVERVIEW OF OPERATION DEVELOPMENT

2021 marked 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, the Group still anchored the established target of Doubling Performance in Five Years, adhered to green and low carbon development. During the Reporting Period, the Group further implemented the strategy of “Integrated Transformation Development, Overseas Expansion, High-tech Building Materials Expansion and Traditional Industry + Digital Innovation”, contributing to the significant expansion of the non-cement business capacity. The Group adjusted the organization structure, thus accelerating the integrated transformation development; intensified efforts in compliance of resources, safety and environment, and strictly controlled the risks of asset, product quality, compliance and corruption to ensure the enterprise development; adhered to the business strategy of “stable price and quality, stable operation” to maintain the stability of business performance. In 2021, the Group has made breakthroughs in various aspects and achieved high quality, high speed and high efficiency development, revealing a good start for the Fourteenth Five Year Plan.

During the Reporting Period, the Company accelerated the strategic implementation of its non-cement business, aiming to transform the business with an integrated industrial chain of aggregates, concrete, wall materials, environmental protection business, packaging and equipment engineering from its core business – cement. In relation to the cement business, the acquired cement assets in Zambia and Malawi were successfully delivered during the year, increasing the capacity of cement by 1.75 million tons. The Company also completed the renovation of the cement grinding plant in Maveni, Tanzania during the Reporting Period. Moreover, after overcoming the difficulties, a cement and clinker production line with the capacity of 2,800 ton per day was officially put into operation in Narayani, Nepal on 8 January 2022. As to aggregate business, 12 aggregate production plants including Zhaotong, Chibi Phase II and Hefeng were put into operation; 10 aggregate projects are under construction, including the Yangxin 100 million tons machine-made sand project, proceeding 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 Group’s competitiveness. In addition, the concrete integration business is rapidly expanding, where 20 concrete integration sites such as Chibi, Chenzhou, Shuicheng, and Zhaotong were completed and put into operation, and Yueyang and Jingzhou grinding stations were upgraded to concrete integration stations. The Company firmly implemented the integration strategy along the Yangtze River and added two new sites based on the launch of Changzhou project, increasing the capacity of concrete production by 16.7 million cubic meters per year. Regarding the eco business, Shiyao domestic wastes disposal (phase II) was successfully expanded; Shannan household wastes (phase II), Chongqing Shuangqiao hazardous wastes, Shigatse hazardous wastes and other projects passed the environmental impact assessment and obtained approval. The Company also launched the alternative fuel project and completed standardized design in a short period, where 16 relevant projects passed the environmental impact assessment and obtained approval. More than 10 projects including Sangzhi, Diqing, Dongchuan, and Fangxian are under civil engineering construction. In terms of the emerging business, the production lines of Zhuzhou eco bricks and Jianchuan eco bricks were put into operation, increasing the capacity of eco bricks by 180 million. The acquisition of the first aerated block brick/board plant in Hainan was successfully completed and the operation of Yunxian aerated block production line was put into operation, adding 850,000 cubic meters per year. Changyang ceramsite, Xiangyang lime and Wanyuan lime projects were put into operation, together increasing the capacity of lime by 390,000 tons per year. In terms of resource acquisition, the Company acquired 1.49 billion tons of lime and sand shale during the Reporting Period, and obtained mining licenses for a total of 3.6 billion tons of resource reserves.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

The Company acknowledges its responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on its business. The Company has established an ESG policies (the “ESG Policy”) in accordance with the standards of Appendix 27 to the Hong Kong Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators, the relevant measurements and mitigating measures. The ESG Policy also sets out the respective responsibility and authority of different parties in the above processes. The Board of the Company has the overall responsibility for overseeing and determining the Group’s environmental-related, climate-related and social-related risks and opportunities impacting the Group, establishing and adopting the ESG Policy, strategies and targets of the Group, and reviewing the Group’s performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified. The Company will publish a separate environmental, social and governance report on the website of the SEHK (www.hkexnews.hk) and the Company’s website (www.huaxincem.com) in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 to the Hong Kong Listing Rules.

2. MAJOR OPERATING INFORMATION DURING THE REPORTING PERIOD

(1) Principal operations

Changes of Items in the Income Statement and Cash Flow Statement

Unit: RMB

Item	2021	2020	Changes (%)
Operating income	32,464,083,379	29,356,515,691	10.59
Operating costs	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 expenses	71,401,459	55,979,438	27.55
Net cash flow from operating activities	7,594,957,122	8,405,472,760	-9.64
Net cash flow from investing activities	-6,794,063,625	-5,008,041,912	-35.66
Net cash flow from financing activities	-632,252,873	187,685,399	-436.87

Note: Reasons for change in financial expenses: decreasing in foreign exchange loss and increasing in interest income from deposits; change in net cash flow from investing activities: increasing investment in aggregate and concrete projects and continuous investment in projects under construction; reasons for change in net cash flow from financing activities: settlement of maturing corporate bonds.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

(2) Analysis of revenue and cost

Major performance by products

Unit: RMB

Major financial performance by products

Product	Operating income	Operating costs	Gross profit margin (%)	Year-over-year change in operating income (%)	Year-over-year change in operating cost (%)	Year-over-year change in gross profit margin (%)
Cement	24,067,650,740	15,924,573,208	33.83	1.84	10.72	Decreased by 5.31%
Concrete	3,175,398,379	2,578,492,840	18.8	68.94	70.31	Decreased by 0.65%
Aggregate	2,053,535,770	706,001,928	65.62	73.57	59.52	Increased by 3.03%
Commercial clinker	1,606,353,621	1,314,106,783	18.19	22.36	45.59	Decreased by 13.05%
Others	1,561,144,869	869,319,706	44.32	15.73	9.56	Increased by 3.14%
Total	32,464,083,379	21,392,494,465	34.10	10.59	18.61	Decreased by 4.46%

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Major financial performance by geographical areas

Unit: RMB

Areas	Operating income	Change over the same period of 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	<u>32,464,083,379</u>	<u>10.59</u>

In 2021, operating income amounted to RMB32.464 billion, representing an increase of RMB3.108 billion or 10.59% as compared to that of the same period of the preceding year, of which the sales volume of cement and clinker amounted to 75.27 million tons, representing a decrease of 732,600 tons or 0.96% as compared to that of the same period of the preceding year, due to the impact from significant increase in steel prices and insufficient infrastructure construction. However, as the National Development and Reform Commission issued the Plan for Improving the System of Dual Control over Energy Consumption Intensity and Total Consumption, power rationing policy led to a significant increase in upstream coal prices, resulting in the rise of the average cement price by RMB12.00 per ton, representing a year-over-year increase of 3.62%, and the average clinker price increased by RMB29.97 per ton, representing a year-over-year increase of 10.60%, thereby the sales revenue of cement and clinker increased by RMB729 million. The sales volume of concrete increased by 4.4461 million cubic meters over to 9.05 million cubic meters, representing a year-over-year increase of 96.49%, which offset the influence of price decline by RMB57.2 per cubic meters or a year-over-year decrease of 14.02%. The revenue of concrete still soared to RMB1.296 billion. The sales of aggregate increased by 11.919 million tons to 34.97 million tons, representing a year-over-year increase of 51.71%, price of which also increased by RMB7.4 per ton, representing a year-over-year increase of 14.41%. The revenue of aggregate increased by RMB870 million.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Operating costs in 2021 increased by RMB3.357 billion as compared with the same period of the preceding year. Fuel and power costs for cement and clinker increased significantly due to the increase in coal prices, of which the unit costs of cement and clinker products increased by RMB25.72 per ton and RMB61.44 per ton, respectively, as compared with the same period of the preceding year. The sales volume of concrete and aggregate increased year over year, resulting an increase in operating costs by RMB1.461 billion and RMB229 million, respectively.

The increase in the cement and clinker price cannot fully offset the adverse impact of the increase of the cost and decline in the sales of cement. During the Reporting Period, the gross profit margin of cement decreased by 4.46% year-over-year.

Due to the decrease in the cement prices in Yunnan, Tibet, Chongqing and other western regions, the operating income dropped by more than 10% as compared to that of the same period of the preceding year. Due to the overseas acquisitions and equipment renovation, the overseas income increased by more than 35%.

Analysis of costs and expenses

Costs by products in 2021 and the changes as compared to 2020

Unit: RMB						
Product	Cost item	Current period amount	Proportion of the total cost (%)	Same period of last year	Proportion of the total cost (%)	Change over
						the same period of last year (%)
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

Due to the significant increase in the coal costs, the fuel and power cost of cement and clinker increased by 5.2% and 3.1% in terms of proportion of costs, respectively, as compared to that of the same period of the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Changes in major expense items prepared in accordance with the PRC Accounting Standards

Unit: RMB			
Items	2021	2020	Changes (%)
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

Financial expenses decreased by 44.31% year-over-year, mainly attributable to the decrease in foreign exchange loss, and increase in interest income from deposits.

(3) Profitability

Unit: RMB			
Items	2021	2020	Changes (%)
Operating profit	7,444,360,170	7,698,941,776	-3.31%
Gross profit before tax	7,372,995,844	7,663,645,289	-3.79%
Net profit attributable to shareholders of the Company	5,363,525,692	5,630,598,812	-4.74%

As a result of the decrease in sales volume of cement and clinker, and increase in the fuel costs, the gross profit of cement and clinker decreased by RMB15 per ton. The Group recorded total profit of RMB7.373 billion, net profit attributable to shareholders of the Company of RMB5.364 billion, representing a decrease of 3.79% and 4.74%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

(4) Financial positions

Assets and Liabilities

Unit: RMB

Items	As at 31 December 2021	Percentage of amount at the end of current period to the total asset (%)	As at 31 December 2020	Percentage of amount at the end of last period to the total asset (%)	Change of the amount at 31 December 2021 as compared to that of 31 December 2020 (%)	Description
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	Increase in amounts due from customers for contract work because of the rapid increase of concrete business
Inventory	3,541,954,674	6.74	2,349,156,189	5.35	50.78	Combined effect of the expansion of the Company's operation scale and increase in coal price and finished products costs
Other equity instrument investment	55,867,066	0.11	33,774,995	0.08	65.41	Increase in the valuation of the unlisted equity investment
Construction in progress	4,199,141,042	7.99	3,104,429,340	7.07	35.26	Increase in the number of new items such as aggregate and concrete projects and continuous investment in the ongoing projects
Intangible assets	7,377,964,445	14.04	4,267,008,181	9.71	72.91	Combined effect of the acquisition of additional mining rights and the increase in mergers and acquisition projects
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	Increase in the expense of mining development
Other non-current assets	951,124,092	1.81	341,608,498	0.78	178.43	Increase in prepayment of construction projects and the investment in M&A
Notes payable	670,993,082	1.28	472,696,537	1.08	41.95	Increase in note payments for fuel

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Items	As at 31 December 2021	Percentage of amount at the end of current period to the total asset (%)	As at 31 December 2020	Percentage of amount at the end of last period to the total asset (%)	Change of the amount at 31 December 2021 as compared to that of 31 December 2020 (%)	Description
Accounts payable	7,112,302,355	13.53	5,297,633,770	12.06	34.25	Increase in procurement amount due to the expansion of the Company's operation scale
Non-current liabilities due within one year	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	Increase in project loans
Bonds payable	3,327,860,620	6.33	1,943,763,447	4.42	71.21	New issuance of corporate bonds of RMB1.3 billion
Long-term payables	463,257,160	0.88	191,011,663	0.43	142.53	Increase in installment payments for mining rights
Long-term employee benefits payable	54,458,394	0.10	127,205,104	0.29	-57.19	Due to the upcoming grant of the long-term incentives, the amount of the incentive was transferred to current liabilities
Provisions	347,473,462	0.66	233,393,286	0.53	48.88	Increase in environmental restoration and management fees for mines
Deferred tax liabilities	572,865,342	1.09	284,920,603	0.65	101.06	Increase in deferred tax liabilities due to the increase in the valuation on M&A in Africa

Among the above, overseas assets amounted to RMB6,569,672,736, representing approximately 12.5% of the Company's total assets.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Breakdown of major assets as at the end of the Reporting Period

	Unit: RMB
Cash and bank balances	285,964,244
Notes receivable	23,000,000
Financing with receivables	236,214,382
Fixed assets	5,413,440
Intangible assets	11,088,579

Note: The equity of some subsidiaries of the Company was pledged to banks to obtain long-term loans. The total balance of the net book values of such equity was RMB5,080,267,607.

Liquidity and funding sources

An analysis of the Company's bank loans and their interest maturities as at the end of the Reporting Period is as follows:

	Unit: RMB	
Items	Closing balance	Opening balance
Within 1 year	1,493,826,837	1,149,266,910
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
Total	<u>6,575,751,343</u>	<u>4,653,546,883</u>

As at the end of the Reporting Period, the accumulative balance of bank loans and interest of the Company amounted to RMB6.576 billion, representing an increase of RMB1.922 billion from the beginning of the year, which was mainly due to the new borrowings used for project construction during the Reporting Period.

In addition to the above borrowings, the Company had RMB3.2 billion of corporate bonds due within 2-5 years as at the end of the Reporting Period.

Analysis of cash flow

	Unit: RMB		
Items	Amount for 2021	Amount for 2020	Changes (%)
Net cash flow from operating activities	7,594,957,122	8,405,472,760	-9.64
Net cash flow from investing activities	-6,794,063,625	-5,008,041,912	-35.66
Net cash flow from financing activities	-632,252,873	187,685,399	-436.87

Note: The net cash flow from investing activities decreased by 35.66% as compared to that of the same period of the preceding year, primarily due to the increase in investment in aggregate and concrete projects and continuous investment in the projects under construction.

The net cash flow from financing activities decreased by 436.87% as compared to that of the same period of the preceding year, primarily due to settlement of maturing corporate bonds.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

3. OUTLOOK FOR 2022

(1) Industrial pattern and trend of development

The year 2022 is a critical year connecting to the first year and initiating the second year of “Fourteenth Five Year Plan”. While the Chinese economy will be maintained at a reasonable range to maintain social stability, and that the government fully implements “3060” carbon peak, carbon neutrality, the cement industry in China will face both opportunities and challenges in 2022, under the backdrop of current social and economic stability, and the PRC government’s goal to achieve carbon peak by 2030 and carbon neutrality by 2060, and the industry outlooks are as follows:

Differentiating demand of cement in different regions and overall demand is being stable. As Chinese economy faces mounting pressure, it is stated in the PRC central government economic working conference that the directive is to maintain a stable economy in 2022 with appropriate timing of policies stimulus. The central government proposes infrastructure investment in certain regional development supported by accelerating the issuance special bonds. For real estate, the central government continues to stabilize land price, housing price and manage expectation, promoting construction of affordable housing, driving a virtuous circle and healthy development of the real estate industry under policies aligning with local conditions. Demand for cement in 2022 is expected to vary by regions, while demand for cement in economic active regions continuous urbanization will remain steady.

“Capacity reduction” remaining the key note in the industry. Decrease in demand highlighted the issue of overcapacity in the cement industry. Cement industry is still the key industry of supply side structure reform. As the “plan continue to dual carbon” plan continue to advances, low carbon expectation is expected to be high, thus normalization of off-peak production, electricity limit and dual control on energy consumption and intensity will be the major means to reduce 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 merger and acquisition of the industry, further optimizing the industry structure.

Energy conservation, carbon reduction, industry chain expansion becoming the new battlefield for industry competition. Dual carbon, dual control on consumption and intensity will accelerate the industry development and transformation in “green, intelligent and digital”. The leading enterprises of cement industry will keep expanding the industry chain, increasing technology investment, stimulating synergy, and developing in digital and new energy to improve energy efficiency and utilization of resources; whereas the backward cement production capacity which are not up to standard will be phased out.

Cement price under pressure and cost rising, stabilizing industry performance being more difficult. With the market-oriented reform on grid electricity price of coal-fired power generation, the coal price recent surge has resulted in an increase in electricity cost for cement industry. Compiled with the rising standards in energy consumption, safety, environmental protection, transportation and quarry remediation are intensified, cement enterprises need to invest more in technology enhancement for compliance, leading to the rise of production cost. Against the backdrop of overcapacity, the only way to maintain demand supply equilibrium is to step up efforts in off-peak production, as well as eco-friendly and output limit. Otherwise, cement price will face mounting pressure and fluctuation will be aggravated.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

(2) Development strategy of the Company

2022 is the turning point for the double performance plan of the Group. The Group will promote the corporate culture of “trust, dedication, pragmatism, innovation,” 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”. Following the mission of “Clean our living environment, supply reliable building materials”, the Company will strive to implement and deepen four strategies of “integrated transformation, overseas development, expansion to high tech building material, traditional industry + digitization”. Leveraging the stable operation of domestic cement business, the Company will accelerate the strategic integration development of aggregate, wall material, concrete and expand the eco business of hazardous wastes treatment, as well as accelerate its overseas business and gain breakthroughs in its new materials business.

(3) Business plan

Completion of the 2021 business plan: In 2021, the Company achieved operating income of RMB32.464 billion, achieving 88.73% of the annual budget, among which revenue of cement and clinker achieved 92.59% of the budget; concrete sales revenue achieved 66.11% of the budget; aggregate sales revenue achieved 83.23% of the budget; and the eco business sales revenue achieved 85.07% of the budget. In 2021, the actual budget achievement rate on the overall investment was 49.36%. By the end of 2021, total assets of the Company was RMB52.5 billion, and the asset-liability ratio was 44.1%.

The Company will advance four strategies across the Board in order to improve the Company’s performance in 2022:

- (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 customers 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 is expected to reach more than 10% in 2022. Continue to implement cost benchmarking, formulate targeted cost savings plans with the best practice sharing; expand the scope of centralized procurement in the central and western regions, continue to seek for cooperation, and purchase high-quality coal resources for overseas plants.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

- (5) Unswervingly push for the integrated development of the industry chain. With cement as the core business, promote the integration of the industrial chain of aggregate, concrete, wall materials, eco disposal, packaging, and equipment engineering.
- (6) Promote the implementation of industrial intelligent products, continue to improve and enhance the industrial intelligence level of plants; realize the upgrade of business systems such as marketing, procurement, and logistics; further refine monitoring indicators and monitor and analyze early warning conditions.

The above business strategies do not constitute the Company's performance commitment to investors. Investors should maintain sufficient risk awareness and understand the difference between business plans and performance commitments.

(4) Potential risks

Risks relating to safe production and compliant operation of low carbon. The Company's production operations span across quarry exploitation, cement and cement product production, hazardous waste, household garbage, sludge disposal and other businesses. With stricter requirements for enterprise safety production and environmental protection discharge, any safety and eco accidents will cause damages 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 more stringent. As the key industry of dual control, cement plants that fail to reach the standard will be deemed as backward production capacity and be phased out.

Risk relating to overcapacity domestically and price pressure which may result 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 development landscape, intensifying control on the real estate, coupled with price rise of bulk raw material and fuel, cement demand of China is likely to weaken. Unless the overcapacity issue improves, the competition in the market will continue to intensify and price will be under pressure.

Risk relating to surging production cost. Fuel is the largest cost component in cement production. Demand and policy fuelled the rising coal and power price in 2021. With the goal of carbon peak and carbon neutrality, requirements of energy consumption, safety, environmental protection, transportation overload and quarry treatment requirements are becoming more important. Therefore, enterprises need to invest more in technology upgrade, leading to an increase in costs. In addition, the cost of obtaining quarry right is surging as well.

Risk relating to overseas operation. 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. Staff retention, the epidemic, fluctuating foreign exchange, trade conflict and other uncertainties will pose challenges to the international operation.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

To respond to the above risks, the Company shows the sense of responsibility of a large enterprise to actively implement 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 environmental 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”.

IMPORTANT MATTERS

1. COMMITMENTS

There were no commitments made by the de facto controllers, shareholders, related parties, purchasers and the Company during the Reporting Period or continuing to the Reporting Period.

2. APPROPRIATION OF THE COMPANY'S FUNDS FOR NON-OPERATING PURPOSE

During the Reporting Period, the Company's controlling shareholder and its related parties did not appropriate the Company's funds for non-operational purposes. The detailed statement issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP will be disclosed on the websites of the SSE, SEHK and the Company on the same day as this report is issued.

3. ANALYSIS AND EXPLANATION OF THE REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

During the Reporting Period, changes in the Company's accounting policies are set out in Note III (33) to the financial statements prepared in accordance with the PRC Accounting Standards.

4. AUDITORS AND REMUNERATION

	Current
Name of PRC auditors	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic CPA	RMB4,202,500
Year of auditing by domestic CPA	4

During the Reporting Period, Deloitte Touche Tohmatsu Certified Public Accountants LLP, Deloitte Management Consulting (Shanghai) Co., Ltd. and Deloitte Consulting (Shanghai) Co., Ltd. provided audit services of RMB3,363,215 and other non-audit services of RMB3,042,110 due to the Company's listing on the SEHK.

	Name	Remuneration
Internal control auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP	RMB500,200

During the Reporting Period, the Company did not change or dismiss its auditors, and paid RMB2,455,681 to external auditors for their audit services.

5. INSOLVENCY OR RESTRUCTURING

During the Reporting Period, the Group did not experience insolvency or restructuring.

6. MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company was not involved in any litigation or arbitration that had been disclosed in the extraordinary announcements but had no further progress.

IMPORTANT MATTERS

The table below sets out the litigations and arbitrations that were not disclosed in extraordinary announcements or that had further progress:

Unit: RMB10,000

Plaintiff/ Applicant	Defendant/ Respondent	Type	Basic information	Amount	Estimated amount of contingent liability	Progress	Consequence and impact	Enforcement
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang Jianshan Technology Co., Ltd., Xiangyang Xingshida Plastics Company, Liu Jianshan	Civil action	The Defendant borrowed money from the Plaintiff many times, but by June 2015, it still owed RMB24,773,900 and failed to repay. Thus, the Plaintiff filed a lawsuit in July 2015.	2,477.39	Nil	On 31 May 2021, the Xiangyang Intermediate People's Court made a 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	See Note 1 for details	USD35,724.600	Nil	The ICC will hear the case on 27 March 2023.		
The People's Government of Fengjie County	Huaxin Cement Co., Ltd., Huaxin Environmental Engineering (Fengjie) Co., Ltd.	Civil action	See Note 2 for details	5,945.58	Nil	On 6 February 2022, the Tieshan District People's Court ruled that the case should be settled as the Plaintiff's withdrawal of prosecution.		
Huaxin Cement Co., Ltd.	The People's Government of Fengjie County	Civil action	See Note 2 for details	1,227.34	Nil	The Tieshan District People's Court made a first-instance judgment on 12 November 2021, ruling that the Defendant should pay the Plaintiff a waste disposal fee of RMB12,184,659.75 and corresponding interest within 15 days from the date this judgment takes effect. The Defendant refused to accept the first-instance judgment and filed an appeal, which was accepted by the Huangshi Intermediate People's Court but has not yet heard.		

Note 1: The applicant and the defendant signed an EPC contract on 19 July 2013. Both parties signed the Temporary Acceptance Certificate on 20 September 2017, and the project acceptance was completed. In January 2018, the consulting company employed by the applicant issued a technical opinion, stating that the defendant had errors in design, material selection and construction, and issued a defect notice to the defendant. The defendant responded positively, explained the problems proposed by the applicant and submitted the corresponding supporting materials, and asked the applicant to pay the balance (5% of the total contract value), but the applicant refused to reply. On 30 July 2020, the applicant applied to the ICC for arbitration. On 21 October 2020, the Company submitted its defence and counterclaims to the ICC Secretariat, requiring the applicant to pay the contract balance and interest.

Note 2: In August 2012, the defendant and the plaintiff signed the *Cooperation Agreement on Disposal of Municipal Solid Wastes in Fengjie County*, which stipulated that the defendant would invest in an ecological factory for the harmless disposal of municipal solid wastes in Fengjie County and that the plaintiff should pay the waste disposal fees as agreed. The cooperation period is 30 years. In March 2014, the ecological factory built by the defendant 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 wastes by the defendant was hindered several times. Since September 2018, the plaintiff transported the RDF to the surrounding districts and counties for final disposal by other companies, and refused to pay the defendant waste disposal fees.

IMPORTANT MATTERS

On 27 July 2020, the defendant counterclaimed the plaintiff in the People's Court of Tieshan District, Huangshi City, requiring it to pay a waste disposal fee of RMB12,273,372.75, compensation for loss of interest, and all legal costs of the case.

On 9 February 2021, the plaintiff required the defendant to pay related expenses of RMB59,455,841.66 on the grounds that municipal solid wastes in Fengjie County were transported to surrounding counties for disposal.

7. PUNISHMENT ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLERS 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 since 3:00 p.m. on 9 September 2021.

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

8. THE INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

During the Reporting Period, none of the Company, its controlling shareholders and de facto controllers failed to perform the effective judgment of the court, nor did there exist any large amount of outstanding debts.

9. MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions related to day-to-day operations or continuing related party transactions

On 11 June 2021, Huaxin (Hainan) Investment Co., Ltd., a subsidiary of the Company, entered into an agreement to acquire 24.9% and 50.1% (75% in total) of CHILANGA Cement Plc held by Financière Lafarge SAS and its wholly-owned subsidiary Pan African Cement respectively, and 100% of Portland Cement (MALAWI) Limited held by Pan African Cement. Both Financière Lafarge SAS and Pan African Cement are subsidiaries of Holcim Limited, the controlling shareholder of the Group.

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 RMB720,353,664. 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 RMB68,647,360. For details, see Note VI (1) and Note X (5) of the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, the Group entered into certain transactions with persons deemed to be "related parties" under applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in Notes XII of the financial statements prepared in accordance with the PRC Accounting Standards. The related party transactions disclosed in Note XII are not considered connected transactions defined in Chapter 14A of Hong Kong Listing Rules or exempt from the reporting, announcement and shareholder approval requirements under the Hong Kong Listing Rules.

IMPORTANT MATTERS

10. MATERIAL CONTRACTS

(1) During the Reporting Period, the Company did not have any material trusteeship, contracting or leasing of other company's assets or other companies' trusteeship, contracting, or leasing of the Company's assets, or such occurred in a previous period and continued into the Reporting Period.

(2) Guarantees

During the Reporting Period, all external guarantees provided by the Company complied with the approval procedures of the Board of Directors and/or the general meeting of shareholders. The total amount of guarantees provided by the Company to subsidiaries was RMB1.99 billion. As of the end of the Reporting Period, the balance of the Company's external guarantees was RMB7.04 billion, accounting for 26.32% of the Company's net assets at the end of the Reporting Period. The details are as follows:

Unit: RMB

The Company's external guarantees (excluding guarantees for subsidiaries)

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 subsidiaries)

Total guarantee amount (A+B)	7,036,507,634
Proportion in net assets of the Company (%)	26.32

Including

Guarantee amount provided for the Company's shareholders, de facto controller and its related parties (C)	0
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Debt guarantee amount provided directly or indirectly for subjects whose asset-liability ratio is over 70% (D)	3,466,757,110
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Guarantee amount in excess of 50% of the net assets (E)	0
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Total guarantee amount of the above three (C+D+E)	3,466,757,110
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11. FINANCIAL ENTRUSTMENT AND LOAN ENTRUSTMENT

In light of the Company's daily fund arrangements and utilized fund situation and to ensure efficient use of unutilised funds, the Company utilised part of its own funds for financial entrustment after comprehensive consideration of security and return rate. Particulars of the financial entrustments conducted and subsisting during the Reporting Period are as follows:

Unit: RMB100 million

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	—

IMPORTANT MATTERS

12. SIGNIFICANT EVENTS

(1) Construction Project of Huangshi Huaxin Green Building Materials Industrial Park

On 28 January 2021, the Company adopted the *Proposal on the Construction of Huangshi Huaxin Green Building Materials Industrial Park* at the first extraordinary general meeting in 2021. Huangshi Huaxin Green Building Materials Industrial Park was invested by Huangshi Huaxin Green Building Materials Industry Co., Ltd. (the Company held 58.26% of its shareholding) which would invest about RMB10 billion to build an active calcium and deep-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.

During the Reporting Period, the phase 1 of the project (40 million tons/year machine-made sand production line) of the machine-made sand production line with an annual output of 100 million tons commenced according to the construction schedule, and was expected to be put into operation in mid-2022.

(2) Change in the listing venue for domestic listed foreign shares and the listing and trading on the Main Board of the SEHK by way of introduction

The Company adopted the Proposal on *Changing Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of The Stock Exchange of Hong Kong Limited by Way of Introduction* at the fifth extraordinary general meeting on 13 September 2021.

The Company received the letters of approval from the CSRC on 27 December 2021 and the Listing Committee of the SEHK on 25 February 2022, respectively. The Company's H Shares were listed on the Main Board of the SEHK on 28 March 2022.

(3) Public issuance of corporate bonds in 2021

On 27 May 2021, the Company reviewed and approved the *Proposal on the Public Issuance of Corporate Bonds in 2021* at the second extraordinary general meeting in 2021. The Company decided to issue corporate bonds of no more than RMB2.2 billion with a term of no more than 7 years to professional investors (the bonds may be issued in installments depending on market conditions).

The issuance of the first tranche was completed on 25 August 2021, with an amount of RMB1.3 billion and a coupon rate of 3.26%.

Except for the above-mentioned events or those disclosed in this report, there was no event that had a significant impact on the Group at the end of the Reporting Period and up to the date of this report.

CHANGES IN SHARES AND SHAREHOLDERS

1. TOTAL NUMBER AND STRUCTURE OF SHARES

In 2021, the total number and structure of the Company's shares remained unchanged.

As approved by the CSRC and the SEHK, the Company's domestically listed foreign shares were listed and traded on the Main Board of the SEHK by way of introduction on 28 March 2022.

After the above-mentioned foreign shares were listed and traded on the Main Board of the SEHK, the Company has 2,096,599,855 ordinary shares, comprising of 1,361,879,855 A Shares, representing 64.96% of the total issued share capital, and 734,720,000 H Shares, representing 35.04% of the total issued share capital.

2. SHAREHOLDERS

- (1) To the best knowledge of the Company, as at 31 December 2021, the total number of registered shareholders of the Company was 88,708; and as at 28 February 2022, the total number of registered shareholders of the Company was 81,804.

CHANGES IN SHARES AND SHAREHOLDERS

(2) To the best knowledge of the Company, as at 31 December 2021, the shareholdings of the top 10 registered shareholders of the Company are set out as follows:

No.	Full name of shareholders	Number of shares held	Proportion (%)	Class of shares	Pledged, marked or locked-up Status	Quantity	Shareholder type
1	HOLCHIN B.V.	451,333,201	39.85	A Shares	None	0	Overseas legal entity
2	Huaxin Group Co., Ltd.	384,210,624 338,060,739	16.12	B Shares A Shares	None	0	State-owned legal entity
3	Hong Kong Securities Clearing Company Limited	59,787,210	2.85	A Shares	None	0	Overseas legal entity
4	HOLPAC LIMITED	41,691,843	1.99	B Shares	None	0	Overseas legal entity
5	Huaxin Cement Co., Ltd. – 2020–2022 Core Employee Stock Ownership Plan	21,039,361	1.00	A Shares	None	0	Others
6	China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	A Shares	None	0	Domestic legal entity
7	Dai Deming	8,850,000	0.42	A Shares	None	0	Domestic natural person
8	National Social Security Fund 415 Portfolio	8,700,000	0.41	A Shares	None	0	Others
9	GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	7,998,584	0.38	B Shares	None	0	Overseas legal entity
10	Bank of China Limited – ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,505,734	0.36	A Shares	None	0	Others

Notes:

- ① During the Reporting Period, there was no change in the number of the shares of the Company held by Holchin B.V. and Holpac Limited. The shares held by Holchin B.V. and Holpac Limited were not subject to any pledge, freezing order or trust.
- ② All the above shares are floating shares not subject to trading restrictions.
- ③ To the best knowledge of the Board of Directors, except for Holchin B.V. and Holpac Limited, the Board of Directors is not aware of any other connected relationship among the top 10 shareholders above.
- ④ The Company's H Shares had not been listed as at 31 December 2021, therefore, the shares are classified as B Shares.

CHANGES IN SHARES AND SHAREHOLDERS

(3) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2021, the following persons (other than a director or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests kept by the Company in accordance with Section 336 of the *Securities and Futures Ordinance* (reference to directors or chief executive in this paragraph include supervisors):

Shareholder name	Nature of interest	Class of shares	Number of shares	Approximate% of shares held in the relevant share class	Approximate% of shares held in the total amount of share capital
Holcim Limited	Interest of controlled corporation	A Shares	451,333,201	33.14%	21.53%
		B Shares	417,902,467	56.88%	19.93%
		Total	<u>869,235,668</u>	<u>41.46%</u>	<u>41.46%</u>
Holderfin B.V.	Interest of controlled corporation	A Shares	451,333,201	33.14%	21.53%
		B Shares	384,210,624	52.29%	18.33%
		Total	<u>835,543,825</u>	<u>39.85%</u>	<u>39.85%</u>
Holchin B.V.	Beneficial owner	A Shares	451,333,201	33.14%	21.53%
		B Shares	384,210,624	52.29%	18.33%
		Total	<u>835,543,825</u>	<u>39.85%</u>	<u>39.85%</u>
State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government	Interest of controlled corporation	A Shares	338,060,739	24.82%	16.12%
		Huangshi State-owned Assets Management Company	338,060,739	24.82%	16.12%
Huaxin Group Co., Ltd.	Beneficial owner	A Shares	338,060,739	24.82%	16.12%

Note: The Company's H Shares had not been listed as at 31 December 2021, therefore, the shares are classified as B Shares.

CHANGES IN SHARES AND SHAREHOLDERS

(4) Directors', Supervisors' and chief executives' interests and short positions in shares, underlying shares and securities

As at 31 December 2021, the following Directors, Supervisors and chief executives held interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests kept by the Company in accordance with Section 336 of the *Securities and Futures Ordinance*:

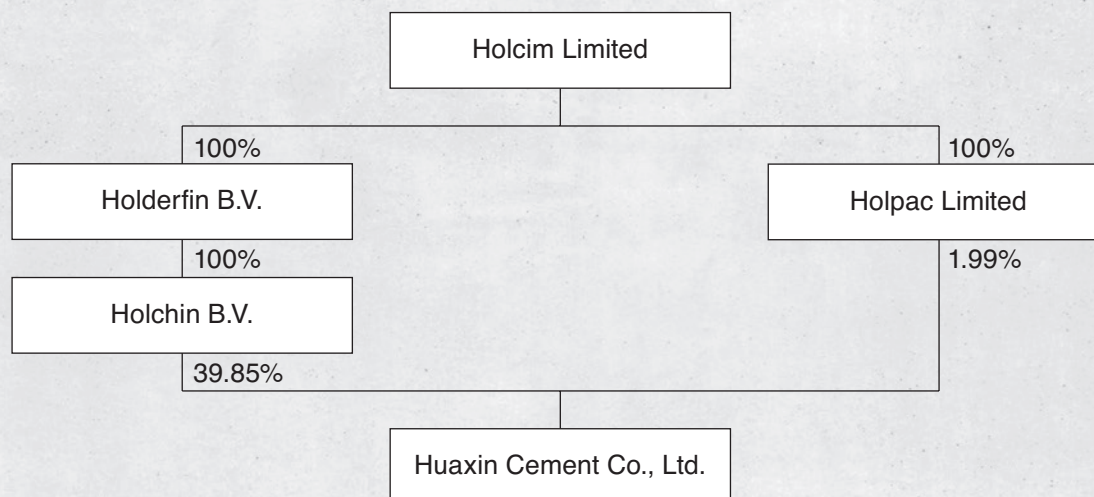
Name	Nature of interest	Class of shares	Number of shares	Approximate%	Approximate%
				of shares held in the relevant share class	of shares held in the total amount of share capital
Mr. Li Yeqing	Beneficial interest	A Shares	364,334	0.0268%	0.0174%
		B Shares	374,696	0.0510%	0.0179%
Mr. Liu Fengshan	Beneficial interest	A Shares	161,100	0.0118%	0.0077%
		B Shares	83,600	0.0114%	0.0040%
Mr. Ming Jinhua	Beneficial interest	B Shares	6,500	0.0009%	0.0003%
Mr. Zhang Lin	Beneficial interest	A Shares	11,600	0.0009%	0.0006%
		B Shares	75,600	0.0102%	0.0036%
Mr. Liu Weisheng	Beneficial interest	B Shares	13,700	0.0019%	0.0007%

(5) Information on the controlling shareholder and de facto controllers

During the Reporting Period, there was no change in the controlling shareholder and de facto controllers of the Company.

CHANGES IN SHARES AND SHAREHOLDERS

As at 31 December 2021, Holcim Limited was the controlling shareholder as well as the de facto controllers of the Company. The following chart sets out the shareholding relationship structure between the Company and Holcim Limited:



3. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company from H Shares Listing Date and up to the date of this report.

4. ISSUANCE OF PREFERENCE SHARES AND PREEMPTIVE RIGHTS

During the Reporting Period, the Company did not issue any preference shares. According to the articles of association of the Company and the laws of China, the Company is not required to offer its existing shareholders pre-emptive rights to acquire new shares in proportion to their shareholdings.

5. TRANSACTIONS IN RESPECT OF THE GROUP'S OWN SECURITIES

The Group had neither issued or granted any convertible securities, options, warrants or other similar rights during the Reporting Period. In addition, the Group had no redeemable securities at the end of the Reporting Period.

6. TAX RELIEF OR EXEMPTION FOR LISTED SECURITIES HOLDERS

The holders of the Company's listed securities were not entitled to tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC during the year ended 31 December 2021.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) The shareholdings or share transactions of the current existing Directors , Supervisors and senior management and those resigned during the Reporting Period:

Unit: share

Name	Position	Gender	Age	Appointment beginning	Appointment ending	Shares held	Shares held	Change	Reason for change	Payment	Remuneration
						at the beginning of the year	at the end of the year			from the Company (10k RMB) before tax	from the Company's related companies
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 secondary market	604.03	No
Liu Fengshan	Director/VP	M	56	April 2021	April 2024	200,700	244,700	44,000	purchase shares on secondary market	282.40	No
Geraldine Picaud	Director	F	51	April 2021	April 2024	—	—	—	—	21.6	Yes
Lo Chi Kong	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 secondary market	91.11	No
Zhang Lin	Supervisor	M	49	April 2021	April 2024	45,300	87,200	41,900	purchase shares on secondary 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 secondary market	61.15	No
Ke Youliang	VP	M	56	April 2021	April 2024	289,072	419,061	129,989	purchase shares on secondary market	301.57	No
Du Ping	VP	M	51	April 2021	April 2024	81,400	124,800	43,400	purchase shares on secondary market	288.18	No
Liu Yunxia	VP	F	53	April 2021	April 2024	133,440	176,960	43,520	purchase shares on secondary market	274.00	No
Mei Xiangfu	VP	M	49	April 2021	April 2024	88,460	135,040	46,580	purchase shares on secondary market	288.93	No
Yuan Dezu	VP	M	58	April 2021	April 2024	76,720	117,220	40,500	purchase shares on secondary market	278.97	No
Yang Hongbing	VP	M	49	April 2021	April 2024	74,864	134,364	59,500	purchase shares on secondary market	278.66	No
Xu Gang	VP	M	43	April 2021	April 2024	60,600	64,600	4,000	purchase shares on secondary market	257.27	No
Chen Qian	VP, CFO	M	43	April 2021	April 2024	8,000	35,000	27,000	purchase shares on secondary market	165.65	No
Ye Jiaxing	VP, Secretary to the Board of Directors	M	40	April 2021	April 2024	34,225	64,625	30,400	purchase shares on secondary market	152.20	No
Wang Jiajun	VP	M	41	April 2021	April 2024	18,200	37,500	19,300	purchase shares on secondary market	151.31	No
Liu Yan	Independent Director	F	48	April 2018	April 2021	—	—	—	—	12	No
Simon Mackinnon	Independent Director (Resigned)	M	60	April 2018	April 2021	—	—	—	—	12	No
Wang Liyan	Independent Director (Resigned)	M	64	April 2018	April 2021	—	—	—	—	12	No

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Age	Appointment beginning	Appointment Ending	Shares held	Shares held	Change	Reason for change	Payment	Remuneration
						at the beginning of the year	at the end of the year			from the Company (10k RMB) before tax	from the Company's related companies
Peng Qingyu	Chairman to the Board of Supervisor (Resigned)	M	61	April 2021	July 2021	381,932	435,932	54,000	purchase shares on secondary market	143.19	No
Fu Guohua	Supervisor (Resigned)	M	58	April 2018	April 2021	18,200	19,900	1,700	purchase shares on secondary market	21.76	No
Yu Yousheng	Supervisor (Resigned)	M	58	April 2018	April 2021	—	—	—	—	25.43	No
Wang Ximing	Secretary to the Board of Directors (Resigned)	M	62	April 2018	April 2021	377,344	469,844	92,500	purchase shares on secondary market	60.92	No
Kong Lingling	CFO (Resigned)	F	57	April 2018	April 2021	375,853	446,653	70,800	purchase shares on secondary market	69.92	No
Xiong Guangwei	VP (Resigned)	M	58	April 2018	April 2021	35,300	74,900	39,600	purchase shares on secondary market	147.67	No
Chen Bing	VP (Resigned)	M	54	April 2018	September 2021	34,400	34,400	—	—	155.10	No
Total	/	/	/	/	/	<u>2,983,640</u>	<u>3,881,929</u>	<u>898,289</u>	/	<u>4,617.01</u>	/

Note:

- ① A total of 20 senior management and supervisors received RMB35.2272 million cashed in by 2018 phantom stock incentive. In addition to the above remuneration, in 2021, the Directors, supervisors and senior management still had a total amount of RMB33.9498 million accrued of share based payment, and the actual payment amount in the future will be subject to the assessment of the performance status.
- ② No director waived or agreed to waive any remuneration in 2021.

(2) Main work experience of directors, supervisors, and senior management

Name	Main work experience
Xu Yongmo	Mr. Xu Yongmo, born in April 1956, Master of Engineering, obtained Doctor and Post Doctorate in the United Kingdom. 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, vice president of China Building Materials Academy; from April 2002 to April 2017, vice president of China Building Materials Federation; from June 2006 to December 2016, president of China Concrete & Cement Product Association; from December 2016 till now, executive president of China Concrete & Cement Product Association; from March 2007 till now, director-general of China Construction Units Association; from October 2007 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 the Independent Director of the Company from April 2009 to March 2012. He became the Chairman of the Company in April 2012.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Li Yeqing	<p>Mr. Li Yeqing, born in February 1964, Doctor, senior engineer (professor level). He is currently the chief executive officer of the Company, party secretary of both the Company and Huaxin Group Co., Ltd. In July 1984, he graduated from Wuhan Institute of Building Materials with a bachelor's degree in engineering, majoring in silicate, and with a master's degree in engineering majoring in industrial management, and from Huazhong University of Science and Technology with a doctor's degree in management, majoring in management science and engineering. From July 1984 to October 1987, served as a teacher in Wuhan University of Technology Portland Engineering Department, and a deputy secretary of the Youth League Committee of Wuhan Institute of Building Materials. He joined Huaxin Cement Plant (predecessor of the Company) in November 1987, served as a quality control engineer of Central Lab, vice manager of Limestone Quarry, vice director of Extension Office and manager of production technology, and promoted as the vice manager of Huaxin Cement Plant in January 1993, he became Deputy General Manager of the Company in June 1994, General Manager of the Company in December 1999 (renamed as chief executive officer in March 2004). He served as a Director of the Company since 1994. He has also been the Vice Chairman of China Building Materials Federation since March 2009 and Vice Chairman of China Cement Association since May 2000. He also served as the Chairman of Hubei Building Materials Federation since January 2014. Also, he served as the 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, obtained master's degree in public administrations from Nanyang Technological University in Singapore. Mr. Liu graduated from Kunming Institute of Technology with a bachelor's degree in engineering, majoring in mineral processing in July 1987. From 1987 to August 1998, he served as technician of Chimashan Quarry, workshop manager, deputy quarry manager, quarry manager, and secretary of the party committee of Daye Nonferrous Metals Group. From August 1998 to August 1999, he served as a quarry manager of Tonglushan Quarry and secretary of the party committee of Daye Nonferrous Metals Group. From August 1999 to January 2002, he was the deputy secretary of the party committee and secretary to disciplinary committee of Daye Nonferrous Metals Group. From January 2002 to April 2004, he served as the deputy secretary of Huangshi City. From April 2004 to October 2006, he served as the deputy secretary of the Daye Municipal Party Committee and the mayor of Daye City. From October 2006 to November 2006, he served as the deputy secretary-general of Huangshi Municipal Party Committee. From November 2006 to September 2011, he served as director-general and secretary of Leading Party Group of Bureau of Civil Affairs of Huangshi City. Since September 2011, he served as the Chairman and General Manager of Huaxin Group Co., Ltd., as well as deputy secretary the party committee of both Huaxin Group Co., Ltd. and Huaxin Cement Co., Ltd. He became a Director of the Company in April 2012. He was appointed as the vice president of the Company in June 2012.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Geraldine Picaud	Ms. Geraldine Picaud, French, born in February 1970, and she obtained a master's degree in business administration from Superior School of Commerce in Reims. She started her career in Arthur Andersen LLP, and served as the head of business analysis and chief financial officer at an international specialty chemicals group, Safic Alcan Especialidades for 13 years. In 2007, she joined ED&F Man Holdings Limited as the head of corporate finance in charge of M&A, and then served as chief financial officer of Volcafe Holdings Ltd., which is the Switzerland-based coffee business of ED&F Man Holdings Limited. In 2011, she joined the CAC 40-listed ophthalmic optics company Essilor International, where she served as the chief financial officer. In January 2018, she served as an executive committee member and chief financial officer of Holcim Group. She has been the Director of the Company since April 2018.
Lo Chi Kong	Mr. Lo Chi Kong, born in July 1963, obtained a master's degree of science at Purdue University, certified public accountant in Ohio USA. From 1987 to 1991, served as a MIS manager and executive assistant in Ohio government agency. From May 1991 to August 1998, successively served as the financial manager of Carrier Taiwan Co., Ltd and chief executive of Shanghai Yileng Carrier Air Conditioning Co., Ltd. From 1998 to 2002, served as the chief financial officer of Switzerland Suzhou Schindler Elevator Co. From 2003 to 2005, served as the executive vice president of Schindler China. From 2005 to 2018, successively served as the area manager of Sika AG Greater China, vice president/head of M&A of Sika AG Asia Pacific, Co-head of Corporate M&A of Sika AG. From August 2018, he served as the head of Greater China of Holcim Group Greater China. He was appointed as a Director of the Company in December 2018.
Tan Then Hwee	Ms. Tan Then Hwee, Singaporean, born in December 1972, holds a master of business administration and a bachelor of business administration from Wichita State University, Kansas, USA. She has over 20 years of human resources management experience in an international business environment across the Asia Pacific including leadership development, talent and succession management, employee engagement, organizational development, and compensation & benefits management. From February 1996 to February 2000, she worked as the human resources manager of LUCENT TECHNOLOGIES, KANSAS, USA. From November 2000 to February 2007, she served as the project manager and human resources business partner in PHILIPS, HONG KONG. From April 2007 to March 2019, she served as the human resources vice president of the Asia-Pacific region of the SIKA Group in Singapore. She served as the human resources vice president of LARFARGEHOLCIM LTD since March 2019 and she has served as a member of the Board of Directors of Ambuja Cements Ltd and a member of the Compliance Committee since April 2019. She has been a Director of the Company since September 2020.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Wong Kun Kau	<p>Mr. Wong Kun Kau, born in November 1960, graduated from the University of Hong Kong with a bachelor's degree in social science. From August 1992 to November 2007, he worked as the head of BNP Paribas Capital (Asia Pacific) Limited and Asian Infrastructure Investment Bank. Before it, he worked with Wardley Investment Services Ltd., Bank America Trust Co., (HK) Ltd., Nomura International (HK) Ltd., and Samuel Montagu & Co., Ltd. He is the founder and has served as the chief executive officer 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 served as an independent non-executive director of West China Cement Limited. From May 2012 to June 2016, he served as an independent non-executive director of Anhui Conch Cement Company Limited. From August 2013 to May 2017, he served as an independent non-executive director of Sansheng Holdings (Group) Company Limited. From June 2014 to June 2017, he served as an independent non-executive director of China Shengmu Organic Milk Limited. He has been Director of the Company from April 2021.</p>
Zhang Jiping	<p>Mr. Zhang Jiping, born in November 1968, obtained a bachelor's degree and master's degree in international law from the University of International Business and Economics in Beijing and a master's degree in corporation law. degree from New York University School of Law. He worked at the Legal Department of China Securities Regulatory Commission as a staff attorney from 1993 to 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 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 has been a Director of the Company from April 2021.</p>
Jiang Hong	<p>Mr. Jiang Hong, born in March 1970, obtained bachelor's degree in finance in economics from Finance and Economics Department of Xiamen University, a certified public accountant in the PRC, 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 at Philips (China) Investment Co., Ltd.; From October 2015 to present, serving as the vice-chairman of Shanghai Intellectuals Association Foreign Business Branch, chairman of Jing'an District Intellectuals Association, and in charge of O2Change startup incubator and incubation funds jointly created by over ten multinational corporations; currently serving as the Chairman of Shanghai O2Change Network Technology Co., Ltd. He has been a Director of the Company from April 2021.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Ming Jinhua	<p>Mr. Ming Jinhua, born in September 1972, MBA, Accountant, Economist. He graduated from Hubei Engineering Institute with a bachelor's degree majoring in machinery manufacturing in July 1994. He graduated from the Huazhong University of Science and Technology with a master's degree of business administration 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 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 to the Commission for Discipline Inspection of Xisaishan District, Huangshi City. From February 2014 to September 2016, he served as the 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 served as the 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 a deputy secretary of the party committee and secretary to Commission for Discipline Inspection of the Company and Huaxin Group. From August 2021, he serves as the chairman of the Board of Supervisors of the Company and chairman of the labor union of the Company and Huaxin Group.</p>
Zhang Lin	<p>Mr. Zhang Lin, born in September 1972, MBA, registered certified public accountant. He graduated from Hangzhou Business School, Zhejiang Business Administration University, with a bachelor's degree majoring in accounting in June 1995; graduated from Huazhong University of Science and Technology, with a master's degree in business administration, majoring in business administration in December 2002. He joined the Company in July 1995, he has 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 division, chief of internal audit and internal control department, and director of internal audit. He served as a Supervisor from April 2012 to April 2015. He became a (Assistant Vice President) Director of the internal audit and internal control department of the Company in August 2019. He was appointed as Supervisor in March 2017.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Yang Xiaobing	Mr. Yang Xiaobing, born in July 1970, obtained a bachelor's degree in business administration by correspondence. He joined the Company in March 1992, he has 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 division, the chief of the labor union office. He currently serves as the vice-chairman of the labor union. He was appointed as a Supervisor in April 2013.
Zhu Yaping	Mr. Zhu Yaping, born in September 1968, obtained a master's degree in theory and engineering control. He joined the Company in July 1989. He has served as 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 department. He is now the deputy director of the cement business department and the responsible person for the cement industry of the Company. He served as a Supervisor from April 2021.
Liu Weisheng	Mr. Liu Weisheng, born in May 1972, obtained bachelor's degree of laws, and master's degree in western economies from Huazhong University of Science and Technology. He joined the Company in July 1991. He has served as the business section chief of the sales department, marketing manager, assistant general manager of sales company, deputy general manager (marketing) of Southwest division, and deputy director of the president office. He is now the director of communication and public affairs, director of the president's office (supervision office), and general manager of Huaxin Cement Technology Management (Wuhan) Co., Ltd. He served as a Supervisor from April 2021.
Ke Youliang	Mr. Ke Youliang, born in April 1965, Doctor of Management, Senior Economist. He graduated from Huangshi Technical School Hubei Province in July 1985, and graduated from Zhongnan University of Economics in 1994 majoring in industry and corporate administration, graduated from Wuhan University of Technology and obtained master's degree in economics in June 2001, majoring in industrial economics, graduated from Wuhan University of Technology with a doctor's degree of in Management, majoring in management science and engineering in 2007. Mr. Ke Youliang joined Huaxin Cement Plant in 1985 and was an 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 general manager of the Company, manager of planning and development department, general manager of Western business department and general manager of AGG & wall materials business department from November 2001, and the deputy general manager of the Company from April 2003. He became a vice president of the Company in March 2004.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Du Ping	<p>Mr. Du Ping, born in August 1970, Master of Management. In 1993, he graduated from Zhongnan University of Economics with a bachelor's degree in investment Principles. In 2003, he graduated from Zhongnan University of Economics and Law, majored in Enterprise Management, and got a Master's Degree 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 served as 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.</p>
Liu Yunxia	<p>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, with Bachelor's Degree 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 Huaxin Secondary Technical School. 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.</p>
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's Degree of Engineering in 1994. In 2002, he graduated from Wuhan University of Technology, majored in Mechanical and Electrical Engineering, and got a Master's Degree of Engineering. In 2011, he graduated from Huazhong University of Science and Technology and got MBA Degree. 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>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Yuan Dezu	<p>Mr. Yuan Dezu, born in September 1963, bachelor. 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's Degree 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 Bachelor's Degree 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 & 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 & Innovation, Head of Strategy Development & 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>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
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>
Ye Jiaying	<p>Mr. Ye Jiaying, born in August 1981, Bachelor of Laws in Wuhan University of Science and Technology, Master of Business Administration of China University of Political Science and Law. 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 to the Board of Directors of the Company.</p>
Wang Jiajun	<p>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's Degree of Engineering. In 2012, he graduated with a Master's Degree 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.</p>
Liu Yan	<p>Ms. Liu Yan, born in January 1973, Bachelor's Degree in Law 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.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Simon MacKinnon	Mr. Simon Mackinnon, born in January 1961, British, Oxford University BA, MA, University of Pennsylvania MA. 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 acted as 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 acted as 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 Secretary to Commission for Discipline Inspection. 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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's Degree 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, Secretary to the Board of Directors and Manager of Securities Department of the Company. He took the position of DGM and Secretary to the Board of Directors of the Company from April 2000. He was Vice President and Secretary to the Board of Directors of the Company from March 2004 to April 2018. He served as Secretary to the Board of Directors 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's 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's Degree of Engineering in 1984. In April 1995, he graduated from the Swiss Federal Institute of Technology and got a Doctor's Degree of Civil Engineering. From May 1995 to December 2004, he successively took positions of assistant engineer, business development and market executive, 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Chen Bing	<p>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, with Bachelor's Degree in Engineering. 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 1989. 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.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(3) Positions taken by existing directors, supervisors and senior management of the Company in the controlling shareholder of the Company:

Name	Shareholder company	Position	Appointment date	Resignation date
Li Yeqing	Huaxin Group	Party Secretary	7 September 2001	/
Liu Fengshan	Huaxin Group	Director, General Manager	21 September 2011	/
Ming Jinhua	Huaxin Group	Deputy Party Secretary, Secretary to Commission for Discipline Inspection Chairman of Labor Union	14 July 2021 31 August 2021	/

(4) Positions taken by existing directors, supervisors and senior management of the Company in other entities:

Name	Positions taken in other entities
Xu Yongmo	Executive President of China Concrete & Cement Product Association, Director-general of China Construction Units Association, and Independent Director of Jiangsu Sobute New Materials Co., Ltd.
Li Yeqing	Vice Chairman of China Building Materials Federation, Vice Chairman of China Cement Association, Chairman of Hubei Building Materials Federation, and Executive Vice Chairman of the Sixth Council of China Building Materials Federation.
Geraldine Picaud	Executive Committee Member and CFO of Holcim.
Lo Chi Kong	Manager of Holcim Group Greater China.
Tan Then Hwee	VP HR of LARFARGEHOLCIM LTD, Director and Member of the Compliance Committee of Ambuja Cements Ltd.
Wong Kun Kau	CEO of Bull Capital Partners Limited, Independent Non-Executive Director of REF Holdings Limited, and Independent Non-Executive Director of Jianzhong Construction Development Limited.
Zhang Jiping	Managing Partner of Haiwen & Partners.
Jiang Hong	Vice-Chair of Shanghai Intellectuals Association Foreign Business Branch, Chair of Jing'an District Intellectuals Association, and Chairman of Shanghai O2Change Network Technology Co., Ltd.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

2. REMUNERATION FOR THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Decision procedure of the remuneration The Remuneration and Assessment Committee of the Board of Directors proposes to and the Board of Directors discusses and decides the remuneration for senior management personnel to the Board of Directors for discussion and decision; the annual remuneration involving Directors and Supervisors shall be submitted to the general meeting of shareholders for approval.

Basis of determining the remuneration The remuneration for directors and supervisors (non-employee supervisors) of the Company shall be determined according to their job responsibilities, work performance, the Company's operating performance and market environment. The remuneration for employee supervisors and senior management of the Company shall be determined according to their job responsibilities and completion of annual target.

On 25 March 2021, the twenty-seventh meeting of the ninth session of 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 28 April 2021, the first meeting of the tenth session of 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 18 May 2021, the second meeting of the tenth session of 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 24 June 2021, the fourth meeting of the tenth session of board of directors of the Company reviewed and approved the *Proposal on Adjustment of Remuneration for Some Senior Management*, which clarified the annual salary of the four senior management who changed their job responsibilities.

On 26 August 2021, the seventh meeting of the tenth session of board of directors of the Company reviewed and approved the *Proposal on the Remuneration for the Chairman of the Company's Labor Union*, which clarified the annual salary standard of the chairman of the Company's labor union.

On 31 December 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 During the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB98.013 million. The Company has paid remuneration to the relevant directors, supervisors and senior management.

Actually paid remuneration at the end of the period As at the end of the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB98.013 million.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

3. CHANGE IN 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 the Board
Ye Jiaying	VP, Secretary to the Board of Directors	Appointment	Appointed by the Board
Wang Jiajun	VP	Appointment	Appointed by the Board
Liu Yan	Independent Director	Departure	End of term
Simon MacKinnon	Independent Director	Departure	End of term
Wang Liyan	Independent Director	Departure	End of term
Peng Qingyu	Chairman of Supervisors	Departure	Resign
Fu Guohua	Supervisor	Departure	End of term
Yu Yousheng	Supervisor	Departure	End of term
Wang Ximing	Secretary to the Board of Directors	Departure	End of term
Kong Lingling	CFO	Departure	End of term
Xiong Guangwei	VP	Departure	End of term
Chen Bing	VP	Departure	Resign

There is no change in the working experience of the other directors, supervisors and senior management of the Company, which is subject to disclosure in accordance with Rule 13.51B (1) of the Hong Kong Listing Rules.

4. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has signed service contracts with directors, supervisors and senior management respectively. For the term of service contracts, please refer to the paragraph headed "1. Basic Information of Directors, Supervisors and senior management" in this section .

5. INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, none of the Directors and Supervisors or any entities associated with such Directors or Supervisors had or has had a material interest, directly or indirectly, in any transactions, arrangements or contracts entered into by the Company or its subsidiaries (subsisting during or at the end of the year).

During the Reporting Period, the Directors and Supervisors of the Company did not enter into any service contracts with any members of the Group which would be terminated in the form of compensation provided by the Group (other than statutory compensation) within one year.

During the Reporting Period and up to the date of this report, there had been no permitted indemnity provisions benefit the directors of the Company (including former directors) or any directors (including former directors) of the Company's associated companies.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Reporting Period, the Company has purchased and maintained liability insurance for Directors, Supervisors and senior management to provide them with appropriate coverage against certain legal actions.

6. EMPLOYEE OF THE COMPANY AND MAJOR SUBSIDIARIES

The number of employees in the Company	882
The number of employees in major subsidiaries	15,401
Total number of employees	16,283
Retired or to be retired employees whose expenses are born by the Company or major subsidiaries	0

Structure of discipline

Category	Number
Production	6,054
Sales	1,070
Technology	6,061
Financial	679
Administration	2,419
Total	<u>16,283</u>

Education

Education	Number
Master or above	305
Bachelor	2,444
College	3,953
Others	9,581
Total	<u>16,283</u>

7. REMUNERATION POLICY

The Group adopts a comprehensive remuneration system to incentivize the employees to achieve the development goals of the Group and individual. Through the assessment of total remuneration package, the Company sets different KPI for different business units, by linking their performance with remuneration, so the employees can enjoy the rise of performance and are motivated. As at 31 December 2021, the Company's H Shares had not been, therefore, the class of shares should be B Shares.

8. ENDOWMENT INSURANCE FUND

For details of the endowment insurance fund, see Note V (24) to the financial statements prepared in accordance with China Accounting Standards. The endowment insurance fund recorded in the profit and loss account of the Group for the year ended 31 December 2021 was RMB250 million.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

9. STAFF HOUSING

According to the relevant regulations of the PRC government, the Group shall pay contributions of the housing provident fund based on a certain percentage of employees' salaries. Saved for the above, the Group has no other accommodation related liabilities. For the year ended 31 December 2021, the total amount of housing provident fund paid by the Group was about RMB160 million.

10. 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 learning atmosphere in the Group, and continuously improving the Company's core competitiveness.

11. LABOR OUTSOURCING

Unit: RMB

Total payment for labor outsourcing	58,408,572
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12. EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES

The Company formulated the 2020–2022 Core Employee Stock Ownership Plan, which was reviewed and approved by the Company's second extraordinary general meeting in 2020 on 25 September 2020 in order to promote the Company's "milestone" development strategic plan for 2020–2025, establish and improve the benefit sharing mechanism between employees and shareholders.

The employee stock ownership plan includes Plan A and Plan B. Plan A is a long-term incentive plan related to the Company's annual performance assessment, and Plan B is a long-term incentive plan linked to the Company's milestone performance assessment. The total capital of the plan didn't exceed RMB610 million, of which the total capital of Plan A didn't exceed RMB210 million, and the total capital of Plan B didn't exceed RMB400 million. The stocks applicable to this plan are all the A-shares of the Company repurchased with the Company's special account for repurchase. The stock grants under this plan shall, in principle, match with the cycle for determination and assignment of the annual performance appraisal indicators by the Board of Directors, and shall generally be completed before 31 May of each year. For the 2020–2022 Core Employee Stock Ownership Plan, see http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2020-09-26/600801_20200926_3.pdf

On 18 May 2021, the second meeting of the tenth session of 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 number of shares to be granted to the A-1.1 and A-1.2 batches in 2021.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

1. DISCUSSION OF CORPORATE GOVERNANCE

There is no material deviation from the corporate governance practices and provisions on governance of listed companies in all applicable laws, administrative regulations and CSRC regulations.

The Company's corporate governance structure conforms to the requirements of modern enterprise system and the *Code of Corporate Governance for Listed Companies*. The Company constantly improves the corporate governance structure and standardizes the company operation in strict accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, the *SSE Listing Rules* and other laws, regulations and normative documents, combined with the actual situation of the Company,

The Company also complies with the *Corporate Governance Code* as set out in Appendix 14 to the Hong Kong Listing Rules (the "Corporate Governance Code"). The Company's corporate governance practices:

- (1) Shareholders and shareholders' general meetings: The Company convened and held shareholders' general meetings in accordance with the *articles of association of the Company*, *Procedural Rules of the Shareholders' General Meeting* and other relevant provisions. During the Reporting Period, the Company held the first Extraordinary General Meeting in 2021, the 2020 Annual General Meeting, the second Extraordinary General Meeting in 2021, the third Extraordinary General Meeting in 2021, the fourth Extraordinary General Meeting in 2021, the fifth Extraordinary General Meeting in 2021 and the sixth Extraordinary General Meeting in 2021. When deliberating relevant proposals, the Company offered shareholders to vote online to protect the rights and interests of shareholders. The convening and voting procedures of previous shareholders' general meetings of the Company were all witnessed by lawyers on the spot and legal opinions were also issued. The resolutions of the shareholders' general meetings are legal and valid. During the Reporting Period, none of the shareholders engaged in insider dealing or damaged the interests of the Company and other shareholders.
- (2) The relationship between the controlling shareholders and the Company: The Company and the controlling shareholders are independent from each other in terms of personnel, assets, finance, organization and business, and each of them has independent accounting and bears responsibilities and risks independently. The controlling shareholders exercised the rights of investors and undertook obligations in strict accordance with the provisions of the *Company Law of the People's Republic of China* and the *articles of association of the Company*. The controlling shareholders abode by the code of conduct, and did not constitute horizontal competition with the Company, did not directly or indirectly interfere in the decision-making and business activities of the Company, and did not appropriate the Company's funds or require guarantee for it or for others. The Board of Directors, Board of Supervisors and internal departments of the Company operated independently.
- (3) Directors and the Board of Directors: All directors of the Company exercised their rights and obligations according to laws and their own professional knowledge and ability to make independent, objective and fair judgments on the proposals submitted to the Board of Directors in good faith, diligence and responsibility in strict accordance with the *articles of association of the Company*, *Procedural Rules of the Board of Directors* and relevant laws and regulations. In the deliberation of proposals on connected transactions, directors that are connected abstained from voting to ensure the fairness and reasonableness of connected transactions.
- (4) Information disclosure and transparency: The Company, in strict accordance with the provisions of the listing rules of the place where the Company's shares are listed, truly, accurately, completely and timely fulfilled its obligation of information disclosure in a just, fair and open way and ensured confidentiality before information disclosure, so that all shareholders can have equal access to the information.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

- (5) Investor relations and stakeholders: The Company attached great importance to the maintenance of investor relations. The Company designated the secretary to the Board of Directors and the representative of securities affairs to be responsible for information disclosure and investor relations management, and took seriously the visit and consultation of shareholders and investors. The Company fully respected and safeguarded the legitimate rights and interests of creditors, customers, suppliers and other stakeholders, strived for balance of interests among shareholders, employees, society and the other, actively participated in public welfare undertakings, valued its social responsibility, and promoted the steady and sustainable development of the Company.
- (6) Registration and management of insiders who have access to inside information: During the Reporting Period, the Company implemented the *Registration System for Insiders Who Have Access to Inside Information* in strict accordance with the requirements of regulators. In accordance with the Registration System, the Company has registered and put on record the information of insiders involved in the disclosure of inside information in the Company's regular reports. During the Reporting Period, there was no illegal insider dealing of the Company's stocks.
- (7) Anti-corruption, anti-fraud and reporting system and policies: The Company has formulated anti-bribery and anti-corruption regulations in accordance with the *Basic Internal Control Norms for Enterprises* and other relevant laws and regulations, combined with the actual situation of the Company, to safeguard the legitimate rights and interests of the Company and shareholders and to reduce risks faced by the Company.

As at the end of the Reporting Period, the corporate governance structure of the Company has been perfected, meeting the requirements of the *Company Law of the People's Republic of China* and CSRC. The Company has adopted the principles and provisions of the *Corporate Governance Code*. During the Reporting Period, the Company complied with the provisions contained in the *Corporate Governance Code*.

The shareholders' general meeting, the Board of Directors and the Board of Supervisors operated effectively in strict accordance with the *articles of association the Company* and their respective procedural rules. For the disclosure required under the *Corporate Governance Report* set out in Appendix 14 to the Hong Kong Listing Rules, please refer to the section headed "IV. Directors' Report", this section and other sections.

2. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* under the Hong Kong Listing Rules (the "Model Code") as the code of conduct for all directors, supervisors and relevant employees (as defined in the *Corporate Governance Code*) for securities transactions of the Company. Having made enquiries to the directors and supervisors, the directors and supervisors confirmed that they have strictly complied with the provisions set out in the *Model Code* during the Reporting Period. At the same time, to the best of the Company's knowledge, there were no violations of the *Model Code* by employees.

3. SPECIFIC MEASURES TAKEN BY CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS TO ENSURE THE INDEPENDENCE IN TERMS OF ASSETS, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS OF THE COMPANY, SOLUTIONS ADOPTED RELATING TO THE COMPANY'S INDEPENDENCE AS WELL AS SCHEDULES AND FOLLOW-UP WORK PLANS

Applicable Not applicable

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

The engagement of the controlling shareholders, de facto controllers and entities under their control in the same or similar business with the Company, the impact of horizontal competition or major changes in horizontal competition on the Company, the solutions taken, the progress of the solutions and the follow-up solutions.

Applicable Not applicable

4. SUMMARY OF SHAREHOLDERS' GENERAL MEETING

Meeting	Convening Date	Website where the Resolutions are Published and Available on Display	Publication Date of Resolutions	Resolutions
The First Extraordinary General Meeting in 2021	28 January 2021	www.sse.com.cn	29 January 2021	Proposal on the Construction of Huangshi Huaxin Green Building Materials Industrial Park
2020 Annual General Meeting	27 April 2021	www.sse.com.cn	28 April 2021	<ol style="list-style-type: none"> 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. 2020 Profit Distribution Plan 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. Proposal in Respect of Electing Mr. Xu Yongmo, Mr. Li Yeqing, Mr. Liu Fengshan, Ms. Geraldine Picaud, Mr. Lo Chi Kong 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 General Meeting in 2021	27 May 2021	www.sse.com.cn	28 May 2021	<ol style="list-style-type: none"> 1. Proposal on Public Issuance of Corporate Bonds in 2021 2. Proposal on Providing Financing Guarantee for Huangshi Huaxin Green Building Materials Industry Co., Ltd

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

Meeting	Convening Date	Website where the Resolutions are Published and Available on Display	Publication Date of Resolutions	Resolutions
The Third Extraordinary General Meeting in 2021	12 July 2021	www.sse.com.cn	13 July 2021	Proposal in Respect of Amending Certain Articles of the Articles of Association of the Company
The Fourth Extraordinary General Meeting in 2021	23 August 2021	www.sse.com.cn	24 August 2021	Proposal in Respect of Electing Mr. Ming Jinhua as Shareholder Supervisor of the Tenth Board of Supervisors of the Company
The Fifth Extraordinary General Meeting in 2021	13 September 2021	www.sse.com.cn	14 September 2021	<ol style="list-style-type: none"> 1. The Proposal on Changing Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction 2. The Proposal on Authorizing the Board of Directors and Its Authorized Persons to Handle all Matters Related to the Company's Changing Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction 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 in Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction
The Sixth Extraordinary General Meeting in 2021	31 December 2021	www.sse.com.cn	1 January 2022	Proposal on Adjusting the Allowance of Non-Executive Chairman

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

5. RIGHTS OF SHAREHOLDERS

(1) Convening extraordinary general meetings

In accordance with the *articles of association of the Company*, shareholders separately or aggregately holding no less than 10% of the Company's issued shares have the right to propose the Board of Directors to convene an extraordinary general meeting by way of written request(s). The Board shall reply in writing regarding the acceptance or refusal to convene an extraordinary general meeting within ten days upon receiving the request in accordance with the requirements of the laws, administrative regulations and the *articles of association of the Company*. If the Board of Directors agrees to convene the extraordinary general meeting, notice convening the meeting shall be issued within five days after the Board resolved to do so. If the Board makes alterations to the original proposal in the notice, consent has to be obtained from the related shareholders. If the Board of Directors does not agree to convene the extraordinary general meeting or does not reply within ten days upon receiving the request, shareholders separately or aggregately holding no less than 10% of the Company's issued shares have the right to propose the Board of Supervisors to convene an extraordinary general meeting by way of written request(s). If the Board of Supervisors agrees to convene the extraordinary general meeting, notice convening the extraordinary general meeting shall be issued within five days upon receiving the request. Should there be alterations to the original requests in the notice, consent has to be obtained from the related shareholders. If the Board of Supervisors does not issue notice of the extraordinary general meeting within the required period, it will be considered as not going to convene and preside over the extraordinary general meeting, and shareholders separately or aggregately holding no less than 10% of the shares of the Company for ninety or more consecutive days have the right to convene and preside over the meeting on their own. The Company shall bear costs and expenses necessary for the extraordinary general meetings, which are convened by the Board of Supervisors or shareholders on their own initiative.

(2) Procedures for shareholders' making inquiries to the Board of Directors

In accordance with the *articles of association of the Company*, when a shareholder demands for inspection of information mentioned in the preceding article or demands for any information, it shall provide written proof of the class and number of shares held by him/her, and such information shall be provided upon his/her shareholder capacity being verified.

(3) Procedures for shareholders' presenting proposals to shareholders' general meetings

In accordance with the *articles of association of the Company*, shareholders independently or collectively holding not less than 3% of the shares of the Company may propose an extraordinary motion to the convener in writing ten days before the convening of such general meeting. The convener shall issue a supplementary notice of the general meeting to announce the content of the extraordinary motion within two days after receiving the proposed motions. The convener shall not amend the proposals listed in the aforesaid notice or add any new proposals subsequent to the dispatch of a notice of the general meeting.

The notice of general meetings shall include the following information: the venue, date and duration of the meeting; the delivery time and place of the authorization letter for proxy voting of the meeting; the record date of registration of shareholders entitled to attend the general meeting; the name and phone number of the regular contact person for the meeting; the time, procedure, and deliberation of online voting or communication voting.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

6. BOARD OF DIRECTORS

The Board of Directors serves as the permanent body of the Company for making operational decisions and is responsible to the shareholders' general meeting. The Board of Directors is composed of nine directors including three independent non-executive directors. The Board of Directors strictly abides by the *articles of association of the Company*, the *Procedural Rules of the Board of Directors* and relevant laws and regulations in performing its duties.

The Directors confirm their individual and collective responsibility for preparing the financial statements of the Company for the year ended 31 December 2021. The Board has set up special committees including the audit committee, the nomination committee, the remuneration and assessment committee, the strategy committee and the governance and compliance committee etc. Those special committees have formulated their respective terms of references, are responsible to the Board of Directors, and make proposals and advisory opinions to the Board of Directors for deliberation under the unified leadership of the Board. Those special committees may engage an intermediary agency to provide independent professional advice, and the relevant expenses shall be borne by the Company. During the Reporting Period, aimed at making more scientific decisions and operating in a more standard and more effective manner, the Board of Directors actively expanded channels for information exchange, strengthened communication with the management, and timely responded to major issues.

During the Reporting Period, all directors worked diligently and in strict accordance with the *articles of association of the Company* and the *Procedural Rules of the Board of Directors*. As of the date of this report, the Tenth Session of Board of Directors of the Company is composed of nine members: Mr. Li Yeqing and Mr. Liu Fengshan as executive directors, Mr. Xu Yongmo, Ms. Geraldine Picaud, Mr. Lo Chi Kong and Ms. Tan Then Hwee as non-executive directors, and Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong as independent non-executive directors. Each of the directors serves a term of three years.

There is no financial, business, family or other relationship between the members of the Board of Directors, and between the Chairman and the Chief Executive Officer (i.e. the President).

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Board meetings within the Reporting Period

Meeting	Time	Resolution
25th Meeting of the Ninth Session of Board of Directors	12 January 2021	Reviewed and Passed: Proposal in Respect of Convening the First Extraordinary General Meeting in 2021
26th Meeting of the Ninth Session of Board of Directors	28 January 2021	Reviewed and Passed: Report on the Organization Structure Adjustment of the Company and Explanation
27th Meeting of the Ninth Session of Board of Directors	24–25 March 2021	Reviewed and Passed: <ol style="list-style-type: none"> 1. Annual Report 2020 of the Company and its abstract 2. Final Financial Report 2020 and Financial Budget Report 2021 3. 2020 Profit Distribution Proposal of the Company 4. Proposal on the Modification of Corporate Accounting Policy 5. Proposal on Authorizing the Management to Conduct Cash Management 6. Proposal on Requesting for Approval of the <i>Foreign Exchange Risk Management Rules</i> and Authorizing the Management to Conduct Interest Rate Swaps of Foreign Exchange 7. Proposal on Reappointing the Accounting Firm for 2021 Financial Audit and Internal Control Audit of the Company 8. Internal Control Assessment Report 2020 of the Company 9. Proposal on Cashing in 2020 Short-term Incentives for the Top Management 10. Proposal on Vesting and Cashing in “Phantom Performance Stock (PPS) Incentives” 2018 for the Top Management 11. Proposal in Respect of Nominating Mr. Xu Yongmo, Mr. Li Yeqing, Mr. Liu Fengshan, Ms. Geraldine Picaud, Mr. Lo Chi Kong, Ms. Tan Then Hwee as the Director Candidates for the Tenth Board of Directors 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 13. Proposal in Respect of Amending Partial <i>Articles in the Articles of Association</i> of the Company 14. Annual Work Report 2020 of the Board of Directors 15. Annual Work Report 2020 of Independent Director Ms. Liu Yan, Mr. Simon MacKinnon, Mr. Wang Liyan
28th Meeting of the Ninth Session of Board of Directors	2 April 2021	Reviewed and Passed: Proposal in Respect of Convening the 2020 Annual General Meeting of the Company

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Meeting	Time	Resolution
1st Meeting of the Tenth Session of Board of Directors	28 April 2021	<p>Reviewed and Passed:</p> <ol style="list-style-type: none"> 1. Proposal in Respect of Electing Mr. Xu Yongmo as Chairman of the Tenth Board of Directors 2. Proposal in Respect of Appointing Mr. Li Yeqing as CEO of the Company 3. Proposal in Respect of Appointing Mr. Ye Jiaxing as Secretary to the Board of the Company 4. Proposal in Respect of Appointing Mr. Chen Qian as CFO (Chief of Corporate Finance) of the Company 5. Proposal in Respect of Appointing Vice Presidents of the Company 6. Proposal in Respect of Setting up Special Committees to the Tenth Board of Directors 7. First Quarter Report 2021 of the Company 8. Proposal on Public Issuance of Corporate Bonds in 2021 9. Proposal on Adjusting the Construction of Huangshi Huaxin Green Building Materials Industrial Park 10. Proposal on Providing Guarantee for the Financing of Huangshi Huaxin Green Building Materials Industry Co., Ltd. 11. 2020 KPI Assessment Plan for Senior Management 12. Proposal in Respect of Convening the Second Extraordinary General Meeting in 2021
2nd Meeting of the Tenth Session of Board of Directors	18 May 2021	<p>Reviewed and Passed:</p> <ol style="list-style-type: none"> 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 2. Proposal on Providing Guarantee for Huaxin Hong Kong (Tanzania) Investment Co., Ltd
3rd Meeting of the Tenth Session of Board of Directors	10 June 2021	<p>Reviewed and Passed: Proposal on Connected Transaction of the Acquisition of Holcim Zambia and Malawi Cement and Related Business</p>
4th Meeting of the Tenth Session of Board of Directors	24 June 2021	<p>Reviewed and Passed:</p> <ol style="list-style-type: none"> 1. Proposal in Respect of Amending Partial Articles in the <i>Articles of Association</i> of the Company 2. Proposal of the 10th Board of Directors of the Company on Adjustment of Remuneration for Some Senior management 3. Proposal in Respect of Convening the Third Extraordinary General Meeting in 2021
5th Meeting of the Tenth Session of Board of Directors	26 July 2021	<p>Reviewed and Passed: Proposal on Constructing Limestone Processing Line in Zigui</p>
6th Meeting of the Tenth Session of Board of Directors	6 August 2021	<p>Reviewed and Passed: Proposal in Respect of Convening the Forth Extraordinary General Meeting in 2021</p>

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Meeting	Time	Resolution
7th Meeting of the Tenth Session of Board of Directors	26 August 2021	Reviewed and Passed: <ol style="list-style-type: none"> 1. Half Year Report 2021 of the Company and its abstract 2. Proposal on Constructing Wuxue 30 million tons/y Machine-made Sand Production Line Project 3. Proposal on Remuneration for Chairman of the Labor Union of the Company 4. The Proposal on Changing Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction (Revised draft) 5. Proposal on Reviewing the <i>Articles of Association of Huaxin Cement Co., Ltd.</i> (Draft, applicable after the listing of H Shares) 6. Proposal in Respect of Convening the Fifth Extraordinary General Meeting in 2021
8th Meeting of the Tenth Session of Board of Directors	23 September 2021	None
9th Meeting of the Tenth Session of Board of Directors	27 October 2021	Reviewed and Passed: <ol style="list-style-type: none"> 1. Third Quarter Report 2021 2. Proposal on Reviewing the Company's Corporate Governance Documents
10th Meeting of the Tenth Session of Board of Directors	14 December 2021	Reviewed and Passed: <ol style="list-style-type: none"> 1. 2022 Budget Report of the Company 2. Proposal on the Daily Connected 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 Powers of Non-Executive Chairman and Adjusting the Allowance 6. Proposal in Respect of Convening Sixth Extraordinary General Meeting in 2021

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Directors' attendance at Board Meetings and Shareholders' General Meetings

Name	Independent Director or not	Number of meetings required to attend	Present in person	Present at Board Meetings			Absent or present by proxy successively for twice	Present at general meeting
				Present by means of communication	Present by proxy	Absent		
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
Lo Chi Kong	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 (Note)	Yes	4	4	3	0	0	No	2
Simon Mackinnon (Note)	Yes	4	4	3	0	0	No	2
Wang Liyan (Note)	Yes	4	4	3	0	0	No	2

Note: Ms. Liu Yan, Mr. Simon Mackinnon and Mr. Wang Liyan resigned as Independent Director in April 2021 due to the end of terms.

Objections raised by directors to matters relating to the Company

Applicable Not applicable

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Directors' training

All Directors (Mr. Li Yeqing, Mr. Liu Fengshan, Mr. Xu Yongmo, Ms. Geraldine Picaud, Mr. Lo Chi Kong, Ms. Tan Then Hwee, Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong) have participated in the Continuing Professional Development Programme during the Reporting Period for knowledge and skill update, so that they can continue to make informed and relevant contributions to the Board of Directors and that they are fully aware of their responsibilities, duties and obligations as directors of a dual-listed company.

As of 31 December 2021, the executive directors (Mr. Li Yeqing and Mr. Liu Fengshan) have participated in the Hubei Listed Company's 2021 Training of Directors, Supervisors, and Senior management and have completed the relevant examination.

7. FULFILLMENT OF CORPORATE GOVERNANCE DUTIES BY THE BOARD OF DIRECTORS

In accordance with the regulatory requirements governing securities in the place of listing of the Company's shares, the Board of Directors strictly implemented the provisions of the Procedural Rules of the Board of Directors in performing its corporate governance duties, including but not limited to:

- Formulating and reviewing corporate governance policies and practices of the Company and giving suggestions.
- Reviewing and monitoring the training and continuing professional development of directors and senior management. During the Reporting Period, the Board of Directors communicated relevant regulatory laws and regulations to the directors and senior management in a timely manner to help them continuously develop their professional competence and better perform their duties.
- Reviewing and monitoring the Company's abidance by laws and regulations in terms of policies and practices. The Board of Directors continuously monitored the Company's operational compliance. The Company set up a Legal Department and engaged law firms to reduce legal and regulatory risks.
- Reviewing the Company's compliance with *Corporate Governance Code* contained in Appendix 14 to the *Hong Kong Listing Rules* and its disclosures in the Corporate Governance Report. The Board of Directors required the Company to strictly comply with the requirements on corporate governance set forth in the listing rules of the place where the shares of the Company are listed and disclose relevant corporate governance information in a timely manner.

8. CHAIRMAN AND PRESIDENT

To ensure power balance and enhance independence and accountability, the position of Chairman and President (i.e. chief executive officer as defined in the *Corporate Governance Code*) of the Company are held by Mr. Xu Yongmo and Mr. Li Yeqing, respectively.

The Chairman shall exercise the following functions and powers: to preside in shareholders' general meetings and to convene and preside in board meetings; to supervise and inspect the implementation of resolutions of the Board of Directors; to sign securities to be issued by the Company; to sign significant documents to be issued by the Board of Directors; other functions and powers conferred by the Board of Directors or listing rules of the stock exchanges where the Company's shares are listed. The Chairman shall be accountable to the Board of Directors and report on works to the Board of Directors.

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The President is the legal representative of the Company and shall exercise the following functions and powers: to be in charge of the Company's operation and management, and to organize the implementation of the resolutions of the Board of Directors and report on works to the Board of Directors; to organize the implementation of the Company's annual business plan and investment proposals; to draft plans for the establishment of the Company's internal management structure; to draft the Company's basic management regulations; to formulate specific rules and regulations for the Company; to propose the appointment or dismissal by the Board of Directors of the Company's deputy vice president and head of finance; to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors; other functions and powers conferred by the *articles of association of the Company* or the Board of Directors. As requested by the Board of Directors, the President shall timely provide the Board of Directors with important information concerning the Company, including but not limited to the operating results, major transactions and contracts, financial data and business viability, and submit truthful, objective and complete reports to the Board of Directors.

The respective duties of the Chairman and the President are clearly defined and set out in the *articles of association of the Company*.

9. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the *Procedural Rules of the Board of Directors*, Directors shall serve a term of three years and may serve a consecutive term if re-elected, but the term of independent non-executive directors shall not be more than six years. As of the date of this report, the Board of Directors of the Company comprised of nine directors, including three independent non-executive directors, Mr. Jiang Hong, an independent non-executive director, is qualified for accounting and financial management. The composition of the Board of Directors complies with Rule 3.10(1) "The Board of Directors must include at least three independent non-executive directors", Rule 3.10A "Independent non-executive director must represent at least one-third of the Board" and Rule 3.10(2) "At least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise" of the Hong Kong Listing Rules.

The Company has received annual confirmation letters from independent non-executive directors, Mr. Zhang Jiping, Mr. Jiang Hong and Mr. Wong Kun Kau, regarding their independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company acknowledges their independence and considers all independent non-executive directors as independent third parties.

10. SPECIAL COMMITTEES TO THE BOARD OF DIRECTORS

The Board of Directors has set up five special committees including the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategy Committee and the Governance and Compliance Committee. Those committees performed their duties and authorities assigned by the Board of Directors with due diligence and in accordance with laws, regulations, the *articles of association* of the Company and their respective terms of references, and have played a positive role in improving the corporate governance structure and the development of the Company. During the Reporting Period, the Board of Directors did not raise any objection to the board proposals and non-board proposals for the year.

- (1) The Company has set up the Strategy Committee in accordance with the *Code of Corporate Governance for Listed Companies*. The Strategy Committee is mainly responsible for conducting feasibility study on the Company's long-term strategic plan and major strategic investment, reporting to and accountable to the Board of Directors. The terms of reference of the Strategy Committee have been published on the websites of the Company and SSE.

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- (2) The Company has set up the Audit Committee in accordance with Rules 3.21 and 3.22 of the *Hong Kong Listing Rules* and the requirements of CSRC and SSE. The Audit Committee is responsible for conducting internal audit and supervision on the Company's financial income, expenditure and economic activities, reporting to and accountable to the Board of Directors. The terms of reference of the Audit Committee have been published on the websites of the Company and SSE.

During the Reporting Period, the Audit Committee held meetings to jointly review the Company's financial and accounting policies, internal control systems and relevant financial matters; express opinions on matters relating to the engagement of external auditors; receive external auditor's reports on the audit and review of the financial report, and analyze and review financial data in combination with other relevant information of the Company according to the requirements of laws, regulations and rules, so as to ensure the integrity, fairness and accuracy of the Company's financial statements, reports and other relevant data; guide the internal audit, evaluate the work of the finance department, audit department and their responsible persons; supervise the improvement of the Company's risk management and internal control system; assess the effectiveness of risk management and internal control; review continuing connected transactions, conduct interest conflict management and audit the Company's entrusted wealth management business; and establish a sound and effective internal control system.

During the Reporting Period, in accordance with the *Company Law*, the *Securities Law*, the *Accounting Law of the People's Republic of China*, the *Basic Internal Control Norms for Enterprises* and its supporting guidelines, the *Guidelines of SSE for the Internal Control of Listed Companies* and other regulatory rules on internal control, the Audit Committee identified, assessed and sorted out the important risks faced by the Company and improved the Company's risk management control measures, to ensure that the control measures targeted towards major risks are well-founded, relevant resources are in place and properly applied, and the risks are well under control. The Audit Committee believes that the Company's risk control system and internal control operation comply with the requirements of the governance code for listed companies issued by the CSRC.

During the Reporting Period, the Audit Committee held three meetings with the audit institutions engaged by the Company.

- (3) The Company has set up a Nomination Committee in accordance with Rule B.3.1 of the *Corporate Governance Code* and the requirements of CSRC and SSE. The Nomination Committee is mainly responsible for raising proposals on the replacement of directors and senior management and recommending new candidates to the Board of Directors, and evaluating the independence of independent non-executive directors. The terms of reference of the Nomination Committee have been published on the websites of the Company, SSE and SEHK.

The Company has formulated the *Board Diversity Policy*, which involves: (1) Policy statement: When deciding the composition of the Board of Directors, the Company will take into account the board diversity from various aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, expertise and term of service. All appointments to the Board of Directors will be made based on competence of the candidates, as well as the diversity under objective conditions. (2) Measurable objectives: The Company will select candidates based on a variety of criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, expertise and term of service. The male-female ratio of board members is 7: 2 (compared to 3.5:1 of all the staff).

The Company acknowledges that the composition of the Board of Directors, members' background and procedures for selecting new directors comply with the requirements of the *Hong Kong Listing Rules* on board diversity and the requirements of the Company's *Board Diversity Policy*.

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- (4) The Company has established a Remuneration and Assessment Committee in accordance with Rules 3.25 and 3.26 of the *Hong Kong Listing Rules* and the requirements of CSRC and SSE. The Remuneration and Assessment Committee is mainly responsible for the formulation, management and assessment of the remuneration system for directors and senior management of the Company, and making suggestions on the remuneration for executive directors and senior management to the Board of Directors. The Remuneration and Assessment Committee reports to and is accountable to the Board of Directors. The terms of reference of the Remuneration and Assessment Committee have been published on the websites of the Company, SSE and SEHK.
- (5) During the Reporting Period, the members and meetings of the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategy Committee and the Governance and Compliance Committee of the Company are as follows:

Members of special committees to the Board of Directors

Types of special committees	Name of member
Audit Committee	Chairman: Jiang Hong (Independent Non-executive Director). Members: Wong Kun Kau (Independent Non-executive Director), Zhang Jiping (Independent Non-executive Director); Xu Yongmo (Non-executive Director and Chairman); Geraldine Picaud (Non-executive Director).
Nomination Committee	Chairman: Zhang Jiping (Independent Non-executive Director). Members: Wong Kun Kau (Independent Non-executive Director), Jiang Hong (Independent Non-executive Director), Li Yeqing (Executive Director), Tan Then Hwee (Non-executive Director).
Remuneration and Assessment Committee	Chairman: Zhang Jiping (Independent Non-executive Director). Members: Wong Kun Kau (Independent Non-executive Director), Jiang Hong (Independent Non-executive Director), Lo Chi Kong (Non-executive Director), Xu Yongmo (Non-executive Director and Chairman).
Strategy Committee	Chairman: Li Yeqing (Executive Director). Members: Xu Yongmo (Non-executive Director and Chairman), Lo Chi Kong (Non-executive Director), Wong Kun Kau (Independent Non-executive Director).
Governance and Compliance Committee	Chairman: Lo Chi Kong (Non-executive Director). Members: Liu Fengshan (Executive Director), Tan Then Hwee (Non-executive Director), Jiang Hong (Independent Non-executive Director).

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During the Reporting Period, the Audit Committee held five meetings in total. All members attended these meetings in person and discussed matters as follows:

Time	Agenda	Opinions and suggestions
24 March 2021	<ol style="list-style-type: none"> 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 proposal on changes in the Company's Accounting Policies 2. Hear the Company's annual report auditor's report on the 2020 annual audit completion report and the Company's 2020 annual work report on internal audit and internal control 	The matters of the meeting were reviewed and approved, and it was agreed that the 2020 Annual Financial Report of the Company, <i>2020 Annual Internal Control Evaluation Report, Proposal on Renewing the Company's 2021 Annual Financial Audit and Internal Control Audit Accounting Firm, Proposal on the Changes in the Company's Accounting Policy</i> were submitted to the Board of Directors for deliberation.
25 August 2021	<ol style="list-style-type: none"> 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.
24 September 2021	Initiate the internal investigation on the outgoing VP Chen Bing	Agreed to initiate the internal investigation
28 September 2021	Understand 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	/
13 December 2021	<ol style="list-style-type: none"> 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.

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During the Reporting Period, the Nomination Committee held two meetings in total. All members attended these meetings in person and discussed matters as follows:

Time	Agenda	Opinions and suggestions
21 January 2021	Study the nomination of independent directors of the Tenth Board of Directors	Agree to nominate Mr. Zhang Jiping and Mr. Wong Kun Kau as independent director candidates of the tenth Board of Directors of the Company.
16 March 2021	<ol style="list-style-type: none"> 1. The third round of interviews for independent director candidates for the accounting profession 2. Study the nomination and recommendation of the other 6 directors 	<ol style="list-style-type: none"> 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. Lo Chi Kong, Ms. Geraldine Picaud, Ms. Karen Tan and others as candidates for the tenth Board of Directors.

During the Reporting Period, the Remuneration and Assessment Committee held four meetings in total. All members attended these meetings in person and discussed matters as follows:

Time	Agenda	Opinions and suggestions
24 March 2021	Review the proposal on the vesting of short-term incentives for executives in 2020 and the proposal on the vesting of phantom stock incentives 2018.	Consider and approve the meeting matters, and agree to submit the <i>Proposal on the vesting of short-term incentives for executives in 2020, Proposal on Vesting in the Phantom Stock Incentives 2018</i> to the Board of Directors for deliberation.
24 June 2021	<ol style="list-style-type: none"> 1. Review the proposal in respect of the remuneration adjustment for some senior management of the tenth Board of Directors of the Company 2. Hear the remuneration report of senior management 	Agree to submit the <i>Proposal of the 10th Board of Directors of the Company on Adjustment of Remuneration for Some Senior Management</i> to the Board of Directors for deliberation.
25 August 2021	Review the proposal on the remuneration for the chairman of the Labor Union	Agree to submit the proposal to the Board of Directors for deliberation.
13 December 2021	Review the proposal on increasing the powers of the non-executive chairman of the Company and adjusting his allowances	Consider and approve the meeting matters, and agree to submit the <i>Proposal on Increasing the Powers of the Company's Non-executive Chairman and Adjusting his Allowances</i> to the Board of Directors for deliberation.

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During the Reporting Period, the Strategy Committee held two meetings in total. All members attended these meetings in person and discussed matters as follows:

Time	Agenda	Opinions and suggestions
24 June 2021	Understand the Corporate Strategy Report (2021–2024)	/
13 December 2021	Understand: <ol style="list-style-type: none"> 1. Macro outlook and strategy review report 2. Business risk management (2021) 	/

During the Reporting Period, the Governance and Compliance Committee held only one meeting. All members attended the meeting in person and discussed matters as follows:

Time	Agenda	Opinions and suggestions	Other duty
13 December 2021	Understand: Investigation on Chen Bing subject to retention in custody and its impact, 2021 internal control and internal audit work report, and the case of the governance over the Huangshi Industrial Zone	/	/

During the Reporting Period, the Company did not hold any meeting between the Chairman of the Board of Directors and independent non-executive directors.

The Board of Supervisors had no objection to the supervision matters during the Reporting Period.

11. JOINT COMPANY SECRETARIES

Mr. Ye Jiaxing serves as the Joint Company Secretary of the Company and is responsible for advising the Board of Directors on corporate governance matters. In addition, to ensure good corporate governance and compliance with the Hong Kong Listing Rules, the Company has appointed Ms. Mak Sze Man, Senior Manager of the Corporate Services Division of Tricor Services Limited and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, as the Joint Company Secretary to assist Mr. Ye Jiaxing in fulfilling his obligations and responsibilities. The main contact within the Company for Ms. Mak Sze Man is Mr. Ye Jiaxing (Vice President and Secretary to the Board of Directors of the Company).

In 2021, both Mr. Ye Jiaxing and Ms. Mak Sze Man complied with the training requirements set out in Rule 3.29 of the Hong Kong Listing Rules.

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12. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The financial statements and results announcement of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee. All directors agreed and confirmed their and individual and collective responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements for the relevant accounting periods under applicable statutory and regulatory requirements which gave a true and fair view of the financial status, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2021, applicable accounting policies have been adopted and applied consistently. The Directors are not aware of any uncertain events or circumstances which may materially affect the Company's ability to continue as a going concern.

13. SPECIAL DESCRIPTION OF CASH DIVIDEND POLICY

Meet the requirements of the *articles of association of the Company* or resolutions of shareholders' general meetings Yes No

Dividend distribution standard and ratio are clear and cut Yes No

Decision procedure and system are complete Yes No

Independent directors performed duties and played their roles Yes No

Minority shareholders fully expressed their opinions and requests, and their legitimate rights have been fully protected Yes No

14. DEVELOPMENT AND IMPLEMENTATION OF INTERNAL CONTROL POLICIES DURING THE REPORTING PERIOD

(1) Internal control responsibility statement

The Board of Directors of the Company is responsible for establishing, improving and effectively implementing the internal control system, evaluating system effectiveness and truthfully disclosing the report on internal control effectiveness. In accordance with the *Company Law*, the *Securities Law*, the *Accounting Law of the People's Republic of China* and the *Guidelines of SSE for the Internal Control of Listed Companies, Basic Internal Control Norms for Enterprises* and other internal control rules, the Board of Directors has established and improved its risk control measures. i.e. risk-oriented internal control system, that cover various links in the Company's operation and management. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and the Board of Directors can only give reasonable instead of absolute assurance that there will be no material misstatement or loss. In the year, the Company, by testing the effectiveness of the internal control system on the spot, monitored risk level and provided reasonable assurance in terms of well-founded and standard application of operational risk control activities, secure asset security, as well as true, accurate and complete financial report and information disclosure, which promoted the Company's development.

(2) Development of the Company's risk control and internal control systems

① Risk control & internal control and their characteristics

The Company has always been committed to building an internal control system that meets regulatory requirements. The Company has established such an internal control system that meets regulatory requirements and has organically integrated risk control and internal control through continuous optimization of the internal control mechanism, which contributes to significantly improved risk prevention and control capacity and means and is effective in the Company's management.

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The Company enabled effectively running internal control system by promoting collaboration among three aspects, namely the self-inspection on the operation of internal control by the functional management/business operation departments, the independent evaluation by the internal audit department, and the internal control audit by the external accounting firm. At the same time, the Company launched an internal control management platform and some other measures to strengthen the ability of business departments to directly respond to risk control, thereby establishing a normalized risk-oriented internal control mechanism with extensive involvement among employees, making it more efficient for the Company to achieve the strategic objectives.

② *Organization structure regarding risk control and internal control*

The Board of Directors of the Company is responsible for the establishment, improvement and effective implementation of risk-oriented internal control, and shall assess its effectiveness at least once a year. Under the guidance and supervision of the Audit Committee to the Board of Directors, the Internal Audit and Internal Control Department of the Company is responsible for supervising, reviewing and evaluating the implementation of risk-oriented internal control by the Company and its subsidiaries, and coordinating internal control audit and other related matters. The Company's management is responsible for the effective operation of the risk-oriented internal control system. During the Reporting Period, the Company conducted special audits on the effectiveness of risk control activities implemented by its 26 subordinate units and 22 audits on business process in high-risk fields such as procurement and sales and logistics, and organized annual internal control self-assessment within the headquarters and 164 subordinate units. The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP to audit the effectiveness of internal control over financial report, and a standard unqualified auditor's report has been issued. During the Reporting Period, the Board of Directors assessed and confirmed the effectiveness and adequacy of the Company's internal control system.

③ *Procedures for identifying, assessing and control material risks*

The Company has established an internal monitoring system for material information, procedures for processing and releasing stock price-sensitive data and internal monitoring measures, a *Material Internal Events Report Policy* to define the specific scope of material internal events, and an effective communication mechanism. The obligor for reporting material internal events is responsible for submitting data to the Secretary to the Board of Directors in a timely, accurate, true and complete manner. The Secretary to the Board of Directors is required to analyze the material information received, make a judgment and report to the President of the Company in time. Material information involving a disclosure obligation shall be reported to the Board of Directors and the Board of Supervisors and disclosed to the public according to relevant regulations.

In terms of information disclosure, the Company has formulated the *Administrative Measures for Information Disclosure and the Registration System for Insiders Who Have Access to Inside Information* to prevent improper use and dissemination of sensitive information. The Registration System for Insiders Who Have Access to Inside Information clearly stipulates the confidentiality management of inside information, the registration of insiders who have access to inside information and the accountability. The Company regularly reminded the directors and employees to comply with all policies adopted in relation to inside information, including compliance with the Model Code set out in Appendix 10 to the *Hong Kong Listing Rules* for the trading of the Company's securities. At the same time, the Company disclosed information truthfully, accurately, completely and in a timely manner in accordance with the *Hong Kong Listing Rules*, the *SSE Listing Rules* and the *articles of association of the Company*, to ensure that all investors have equal and timely access to information about the Company.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

④ *Measures for major internal control deficiencies*

The Company has formulated the evaluation process and criteria for the lack of internal control. In case of a major lack of internal control that causes failure in achieving strategic objectives, asset security, business and compliance objectives, the internal audit department will promptly coordinate with responsible units to rectify it and report to the management, Audit Committee and Board of Directors. The Audit Committee and the Board of Directors will analyze and assess the impact on the Company and supervise the rectification. During the Reporting Period, the Company did not find any material internal control deficiency through internal control audit conducted by the accounting firm and internal audit and internal control self-assessment conducted by the internal audit department.

(3) Description of the internal control auditor's report

Deloitte Touche Tohmatsu Certified Public Accountants LLP engaged by the Company has audited the effectiveness of internal controls relating to the Company's financial report and issued a standard unqualified auditor's report.

The standard unqualified auditor's report has been disclosed together with the Annual Report. For details, please refer to the website of SSE (www.sse.com.cn).

(4) Rectification of problems found in self-inspection of special corporate governance actions for the Company

The Company identified 5 problems according to the list of corporate governance problems, and all problems have been rectified.

(5) Remuneration for independent auditors

Deloitte Touche Tohmatsu Certified Public Accountants LLP was appointed as an independent auditor of the Group during the Reporting Period.

The remuneration paid/payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP Deloitte Business Consulting (Shanghai) Co., Ltd. and Deloitte Management Consulting (Shanghai) Co., Ltd. during the Reporting Period is set out below:

	Fees paid/ payable (RMB)
Audit services — Annual audit and reporting accountant relating to the listing on SEHK	7,565,715
Non-audit services — primarily internal control services	3,542,310
	<u>11,108,025</u>

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

(6) Communication with the shareholders

The Company has adopted the Shareholders' Communications Policy with the objective of ensuring that the shareholders will have equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

The shareholders are informed mainly through the Company's financial reports, annual general meetings and other extraordinary general meetings that may be held, as well as published disclosures submitted to the SEHK.

(7) Constitutional documents

Amendments were made to the articles of association of the Company in the 2020 AGM on 27 April 2021, the third EGM on 12 July 2021, and the fifth EGM on 13 September 2021, respectively.

The currently effective *articles of association* of the Company are available on the websites of the SEHK (www.hkexnews.hk) and the Company (www.huaxincem.com).

CORPORATE BONDS

1. CORPORATE BONDS

Unit: RMB100 million

Name	Abbreviation	Code	Issuing date	Value date	Date of expiry	Bond balance	Coupon rate (%)	Principal and interest payment	Trading place	Investor suitability (If any)	Risk of termination of listing
2020 overseas bonds	HXCEME	XS2256737722	19 November 2020	20 November 2020	18 November 2025	19.02	2.25	Payment of interest half a year, debt maturity	Singapore Stock Exchange	Qualified investors	No
2021 public bonds for professional investors	21HX01	188650	25 August 2021	26 August 2021	24 August 2024	12.98	3.26	Payment of interest every year, debt maturity	SSE	Qualified investors	No

2. USE OF PROCEEDS FROM BOND ISSUANCE AT THE END OF THE REPORTING PERIOD

Unit: RMB100 million

Bonds	Total fund raised	Deployed amount	Balance	Operation of the fund account (if any)	Rectification due to illegal use of fund (if any)	In alignment with the 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	12.98	12.98	0	Same with the above	Not applicable	Yes

Progress and operating benefits of raised funds deployed in construction projects

2020 overseas bonds: The acquisition of cement in Zambia and Malawi has been completed, the Nepal Project has been put into operation, and the operating benefits of other overseas projects remain stable.

2021 public bonds for professional investors (phase 1): Not applicable.

CORPORATE BONDS

3. ADJUSTMENT OF CORPORATE BOND CREDIT RATING

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

4. FINANCIAL INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE TWO YEARS ENDED 31 DECEMBER 2021

Unit: RMB

Item	2021	2020	Change over the same period of last year (%)
Net profit after extraordinary items	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 debt	0.42	0.54	-22.22
Interest coverage ratio	24.82	33.76	-26.48
Cash interest coverage ratio	31.12	44.10	-29.43
EBITDA interest coverage ratio	31.85	41.36	-22.99
Loan repayment ratio (%)	100%	100%	—
Interest repayment ratio (%)	100%	100%	—

5. BOND REDEMPTION & INTEREST PAYMENT DURING THE REPORTING PERIOD

Bond	Bond redemption & interest payment
2020 overseas bonds	In full, on time
2021 public bonds for professional investors (phase 1)	No interest paid

FIVE-YEAR FINANCIAL SUMMARY

The published results and assets, liabilities and minority interests of the Group for the past five financial years are as follows:

Unit: RMB1 Million Currency: RMB

Item	For the year ended 31 December				
	2021	2020	2019	2018	2017
Operating income	32,464	29,357	31,439	27,466	20,889
Total profit	7,373	7,664	8,716	7,131	2,812
Income tax expenses	1,568	1,490	1,695	1,426	600
Net profit	5,805	6,174	7,021	5,705	2,212
Net profit attributable to owners of the Company	5,364	5,631	6,342	5,181	2,078
Profit or loss attributable to minority interests	441	543	679	524	134

Item	As at 31 December				
	2021	2020	2019	2018	2017
Total assets	52,550	43,929	36,646	33,161	30,500
Total liabilities	23,172	18,189	13,278	14,842	17,344
Total equity attributable to the Company	26,730	23,571	21,309	16,673	11,900
Total equity attributable to minority interests	2,648	2,169	2,059	1,646	1,256

This summary does not form part of the audited consolidated financial statements.

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 are 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 VII(4) to the financial statements prepared in accordance with the PRC Accounting Standards, the carrying amount of accounts receivable amounting to RMB956,580,152 was included in the consolidated balance sheet as at 31 December 2021 net provision for ECL of RMB164,229,940. As set out in Note V(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.

AUDITOR'S REPORT

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

III. KEY AUDIT MATTERS – *continued*

(I) Expected credit loss (“ECL”) of accounts receivable – *continued*

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

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

- Understood, tested and evaluated the key internal controls in relation to the ECL of accounts receivable;
- 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;
- Verified the mathematical accuracy of the amount of ECL calculated by the management using the above ECL model;
- 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.

AUDITOR'S REPORT

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

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.

AUDITOR'S REPORT

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

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS – *continued*

- (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.

AUDITOR'S REPORT

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

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS – *continued*

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
Shanghai, China

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

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.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEET

RMB

Items	Note	Closing balance	Opening balance
Current Assets			
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
Total Current Assets		16,126,716,577	15,134,612,209
Non-current Assets			
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
Total Non-current Assets		36,422,901,473	28,793,896,942
TOTAL ASSETS		52,549,618,050	43,928,509,151

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEET – *continued*

RMB

Items	Note	Closing balance	Opening balance
Current Liabilities			
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
Total Current Liabilities		12,713,539,064	11,602,596,811
Non-current Liabilities			
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	—
Total Non-current Liabilities		10,458,241,678	6,585,973,842
TOTAL LIABILITIES		23,171,780,742	18,188,570,653
Shareholders' Equity			
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
Total equity attributable to shareholders of the Company		26,729,911,468	23,571,375,317
Minority interests		2,647,925,840	2,168,563,181
Total Shareholders' Equity		29,377,837,308	25,739,938,498
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		52,549,618,050	43,928,509,151

The accompanying notes form part of the financial statements.

The financial statements on pages 89 to 282 were signed by the following:

Legal Representative:
Mr. Li Yeqing

Chief Financial Officer:
Mr. Chen Qian

Head of Accounting Department:
Mr. Wu Xin

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

BALANCE SHEET OF THE COMPANY

RMB

Items	Note	Closing balance	Opening balance
Current Assets			
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
Total Current Assets		12,514,444,765	11,316,799,735
Non-current Assets			
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
Total Non-current Assets		12,923,754,261	11,924,857,794
TOTAL ASSETS		25,438,199,026	23,241,657,529

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

BALANCE SHEET OF THE COMPANY – *continued*

RMB

Items	Note	Closing balance	Opening balance
Current Liabilities			
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
Total Current Liabilities		9,220,118,572	9,593,839,945
Non-current Liabilities			
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
Total Non-current Liabilities		2,794,986,771	1,323,145,161
TOTAL LIABILITIES		12,015,105,343	10,916,985,106
Shareholders' Equity			
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
Total Shareholders' Equity		13,423,093,683	12,324,672,423
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,438,199,026	23,241,657,529

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED INCOME STATEMENT

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED INCOME STATEMENT – *continued*

RMB

Items	Note	Amount for the current period	Amount for the prior period
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/share)		2.58	2.69
(ii) Diluted earnings per share (RMB/share)		2.58	2.69

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

INCOME STATEMENT OF THE COMPANY

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
Impairment (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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED CASH FLOW STATEMENT

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities			
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
II. Cash Flows from Investing Activities			
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)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED CASH FLOW STATEMENT – *continued*

RMB

Items	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities			
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
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		(38,411,852)	(83,166,330)
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents		8,420,246,369	4,918,296,452
VI. Closing Balance of Cash and Cash Equivalents			
	V(56)(4)	8,550,475,141	8,420,246,369

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CASH FLOW STATEMENT OF THE COMPANY

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
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
II. Cash Flows from Investing Activities			
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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CASH FLOW STATEMENT OF THE COMPANY – *continued*

RMB

Items	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities			
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
		2,373,519,745	3,246,826,804
Sub-total of cash inflows from financing activities			
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
		4,077,313,186	3,840,465,691
Sub-total of cash outflows from financing activities			
Net Cash Flow from Financing Activities		(1,703,793,441)	(593,638,887)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(13,175,115)	(13,615,201)
V. Net Increase in Cash and Cash Equivalents		527,348,106	1,482,475,471
Add: Opening balance of cash and cash equivalents		4,624,314,323	3,141,838,852
VI. Closing Balance of Cash and Cash Equivalents		5,151,662,429	4,624,314,323

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

RMB

Items	For the year ended 31 December 2021								Total shareholders' equity
	Attributable to owners of the Company							Minority interests	
	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	<u>2,096,599,855</u>	<u>2,031,151,748</u>	<u>610,051,971</u>	<u>(305,350,132)</u>	<u>1,111,880,257</u>	<u>22,405,681,711</u>	<u>26,729,911,468</u>	<u>2,647,925,840</u>	<u>29,377,837,308</u>

Items	For the year ended 31 December 2020								Total shareholders' equity
	Attributable to owners of the Company							Minority interests	
	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	<u>2,096,599,855</u>	<u>1,943,538,052</u>	<u>610,051,971</u>	<u>(275,292,763)</u>	<u>1,111,880,257</u>	<u>19,304,701,887</u>	<u>23,571,375,317</u>	<u>2,168,563,181</u>	<u>25,739,938,498</u>

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

RMB

Items	For the year ended 31 December 2021						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	
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

Items	For the year ended 31 December 2020						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	
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

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 RMB599,028,530. 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 Hong Kong Listing Rules.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

6. Preparation of consolidated financial statements – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.1 *Classification, recognition and measurement of financial assets – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.1 *Classification, recognition and measurement of financial assets – continued*

10.1.1 *Financial assets measured at amortized cost – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.1 *Classification, recognition and measurement of financial assets – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.2 Impairment of financial instruments – *continued*

10.2.1 Significant increase in credit risk – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.2 Impairment of financial instruments – *continued*

10.2.1 Significant increase in credit risk – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.2 Impairment of financial instruments – *continued*

10.2.3 Determination of ECL – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.3 *Transfer of financial assets – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.4 Classification of liabilities and equity – *continued*

10.4.1 Classification and measurement of financial liabilities – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.4 Classification of liabilities and equity – *continued*

10.4.1 Classification and measurement of financial liabilities – *continued*

10.4.1.1 Financial liabilities at FVTPL – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.4 Classification of liabilities and equity – *continued*

10.4.2 Derecognition of financial liabilities – *continued*

10.4.2.1 Other financial liabilities – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

10. Financial instruments – *continued*

10.5 Derivatives and embedded derivatives – continued

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

15. Long-term equity investments – *continued*

15.3 *Subsequent measurement and recognition of profit or loss – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

16. Fixed assets – *continued*

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

19. Intangible assets – *continued*

(2) *Accounting policies for internal research and development expenditure – continued*

- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

20. Impairment of long-term assets – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

23. Employee benefits – *continued*

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

25. Share-based payments – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

27. Revenue – *continued*

27.1 Accounting policies used for revenue recognition and measurement – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

28. Contract cost

28.2 Costs to fulfil 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

30. Deferred tax assets/Deferred tax liabilities – *continued*

30.2 Deferred tax assets and deferred tax liabilities – continued

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

31. Leases – *continued*

31.1 *The Group as a lessee – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

31. Leases – *continued*

31.1 *The Group as a lessee – continued*

31.1.3 *Lease liabilities – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

31. Leases – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

32. Other significant accounting policies and accounting estimates – *continued*

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

33. Changes in significant accounting policies and accounting estimates – *continued*

33.1 *New Lease Standards – continued*

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 RMB159,162,026 and the right-of-use assets of RMB165,832,759. 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%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

33. Changes in significant accounting policies and accounting estimates – *continued*

33.1 New Lease Standards – *continued*

The Group as a lessee – continued

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
1. 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
2. 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

33. Changes in significant accounting policies and accounting estimates – *continued*

33.1 *New Lease Standards – continued*

The Group as a lessee – continued

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)	<u>6,670,733</u>
Total	<u><u>165,832,759</u></u>

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	<u>6,704,145</u>
Total	<u><u>165,832,759</u></u>

Note 1: The prepaid rent of RMB6,670,733 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

33. Changes in significant accounting policies and accounting estimates – *continued*

33.2 Accounting Standards for Business Enterprises Interpretation No. 14 – continued

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 fifth batch 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 :

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

33. Changes in significant accounting policies and accounting estimates – *continued*

33.4 Transportation Cost – *continued*

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	<u>82,639,274</u>	<u>(11,338,320)</u>	<u>71,300,954</u>

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%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

IV. TAXES – *continued*

1. Major categories of taxes and tax rates – *continued*

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%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

IV. TAXES – *continued*

2. Tax preferences – *continued*

2.1 *Enterprise income tax – continued*

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%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

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

As at 31 December 2021, other cash and bank balances include mine reclamation deposits of RMB97,908,191, letter of guarantee deposits of RMB26,222,388, notes and L/C deposits of RMB127,901,317, finance lease deposits of RMB15,000,000 and deposits of other nature of RMB18,932,348, totaling up to RMB285,964,244 (31 December 2020: Other cash and bank balances include letter of guarantee deposits of RMB30,938,600, notes and L/C deposits of RMB145,161,196, finance lease deposits of RMB15,000,000 and deposits of other nature of RMB30,266,682, totaling up to RMB221,366,478). 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

RMB

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	—
Total	711,964,323	1,004,581,752

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

3. Notes receivable

(1) *Category of notes receivable*

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

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

4. Accounts receivable – *continued*

(2) Disclosure by provision methods for bad debt provision – *continued*

Receivables for which bad debt provision is individually assessed:

RMB

Name	Closing balance			Reasons for the provision
	Account balance	Bad debt provision	Proportion of 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	<u>81,626,344</u>	<u>70,549,889</u>	<u>86</u>	/

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

Category of cement receivable:

RMB

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
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	<u>209,196,365</u>	<u>17,687,643</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

4. Accounts receivable – *continued*

(2) Disclosure by provision methods for bad debt provision – *continued*

Category of concrete receivable:

RMB

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
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	<u>517,513,177</u>	<u>64,130,409</u>	

Item: Category of other business receivables

RMB

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
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	<u>312,474,206</u>	<u>11,861,999</u>	

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

4. Accounts receivable – *continued*

(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	<u>148,363,317</u>	<u>63,056,599</u>	<u>(36,523,855)</u>	<u>(10,666,121)</u>	<u>164,229,940</u>

Accounts receivable of RMB1,649,698 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	<u>10,666,121</u>

(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	<u>86,924,239</u>	<u>7</u>	<u>9,562,987</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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
Total	<u>761,050,910</u>	<u>1,020,306,419</u>

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

	RMB
Item	Pledged amount
Bank acceptances	<u>236,214,382</u>

(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	<u>1,956,535,855</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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
Total	<u>339,315,919</u>	<u>100</u>	<u>378,619,350</u>	<u>100</u>

(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
Total	<u>106,658,424</u>	<u>32</u>

7. Other receivables

7.1 *Summary of other receivables*

RMB

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

7. Other receivables – *continued*

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 RMB474,681 written off in prior years were recovered in the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

7. Other receivables – *continued*

7.2 Other receivables

(4) Other receivables written off in the current period

Item	RMB Write-off amount
Other receivables written off	<u>301,790</u>

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

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	/	<u>168,805,182</u>	/	<u>36</u>	<u>65,954,564</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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
Total	<u>3,636,404,868</u>	<u>94,450,194</u>	<u>3,541,954,674</u>	<u>2,437,999,642</u>	<u>88,843,453</u>	<u>2,349,156,189</u>

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

RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Provision	Reversal	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)	(2,429,454)	93,291,516
Total	<u>88,843,453</u>	<u>11,912,124</u>	<u>(3,875,929)</u>	<u>(2,429,454)</u>	<u>(2,429,454)</u>	<u>94,450,194</u>

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
Total	<u>477,967,711</u>	<u>631,922,798</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	
I. Joint venture				
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
II. Associates				
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
Total	512,281,201	10,506,995	824,675	523,612,871

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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)	—	/

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — *continued*

13. Fixed assets — *continued*

13.1 Summary of fixed assets — *continued*

(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	<u>16,548,660,053</u>	<u>20,769,239,142</u>	<u>315,616,646</u>	<u>482,425,363</u>	<u>38,115,941,204</u>
II. Accumulated depreciation					
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	<u>4,578,862,529</u>	<u>11,169,905,685</u>	<u>230,146,597</u>	<u>338,001,193.00</u>	<u>16,316,916,004</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

13. Fixed assets – *continued*

13.1 Summary of fixed assets – *continued*

(1) *Fixed assets – continued*

Items	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
III. Provision for impairment losses					
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	<u>282,613,594</u>	<u>189,851,200</u>	<u>270,867</u>	<u>259,129</u>	<u>472,994,790</u>
IV. Net book value					
1. Closing balance	11,687,183,930	9,409,482,257	85,199,182	144,165,041	21,326,030,410
2. Opening balance	<u>10,874,593,981</u>	<u>8,103,867,851</u>	<u>78,390,616</u>	<u>117,859,409</u>	<u>19,174,711,857</u>

As at 31 December 2021, buildings and machinery and equipment with carrying amount of RMB5,413,440 (cost of RMB8,083,098) (31 December 2020: carrying amount of RMB5,896,890 and cost of RMB8,083,098) are treated as the collateral for short-term borrowings. Details are set out in Note V (20).

(2) *Fixed assets leased under finance lease*

Item	Cost	Accumulated depreciation	Impairment provision	Carrying amount
Machinery and equipment	<u>290,000,000</u>	<u>269,722,222</u>	<u>–</u>	<u>20,277,778</u>

RMB

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*

Item	Closing balance
Concrete batching plant	<u>15,429,768</u>

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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
Total	4,199,141,042	3,104,429,340

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

14. Construction in progress – continued

14.2 Summary of construction in progress

(2) Movements of significant construction in progress

RMB

Project Name	Budget	Opening balance	Transfer to fixed Addition	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	562,494,469	376,263,668	–	–	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	12,167,915	213,673,456	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	10,448,033	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		<u>2,967,890,214</u>	<u>4,929,283,867</u>	<u>3,247,681,015</u>	<u>544,479,374</u>	<u>4,105,013,692</u>			<u>48,783,615</u>	<u>29,504,287</u>		

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

14. Construction in progress – *continued*

14.2 Summary of construction in progress – *continued*

(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
Total	<u>9,372,365</u>	<u>—</u>	<u>—</u>	<u>9,372,365</u>	/

14.3 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	<u>94,127,350</u>	<u>—</u>	<u>94,127,350</u>	<u>136,539,126</u>	<u>—</u>	<u>136,539,126</u>
Total	<u>94,127,350</u>	<u>—</u>	<u>94,127,350</u>	<u>136,539,126</u>	<u>—</u>	<u>136,539,126</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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
I. Cost					
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	<u>125,116,788</u>	<u>106,996,215</u>	<u>75,671,463</u>	<u>231,522</u>	<u>308,015,988</u>
II. Accumulated depreciation					
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	<u>17,610,936</u>	<u>14,946,789</u>	<u>2,143,673</u>	<u>123,328</u>	<u>34,824,726</u>
III. Net book value					
1. Closing balance	107,505,852	92,049,426	73,527,790	108,194	273,191,262
2. Opening balance	<u>78,272,699</u>	<u>80,855,915</u>	<u>6,704,145</u>	<u>—</u>	<u>165,832,759</u>

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 RMB11,692,426. The total lease-related cash outflow for the period is RMB41,981,660 of which the cash outflow of lease liabilities is RMB30,289,234. The leased assets can't be treated as collaterals.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

16. Intangible assets

(1) *Intangible assets*

	RMB					
Items	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Cost						
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
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	<u>3,234,870,985</u>	<u>4,690,994,523</u>	<u>440,017,995</u>	<u>168,200,597</u>	<u>290,143,622</u>	<u>8,824,227,722</u>
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	<u>533,900,252</u>	<u>520,022,949</u>	<u>101,435,289</u>	<u>48,867,111</u>	<u>218,512,707</u>	<u>1,422,738,308</u>
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	<u>2,301,180,671</u>	<u>1,588,450,112</u>	<u>230,057,266</u>	<u>133,965,854</u>	<u>13,354,278</u>	<u>4,267,008,181</u>

As at 31 December 2021, the mining rights with carrying amount of RMB5,006,725, cost of RMB5,338,700 (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 RMB6,081,854, cost of RMB8,497,487 (31 December 2020: RMB6,254,797, cost of RMB8,497,487) are treated as collaterals for short-term borrowings. Details are set out in Note V (20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

17. Goodwill

(1) Original carrying amount of goodwill

RMB

Name of investee or matters that form goodwill	Opening balance	Addition Goodwill arising from business combinations	Reduction Goodwill arising from deregistration subsidiaries	Closing balance
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
NETNIX LIMITED	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
Total	91,049,903	—	—	91,049,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

17. Goodwill – *continued*

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

17. Goodwill – *continued*

(3) *Describes the goodwill impairment test process, key parameters and the recognition method of goodwill impairment losses – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>363,760,774</u>	<u>269,445,826</u>	<u>16,806,756</u>	<u>67,940,688</u>	<u>582,072,668</u>

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	<u>1,719,634,213</u>	<u>430,128,781</u>	<u>1,788,691,662</u>	<u>450,554,303</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

19. Deferred tax assets/Deferred tax liabilities – *continued*

(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 non-current 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	<u>2,457,799,530</u>	<u>592,459,805</u>	<u>1,595,015,522</u>	<u>297,674,568</u>

(3) *Amounts of deferred tax assets and deferred tax liabilities after offsetting*

RMB

Item	Deferred tax assets or liabilities after offsetting at the end of the year		Deferred tax assets or liabilities after offsetting at the beginning of the year	
	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	<u>19,594,463</u>	<u>572,865,342</u>	<u>12,753,965</u>	<u>284,920,603</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

19. Deferred tax assets/Deferred tax liabilities – *continued*

(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	<u>734,751,915</u>	<u>794,131,021</u>
Total	<u><u>3,401,169,368</u></u>	<u><u>3,685,194,034</u></u>

(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	<u>11,418,647</u>	<u>28,517,550</u>
Total	<u><u>734,751,915</u></u>	<u><u>794,131,021</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>642,946,608</u>	<u>625,000,000</u>

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 RMB13,000,000 (31 December 2020: RMB13,000,000).

Note 2: As at 31 December 2021, unsecured bank borrowings included RMB629,946,608 (31 December 2020: RMB612,000,000) 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	<u>670,993,082</u>	<u>472,696,537</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>7,112,302,355</u>	<u>5,297,633,770</u>

(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	<u>545,868,622</u>	/

(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	<u>7,112,302,355</u>	<u>5,297,633,770</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

23. Contract liabilities

(1) *Contract liabilities*

RMB

Item	Closing balance	Opening balance
Advance from customers	<u>847,443,693</u>	<u>830,492,042</u>
Total	<u><u>847,443,693</u></u>	<u><u>830,492,042</u></u>

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 RMB800,888,827.
- 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	<u>105,304,485</u>	<u>132,769,322</u>	<u>115,688,610</u>	<u>122,385,197</u>
Total	<u><u>529,877,921</u></u>	<u><u>2,665,299,110</u></u>	<u><u>2,786,085,026</u></u>	<u><u>409,092,005</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

24. Employee benefits payable – *continued*

(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
Total	<u>412,881,300</u>	<u>2,268,135,059</u>	<u>2,401,085,394</u>	<u>279,930,965</u>

(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
Total	<u>11,692,136</u>	<u>264,394,729</u>	<u>269,311,022</u>	<u>6,775,843</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

24. Employee benefits payable – *continued*

(3) *Defined contribution plan – continued*

The Group shall pay RMB254,380,159 and RMB10,014,570 (2020: RMB50,769,493 and RMB1,720,543) 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 RMB6,397,076 and RMB378,767 (31 December 2020: RMB10,920,195 and RMB771,941). 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
Total	<u>1,060,916,467</u>	<u>1,186,166,143</u>

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
Total	<u>756,194,670</u>	<u>786,246,239</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

26. Other payables – *continued*

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	<u>34,819,098</u>	<u>30,026,120</u>

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	<u>58,154,514</u>	<u>63,842,709</u>

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	<u>663,221,058</u>	<u>692,377,410</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

26. Other payables – *continued*

26.4 Other payables – *continued*

(2) *Description of significant other payables aged more than one year*

Item	Closing balance	RMB
		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	<u>271,362,392</u>	/

(3) *Other payables – The maturity date of borrowings is analyzed as follows:*

Item	Closing balance	Opening balance
Maturity date is not determined	<u>162,377,150</u>	<u>192,544,835</u>

The annual interest rate for the above borrowings is not determined.

27. Non-current liabilities due within one year

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	<u>33,699,621</u>	—
Total	<u>1,213,650,184</u>	<u>1,874,484,159</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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
Total	5,081,924,506	3,504,279,973

RMB

Notes to category of long-term borrowings:

Note 1: As at 31 December 2021, unsecured bank borrowings of RMB5,524,806,828 include long-term borrowings of RMB2,961,113,856 guaranteed by the Company for subsidiaries of the Group and dollar loans equivalent to RMB1,343,692,971 (31 December 2020: Bank borrowings on credit of RMB3,501,684,221 include long-term borrowings of RMB1,641,918,968 and borrowings in USD equivalent to RMB1,061,265,253). 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 RMB403,280,000 (31 December 2020: RMB526,140,000) 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: RMB722,662).

Note 4: As at 31 December 2021, mining rights of a subsidiary (Note V (16)) are mortgaged for the long-term borrowing of RMB4,717,907 (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
Total	5,081,924,506	3,504,279,973

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

28. Long-term borrowings – *continued*

(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*

	RMB	
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	—	<u>1,199,284,590</u>
 Total	 <u>3,327,860,620</u>	 <u>1,943,763,447</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

29. Bonds payable – *continued*

(1) *Bonds payable – continued*

- *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

29. Bonds payable – *continued*

(2) *Changes in bonds payable*

Name of bond	Par value	Issue date	Term of bond	Issue amount	Opening balance	Issuance for the period	Amortization of		Exchange gain or loss	Closing balance	Balance of accrued interest
							premium or discount	Repayment			
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 II) (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	–	–	–
Total	/ /	/	/	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 Shares	Gains or losses on changes in fair value Carrying amount	Exchange gains or losses Carrying amount	Closing balance		Balance of accrued interest
				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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

29. Bonds payable – *continued*

(3) *Movements in preference shares outstanding at the end of the period – continued*

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

RMB

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

RMB

Item	Closing balance	Opening balance
Long-term payables	463,257,160	191,011,663
Total	463,257,160	191,011,663

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

31. Long-term payables – *continued*

31.2 Long-term payables by nature – *continued*

	RMB	
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	<u>463,257,160</u>	<u>191,011,663</u>

As at 31 December 2021, finance lease payable amounted to RMB23,258,673 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 st year subsequent to the balance sheet date	23,258,673	63,550,150
2 nd 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>347,473,462</u>	<u>233,393,286</u>	/

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	<u>301,399,766</u>	<u>21,895,200</u>	<u>30,918,890</u>	<u>292,376,076</u>	/

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	<u>301,399,766</u>	<u>21,895,200</u>	<u>30,918,890</u>	<u>292,376,076</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>2,096,599,855</u>

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	<u>1,943,538,052</u>	<u>87,613,696</u>	<u>—</u>	<u>2,031,151,748</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

37. Treasury shares

RMB

Item	Closing and opening balance
Treasury share for equity incentive plan	<u>610,051,971</u>
Total	<u><u>610,051,971</u></u>

For the year ended 31 December 2021, the Company has accumulatively repurchased 22,689,338 shares and accumulatively paid RMB610,051,971 for the employee incentive plan.

38. Surplus reserve

RMB

Item	Closing and opening balance
Statutory surplus reserve	<u>1,048,299,928</u>
Discretionary surplus reserve	<u>63,580,329</u>
Total	<u><u>1,111,880,257</u></u>

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

39. Other comprehensive income

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	<u>(275,292,763)</u>	<u>(31,627,791)</u>	<u>5,523,018</u>	<u>(30,057,369)</u>	<u>(7,093,440)</u>	<u>(305,350,132)</u>

40. Retained profits

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	<u>22,405,681,711</u>	<u>19,304,701,887</u>

Note: According to the shareholders' meeting on 28 April 2021, the Company distributed a total of RMB2,262,545,868 of cash dividends to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>32,464,083,379</u>	<u>21,392,494,465</u>	<u>29,356,515,691</u>	<u>18,035,261,466</u>

(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	<u>32,237,328,449</u>	<u>21,297,150,550</u>	<u>29,151,495,160</u>	<u>17,953,496,637</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

41. Operating income and operating costs – *continued*

(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 RMB847,443,693, 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	<u>32,464,083,379</u>	<u>29,356,515,691</u>

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	<u>604,610,294</u>	<u>510,430,272</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>170,259,608</u>	<u>305,705,509</u>

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	<u>207,513,824</u>	<u>239,383,949</u>

Other income recorded in non-recurring profit or loss amounted to RMB98,051,773 in the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

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
Total	27,449,280	118,572,236

48. Gains from changes in fair value

RMB

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)	
Total	(4,495,795)	2,405,398

49. Impairment losses on credit

RMB

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
Total	27,661,442	13,997,491

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

50. Impairment losses on assets

RMB

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
Total	<u>35,100,858</u>	<u>78,195,751</u>

51. Gains on disposal of assets

RMB

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	—
Total	<u>17,244,185</u>	<u>14,013,082</u>

52. Non-operating income

RMB

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
Total	<u>23,182,968</u>	<u>65,267,816</u>	<u>23,182,968</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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	<u>94,547,294</u>	<u>100,564,303</u>	<u>94,547,294</u>

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	<u>1,568,058,827</u>	<u>1,490,052,106</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

54. Income tax expenses – *continued*

(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	<u>1,568,058,827</u>	<u>1,490,052,106</u>

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	<u>364,745,201</u>	<u>219,373,958</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

55. Items in the cash flow statement – *continued*

(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
Total	<u>976,758,906</u>	<u>850,265,845</u>

(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	—
Total	<u>124,507,075</u>	<u>—</u>

(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
Total	<u>99,262,887</u>	<u>707,001,362</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

56. Supplementary information to the cash flow statement

(1) *Supplementary information to the cash flow statement*

Supplementary information	Amount for the current period	Amount for the prior period
RMB		
1. Reconciliation of net profit to cash flows from operating activities		
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
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
2. Net changes in cash and cash equivalents		
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	<u>130,228,772</u>	<u>3,501,949,917</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

56. Supplementary information to the cash flow statement – *continued*

(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*

	RMB
	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

56. Supplementary information to the cash flow statement – *continued*

(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
Total	<u>561,680,645</u>	<u>335,422,797</u>

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 RMB5,080,267,607 (31 December 2020: approximately RMB4,526,129,297).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

58. Foreign currency monetary items

(1) Foreign currency monetary items

Items	Closing balance of foreign currency	Exchange rate	RMB balance
RMB			
Cash and bank balances			
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
Accounts receivable			
Including: USD	4,700,885	6.3757	29,971,432
ZAR	54,519	0.4007	21,846
Other receivables			
Including: USD	93,327	6.3757	595,025
KZT	314,716	0.0147	4,626
RUB	26,154	0.0855	2,236
Accounts payable			
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
Other payables			
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
Interest payable			
Including: USD	1,227,295	6.3757	7,824,865
Bonds payable			
Including: USD	20,096,083	6.3757	128,126,596
Non-current liabilities due within 1 year			
Including: USD	38,390,000	6.3757	244,763,123
Long-term borrowings			
Including: USD	<u>161,340,000</u>	<u>6.3757</u>	<u>1,028,655,438</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

58. Foreign currency monetary items – *continued*

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VI. CHANGES IN SCOPE OF CONSOLIDATION – *continued*

1. Business combinations not involving enterprises under common control – *continued*

(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
Liabilities:		
Taxes payable	242,935	242,935
Other payables	1,760,476	1,760,476
Deferred tax liabilities	4,869,613	—
Net Assets	<u>58,800,000</u>	<u>44,191,161</u>

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.

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FOR THE YEAR ENDED 31 DECEMBER 2021

VI. CHANGES IN SCOPE OF CONSOLIDATION – *continued*

1. Business combinations not involving enterprises under common control – *continued*

(3) *Identifiable assets and liabilities of acquiree at the acquisition date – continued*

(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
Assets:		
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
Liabilities:		
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	—
Net Assets	<u>107,382,937</u>	<u>20,636,673</u>

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%.

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FOR THE YEAR ENDED 31 DECEMBER 2021

VI. CHANGES IN SCOPE OF CONSOLIDATION – *continued*

1. Business combinations not involving enterprises under common control – *continued*

(3) *Identifiable assets and liabilities of acquiree at the acquisition date – continued*

(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	<u>632,558,756</u>	<u>396,250,061</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VI. CHANGES IN SCOPE OF CONSOLIDATION – *continued*

1. Business combinations not involving enterprises under common control – *continued*

(3) *Identifiable assets and liabilities of acquiree at the acquisition date – continued*

(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	<u>79,039,962</u>	<u>118,236,126</u>

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.

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FOR THE YEAR ENDED 31 DECEMBER 2021

VI. CHANGES IN SCOPE OF CONSOLIDATION – *continued*

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 RMB200 million, of which Yangxin Transportation Investment contributed RMB130 million in physical asset of Fuchi Integrated Terminal, which is still in construction, and Huaxin Aggregate contributed RMB70 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 RMB445 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 Neiwan 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.

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FOR THE YEAR ENDED 31 DECEMBER 2021

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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
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

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VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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 (E'zhou) 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

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VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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
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

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VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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 (E'zhou) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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 (E'zhou) 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

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FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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 (E'zhou) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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
Huaxin Cement Dizhak 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(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.	140,377,382	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	286,075,372	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	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

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			
Joint ventures								
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Chibi	Chibi	Production and sales of aggregate	51%	—	Equity method	100,000,000	Yes
Associates								
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

2. Equity interests in joint ventures or associates – *continued*

(2) *Key financial information of significant associates*

	Closing balance/ Amount for current period Tibet High-tech Building Materials Co., Ltd.	RMB 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	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VII. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

2. Equity interests in joint ventures or associates – *continued*

(3) Summarized financial information of insignificant joint ventures and associates

	Closing balance/ Amount for the current period	Opening balance/ Amount for the prior period
RMB		
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	<u>(1,333,318)</u>	<u>(1,087,410)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

RMB

	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1. Risk management objectives and policies – *continued*

1.1 Market risk – *continued*

1.1.1. Currency risk – *continued*

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 RMB5,810,304,734 (31 December 2020: RMB4,107,824,221) (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1. Risk management objectives and policies – *continued*

1.1 Market risk – *continued*

1.1.2. Interest rate risk – risk of changes in cash flows – *continued*

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:

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

RMB

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1. Risk management objectives and policies – *continued*

1.2 Credit risk – *continued*

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 RMB86,924,239 (31 December 2020: RMB111,267,028), 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:

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1. Risk management objectives and policies – *continued*

1.2 *Credit risk – continued*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1. Risk management objectives and policies – *continued*

1.3 Liquidity risk – *continued*

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	<u>10,700,257,728</u>	<u>2,504,316,609</u>	<u>6,870,549,821</u>	<u>385,819,084</u>	<u>20,460,943,242</u>

IX. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

Items	Closing fair value			Total
	Level 1	Level 2	Level 3	
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	—	1,412,486,356
(2) Interest rate swaps	5,721,145	5,721,145	—	11,442,290
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

IX. DISCLOSURE OF FAIR VALUE – *continued*

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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

IX. DISCLOSURE OF FAIR VALUE – *continued*

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

Name of major shareholders	Place of registration	Nature of business	RMB		
			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.	RMB340,000,000	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

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

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(1) *Sales and purchase of goods, provision and receipt of services – continued*

Sales of goods/provision of services

			RMB
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*

			RMB
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 RMB720,353,664. 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 RMB68,647,360. For details, see Note VI (1).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(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	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Li Yeqing (Note 1)	—	3,288	2,441	311	6,040
Liu Fengshan (Note 1)	—	1,511	1,125	188	2,824
Non-executive directors					
Xu Yongmo (Note 1)	828	—	—	—	828
Geraldine Picaud (Note 1)	216	—	—	—	216
Chen Tinghui (Note 1)	216	—	—	—	216
Luo Zhiguang (Note 1)	216	—	—	—	216
Independent non-executive directors					
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
Total	2,556	4,799	3,566	499	11,420

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(5) Remuneration for key management personnel – *continued*

(5.1) Remuneration for directors and supervisors – *continued*

The remuneration for each director in the year 2020 is as follows:

	Remuneration for directors RMB'000	Salaries RMB'000	Bonuses RMB'000	Social security and housing fund RMB'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(5) Remuneration for key management personnel – *continued*

(5.1) Remuneration for directors and supervisors – *continued*

The remuneration for each supervisor in the year 2021 is as follows:

	Salaries RMB'000	Bonuses RMB'000	Social security and housing fund RMB'000	Total 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 RMB'000	Bonuses RMB'000	Social security and housing fund RMB'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(5) Remuneration for key management personnel – *continued*

(5.1) Remuneration for directors and supervisors – *continued*

Note: In addition to the above remuneration, in 2021, executive directors and supervisors still have the amount of RMB14,796 thousand (2020: RMB18,472 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	<u>5</u>	<u>5</u>

The remuneration paid to the above non-directors and non-supervisors is as follows:

	Closing balance RMB'000	Opening balance 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	<u>15,675</u>	<u>22,190</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

5. Related party transactions – *continued*

(5) Remuneration for key management personnel – *continued*

(5.2) Five employees with the highest remuneration: – *continued*

The remuneration range of the five employees in 2021:

Range	Number of employees in the current period	Number of employees in the prior period
HKD6,000,001 to HKD6,500,000 (equivalent to RMB4,906,000 to RMB5,314,000)	3	—
HKD6,500,001 to HKD7,000,000 (equivalent to RMB5,314,000 to RMB5,723,000)	1	—
HKD8,500,001 to HKD9,000,000 (equivalent to RMB6,950,000 to RMB7,358,000)	—	1
HKD9,000,001 to HKD9,500,000 (equivalent to RMB7,358,000 to RMB7,767,000)	—	3
HKD18,000,001 to HKD18,500,000 (equivalent to RMB14,717,000 to RMB15,126,000)	1	—
HKD20,500,001 to HKD21,000,000 (equivalent to RMB16,761,000 to RMB17,170,000)	—	1

6. Amounts due to/from related parties

(1) Amounts due from related parties

Items	Related parties	RMB			
		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	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS – *continued*

6. Amounts due to/from related parties – *continued*

(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		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XI. SHARE-BASED PAYMENTS – *continued*

1. Equity-settled share-based payments – *continued*

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 RMB26.88 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

RMB

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XII. COMMITMENTS AND CONTINGENCIES – *continued*

2. *Pending litigation – continued*

- (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 RMB26,000,000 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 RMB6,000,000, RMB10,000,000 and RMB10,000,000 in instalments on 31 December 2008, 31 December 2009 and 31 December 2010. It requested the Group to repay the principal amount of RMB26,000,000 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 RMB1.00 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 SEHK on 25 February 2022, and the group applied to the Shanghai stock exchange for suspension of B shares on 2 March 2021. As of 28 March 2021, the group has been successfully listed on the SEHK.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 (Note)

	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	<u>35,970,793,526</u>	<u>28,252,853,139</u>

Note: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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
Total	<u>5,169,508,200</u>	<u>4,650,418,319</u>

As at 31 December 2021, other cash and bank balances include letter of guarantee security deposits of RMB1,800,000, notes and L/C security deposits of RMB16,045,771, amounting to RMB17,845,771 (31 December 2020: letter of guarantee security deposits of RMB2,200,000, notes and L/C security deposits of RMB23,903,996, amounting to RMB26,103,996). 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
Total	<u>32,408,118</u>	<u>100,000</u>

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

Item	Pledged amount
Bank acceptances	<u>22,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

2. Notes receivable – *continued*

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

RMB

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

3. Accounts receivable – *continued*

(2) Disclosure by bad debt provision methods

RMB

Category	Closing balance					Opening balance				
	Account balance		Bad debt provision			Account balance		Bad debt provision		
	Proportion		Proportion of	Carrying	Proportion		Proportion of	Carrying		
	Amount	(%)	Amount	provision (%)	amount	Amount	(%)	Amount	provision (%)	amount
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	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

3. Accounts receivable – *continued*

(2) *Disclosure by bad debt provision methods – continued*

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

Category of other business receivable

RMB

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
1–6 months	3,167,240	3,167	—
6–12 months	336,381	673	—
1–2 years	595,083	33,920	6
Total	4,098,704	37,760	

(3) *Bad debt provision*

RMB

Category	Opening balance	Changes for the year			Closing balance
		Provision	Recovery or reversal	Write-off or elimination	
Bad debt provision for accounts receivable	21,437,478	2,686,999	(181,146)	(953,546)	22,989,785
Total	21,437,478	2,686,999	(181,146)	(953,546)	22,989,785

(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
Subsidiary A	117,645,841	13	—
Subsidiary B	97,571,941	11	—
Subsidiary C	83,650,861	9	—
Subsidiary D	43,358,244	5	—
Subsidiary E	35,525,843	4	—
Total	377,752,730	42	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

4. Financing with receivables

(1) *Category of notes receivable*

Item	Closing balance	Opening balance
Bank acceptances	<u>247,445,734</u>	<u>151,473,769</u>
Total	<u><u>247,445,734</u></u>	<u><u>151,473,769</u></u>

RMB

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

Item	Pledged amount
Bank acceptances	<u>169,703,499</u>

RMB

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

Item	Derecognized amount	Non-derecognized amount
Bank acceptances — Endorsed but not yet expired as at the balance sheet date	<u>140,763,225</u>	<u>—</u>

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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	<u>382,262,179</u>	<u>100</u>	<u>226,396,232</u>	<u>100</u>

(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	<u>101,767,615</u>	<u>27</u>

6. Other receivables

6.1 *Summary of other receivables*

RMB

Items	Closing balance	Opening balance
Dividends receivable	208,190,000	—
Other receivables	<u>4,108,876,529</u>	<u>4,396,614,326</u>
Total	<u>4,317,066,529</u>	<u>4,396,614,326</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

6. Other receivables – *continued*

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	<u>4,108,876,529</u>	<u>4,396,614,326</u>

(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	<u>4,155,830,145</u>	<u>4,443,508,995</u>

(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	<u>46,894,669</u>	<u>294,858</u>	<u>(235,911)</u>	<u>46,953,616</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS — *continued*

6. Other receivables — *continued*

6.2 Other receivables — *continued*

(4) Other receivables written off in the current period

Item	RMB
	Write-off amount
Other receivables written off	—

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

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Subsidiary F	Amounts due from subsidiaries	572,180,683	Within 1 year	14	—
Subsidiary G	Amounts due from subsidiaries	354,488,779	Within 1 year, 1-2 years, 2-3 years	9	—
Subsidiary H	Amounts due from subsidiaries	339,864,615	Within 1 year, 1-2 years, 2-3 years and over 3 years	8	—
Subsidiary I	Amounts due from subsidiaries	206,221,748	Within 1 year, 1-2 years, 2-3 years and over 3 years	5	—
Subsidiary J	Amounts due from subsidiaries	197,075,738	Within 1 year, 1-2 years, 2-3 years and over 3 years	5	—
Total	—	<u>1,669,831,563</u>	—	<u>41</u>	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

7. Inventories

(1) *Categories of inventories*

RMB

Item	Closing balance			Opening balance		
	Account balance	Provision for decline in		Account balance	Provision for decline in	
		value of inventories	Carrying amount		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	<u>732,428,589</u>	<u>6,113,870</u>	<u>726,314,719</u>	<u>326,067,579</u>	<u>5,068,803</u>	<u>320,998,776</u>

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

RMB

Items	Opening balance	Amount increased	Amount decreased		Closing balance
		Provision	Reversal	Write-off	
Spare parts	<u>5,068,803</u>	<u>1,045,067</u>	—	—	<u>6,113,870</u>
Total	<u>5,068,803</u>	<u>1,045,067</u>	—	—	<u>6,113,870</u>

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	<u>11,978,939,283</u>	<u>42,000,000</u>	<u>11,936,939,283</u>	<u>11,161,516,523</u>	<u>42,000,000</u>	<u>11,119,516,523</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS — *continued*

8. Long-term equity investments — *continued*

(1) *Subsidiaries*

					RMB
Subsidiaries					
Entity to be invested	Opening balance	Additional investment	Decrease in investment	Closing balance	Balance of impairment provision
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 (E'zhou) 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	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

8. Long-term equity investments – *continued*

(1) *Subsidiaries – continued*

Subsidiaries					
Entity to be invested	Opening balance	Additional investment	Decrease in investment	Closing balance	Balance of impairment provision
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	—
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	—	—	340,000,000	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS — *continued*

8. Long-term equity investments — *continued*

(1) *Subsidiaries — continued*

Subsidiaries					
Entity to be invested	Opening balance	Additional investment	Decrease in investment	Closing balance	Balance of impairment provision
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	—
Mauritius 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	—
Total	10,712,823,034	817,000,000	—	11,529,823,034	42,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

8. Long-term equity investments – *continued*

(2) *Associates*

RMB

Invested entity	Opening balance	Changes for the period		Closing balance	Balance of impairment provision
		Investment profit or loss recognized under equity method	Other equity changes		
I. Associates					
Tibet High-tech Building Materials Co., Ltd.	356,279,532	(146,879)	824,675	356,957,328	—
Shanghai Wan'an Huaxin Cement Co., Ltd.	<u>92,413,957</u>	<u>(255,036)</u>	<u>—</u>	<u>92,158,921</u>	—
Total	<u>448,693,489</u>	<u>(401,915)</u>	<u>824,675</u>	<u>449,116,249</u>	—

(3) *Provision for impairment losses of long-term equity investments*

RMB

Subsidiary	Closing balance & opening balance
Huaxin Cement (Wuhan) Co., Ltd.	<u>42,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS — *continued*

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
Total	384,704,226	437,139,833

(1) Fixed assets

RMB

Item	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Cost					
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
II. Accumulated depreciation					
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
III. Impairment provision					
1. Opening and closing balance	2,142,897	1,904,339	—	—	4,047,236
IV. Net book value					
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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
Total		209,760,886	85,594,825	4,256,916	40,550	291,058,245						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS — *continued*

11. Intangible assets

RMB

Item	Land use rights	Mining rights	Mine restoration fees	Software and others	Total
I. Cost					
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
II. Accumulated amortization					
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
III. Net book value					
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
Total	—	300,000,000

13. Notes payable

RMB

Category	Closing balance	Opening balance
Bank acceptances notes	309,821,465	24,246,455
Total	309,821,465	24,246,455

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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
Total	347,419,293	410,565,470

(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
Total	347,419,293	410,565,470

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
Total	8,032,946,947	7,224,579,499

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

15. Other payables – *continued*

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
Total	21,201,683	22,543,588

15.3 Dividend payable

	RMB	
Item	Closing balance	Opening balance
Dividends of ordinary shares	42,566,956	23,821,382
Total	42,566,956	23,821,382

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
Total	7,969,178,308	7,178,214,529

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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	—
Total	167,357,327	1,321,867,253

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
Total	1,418,420,000	1,202,780,000

Note 1: As at 31 December 2021, the pledged assets for pledged bank borrowings of RMB403,280,000 (31 December 2020: RMB526,140,000) 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	—
Total	1,297,795,200	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

18. Bonds payable – *continued*

(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	Amortization 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
Total	/	/	/	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	
Closing balance of retained profits	8,364,839,311	7,370,600,800	

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	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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	<u>362,816,521</u>	<u>401,591,118</u>

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	<u>3,296,033,501</u>	<u>3,202,604,563</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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	<u>(17,984,345)</u>	<u>(3,574,932)</u>
Total	<u>(17,984,345)</u>	<u>10,804,199</u>

(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	–	<u>(9,967,125)</u>
Income tax expenses	<u>(17,984,345)</u>	<u>10,804,199</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

24. Supplementary information to the cashflow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities		
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
2. Net changes in cash and cash equivalents		
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

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		<u>4,828,217,307</u>	<u>3,405,244,700</u>

		RMB	
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		<u>691,047,598</u>	<u>238,437,659</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

25. Related party transactions – *continued*

(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	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

25. Related party transactions – *continued*

(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		<u>6,071,444</u>	<u>—</u>

(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		<u>119,857,675</u>	<u>98,119,078</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

25. Related party transactions – *continued*

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	No
Huaxin Cement Co., Ltd.	Huaxin Gayur (Sogd) Cement LLC	47,371,451	29/05/2015	28/05/2022	No
Huaxin Cement Co., Ltd.	Huaxin Environment Engineering (E'zhou) Co., Ltd.	12,730,000	26/04/2016	25/04/2024	No
Huaxin Cement Co., Ltd.	Huaxin Environment Engineering (Zhuhai) Co., Ltd.	42,000,000	30/06/2015	30/06/2025	No
Huaxin Cement Co., Ltd.	Huaxin Environment Engineering Co., Ltd.	188,926,664	22/09/2017	21/09/2027	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Chenzhou) Co., Ltd.	20,000,000	14/05/2021	10/05/2022	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Enping) Co., Ltd.	10,000,000	14/09/2021	14/09/2022	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Enshi) Co., Ltd.	20,000,000	22/09/2021	15/12/2022	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Fangxian) Co., Ltd.	30,000,000	26/07/2021	25/07/2022	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Huangshi) Co., Ltd.	1,013,707,754	29/05/2019	29/08/2026	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Sangzhi) Co., Ltd.	10,000,000	21/05/2021	29/08/2026	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Tibet) Co., Ltd.	152,950,000	31/10/2018	20/10/2026	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Xiangyang) Co., Ltd.	110,000,000	11/06/2021	30/11/2024	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Yichang) Co., Ltd.	124,000,000	04/02/2021	22/11/2024	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Changyang) Co., Ltd.	119,000,000	29/04/2019	28/06/2024	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Zhaotong) Co., Ltd.	67,000,000	04/11/2020	03/11/2023	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Zhuzhou) Co., Ltd.	114,000,000	03/02/2021	11/05/2022	No
Huaxin Cement Co., Ltd.	Huaxin Cement (Zigui) Co., Ltd.	79,000,000	31/05/2021	01/07/2024	No
Huaxin Cement Co., Ltd.	Huaxin Cement Narayani Co., Ltd.	159,392,500	21/09/2021	21/06/2023	No
Huaxin Cement Co., Ltd.	Huaxin New Building Materials (Changyang) Co., Ltd.	70,000,000	27/12/2021	21/12/2026	No
Huaxin Cement Co., Ltd.	Huaxin New Building Materials Co., Ltd.	10,000,000	24/09/2021	24/09/2022	No
Huaxin Cement Co., Ltd.	Huangshi Huaxin Green Building Materials Co., Ltd.	830,000,000	30/09/2021	29/09/2026	No
Huaxin Cement Co., Ltd.	Kunming Chongde Cement Co., Ltd.	250,000,000	24/12/2021	04/08/2028	No
Huaxin Cement Co., Ltd.	Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	10,000,000	29/12/2021	04/12/2022	No
Total		<u>4,556,732,979</u>			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

25. Related party transactions – *continued*

(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
	Total	876,373,192	538,157,233
Dividends receivable	Consolidation of subsidiaries within the scope	208,190,000	—
	Total	208,190,000	—
Prepayments	Consolidation of subsidiaries within the scope	196,270,007	50,310
	Total	196,270,007	50,310
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
	Total	4,129,067,980	4,422,786,704
Long-term receivables	Consolidation of subsidiaries within the scope	87,898,132	18,738,953
	Total	87,898,132	18,738,953

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS – *continued*

25. Related party transactions – *continued*

(7) Amounts due from related parties – *continued*

Item	Related parties	Closing balance	Opening balance
Non-current assets due within 1 year	Consolidation of subsidiaries within the scope	1,580,000	1,580,000
	Total	<u>1,580,000</u>	<u>1,580,000</u>
Contract liability	Consolidation of subsidiaries within the scope	69,111,755	—
	Total	<u>69,111,755</u>	<u>—</u>
Accounts payable	Consolidation of subsidiaries within the scope	79,747,121	72,085,139
	Total	<u>79,747,121</u>	<u>72,085,139</u>
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
	Total	<u>7,938,933,541</u>	<u>7,147,812,678</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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
Total	<u>58,647,574</u>

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	<u>21.07</u>	<u>2.55</u>	<u>2.55</u>

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.
4. Annual report of the Company published on the SEHK website.

WRITTEN ACKNOWLEDGEMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT REGARDING THE COMPANY'S 2021 ANNUAL REPORT

According to the relevant stipulations in the Securities Law, Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 – Content and Format of Annual Reports issued by CSRC and *SSE Listing Rules*, after a comprehensive understanding and reviewing of the 2021 Annual Report of the Company, we, members of the Board of Directors, Board of Supervisors and Senior management, believe, to the best of our knowledge, that:

1. The Company strictly abided by the financial system of a joint-stock company and operated properly, and its 2021 Annual Report fairly reflected the operating results and financial positions;
2. *2021 Auditor's Report of Huaxin Cement Co., Ltd.* audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP is true and factual, objective and fair.
3. To the best of our knowledge, we confirm that the information disclosed in the 2021 Annual Report of the Company is true, accurate and complete, and there is no false or misleading statement or material omission in this report, and we shall be severally and jointly liable for the truthfulness, accuracy and completeness of its contents.

Name	Title	Name	Title
Xu Yongmo	Non-executive Chairman	Zhu Yaping	Supervisor
Li Yeqing	Executive Director, President	Liu Weisheng	Supervisor
Liu Fengshan	Executive Director, Vice President	Ke Youliang	Vice President
Geraldine Picaud	Non-executive Director	Du Ping	Vice President
Lo Chi Kong	Non-executive Director	Liu Yunxia	Vice President
Tan Then Hwee	Non-executive Director	Mei Xiangfu	Vice President
Jiang Hong	Independent Non- executive Director	Yuan Dezu	Vice President
Zhang Jiping	Independent Non- executive Director	Yang Hongbing	Vice President
Wong Kun Kau	Independent Non- executive Director	Xu Gang	Vice President
Ming Jinhua	Chairman of the Board of Supervisors	Chen Qian	Vice President, Head of Corporate Finance
Zhang Lin	Supervisor	Ye Jiaying	Vice President, Secretary to Board of Directors
Yang Xiaobing	Supervisor	Wang Jiajun	Vice President

29 March 2022