



**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**

# 2022

## ANNUAL REPORT

# 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 23rd meeting of the 10th session of Board of Directors.
3. Ernst & Young Hua Ming 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 2022 adopted at the 23rd meeting of the 10th session of Board of Directors of the Company is as follows: a cash dividend of RMB0.51 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
CSRC	means	China Securities Regulatory Commission
Deloitte Touche Tohmatsu	means	Deloitte Touche Tohmatsu LLP
Director(s)	means	the director(s) of the Company
Ernst & Young Hua Ming	means	Ernst & Young Hua Ming LLP
EBITDA	means	Earnings before interest, tax, depreciation and amortization
EPC	means	Engineering Procurement Contract
ESG	means	Environment, social responsibility and governance
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
HKEX Listing Rules	means	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Holcim	means	Holcim Limited
Hong Kong	means	Hong Kong Special Administrative Region of China
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)

# INTERPRETATION

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 2022
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
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
SSE	means	Shanghai Stock Exchange
SSE Listing Rules	means	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Supervisor(s)	means	the supervisor(s) of the Company
The Company or Huaxin Cement	means	Huaxin Cement Co., Ltd.
UHPC	means	Ultra-high performance concrete
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	Mr. Li Yeqing

## 2. CONTACT PERSONS AND MEANS OF CONTACT

Title	Joint Company Secretary	Securities Affairs Representative
Name	Mr. Ye Jiaying (Secretary to the Board of Directors)	Ms. Wang Lu
Contact address	Block B, Huaxin Building, No. 426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province	Block B, Huaxin Building, No. 426, Gaoxin Avenue, East Lake High-tech 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, East Lake High-tech 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

# COMPANY PROFILE AND KEY FINANCIAL INDICATORS

## 5. COMPANY'S SHARES

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

## 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 17F, 28 Hennessy Road, Hong Kong
Legal advisor as to PRC law	Hubei Sunshine Law Firm 18F, Building 1, Zhengtang IBO Times Square, 9 Huanle Avenue, Hongshan District, Wuhan City, Hubei Province
Legal advisor as to Hong Kong law	Howse Williams 27F, Alexandra House, 18 Chater Road, Central, Hong Kong
Certified Public Accountants (domestic)	Ernst & Young Hua Ming Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No.1 East Chang'an Avenue, Dongcheng District, Beijing
Authorised Signatory of the accountant	Ms. Fu Yi, Ms. He Pei

# COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

### (1) Major financial information for the three years ended 31 December 2022

Table 1

Unit: RMB

<b>Item</b>	<b>2022</b>	<b>2021</b>	<b>Year-on-year change (%) between 2022 and 2021</b>	<b>2020</b>
Revenue	<b>30,470,382,363</b>	32,464,083,379	-6.14	29,356,515,691
Net profit attributable to equity shareholders of the Company	<b>2,698,868,510</b>	5,363,525,692	-49.68	5,630,598,812
Net profit after extraordinary items attributable to equity shareholders of the Company	<b>2,578,634,452</b>	5,304,878,118	-51.39	5,553,708,292
Net cash flow operating activities	<b>4,567,694,220</b>	7,594,957,122	-39.86	8,405,472,760

Table 2

Unit: RMB

<b>Item</b>	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>Year-on-year change (%) between 2022 and 2021</b>	<b>31 December 2020</b>
Net assets attributable to shareholders of the Company	<b>27,446,305,028</b>	26,729,911,468	2.68	23,571,375,317
Total liabilities and shareholders' equity	<b>64,241,676,265</b>	52,549,618,050	22.25	43,928,509,151



# COMPANY PROFILE AND KEY FINANCIAL INDICATORS

## (2) Key financial ratios for the three years ended 31 December 2022

Unit: RMB

Item	2022	2021	Year-on-year change (%) between 2022 and 2021	2020
Basic earnings per share (RMB/share)	<b>1.30</b>	2.58	-49.61	2.69
Diluted earnings per share (RMB/share)	<b>1.28</b>	2.58	-50.39	2.69
Basic earnings per share after extraordinary items (RMB/share)	<b>1.24</b>	2.55	-51.37	2.65
Weighted average return on net assets (%)	<b>10.03</b>	21.30	Decreased by 11.27 percentage points	25.03
Diluted return on net assets after extraordinary items (%)	<b>9.58</b>	21.07	Decreased by 11.49 percentage points	24.68

## (3) Key financial data by quarters in 2022

Unit: RMB

Item	Quarter 1 (January – March)	Quarter 2 (April – June)	Quarter 3 (July – September)	Quarter 4 (October – December)
Revenue	6,531,000,365	7,858,448,598	7,421,469,057	8,659,464,343
Net profit attributable to equity shareholders of the Company	671,783,419	915,056,238	637,814,396	474,214,457
Net profit after extraordinary items attributable to equity shareholders of the Company	649,843,130	886,176,057	595,220,189	447,395,076
Net cash flow from operating activities	-319,399,790	1,586,408,408	1,243,662,618	2,057,022,984

# COMPANY PROFILE AND KEY FINANCIAL INDICATORS

## (4) Extraordinary items and amount

Unit: RMB

<b>Extraordinary items</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Profit or loss on disposal of non-current assets	<b>-9,115,921</b>	-21,001,698	-9,013,118
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)	<b>145,424,252</b>	98,101,667	101,892,558
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	<b>48,520,672</b>	7,574,169	3,744,543
Reversal of provisions for impairment of receivables and contract assets that have been separately tested for impairment	<b>4,682,180</b>	10,361,223	2,338,361
Other non-operating income or expenses other than the above	<b>-36,288,768</b>	-41,061,154	-12,559,351
Less: effect of income tax	<b>27,310,779</b>	11,441,802	11,733,195
Effect of minority interests	<b>5,677,578</b>	-5,722,567	-2,220,722
<b>Total</b>	<b><u>120,234,058</u></b>	<b><u>58,647,574</u></b>	<b><u>76,890,520</u></b>

# COMPANY PROFILE AND KEY FINANCIAL INDICATORS

## (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	711,964,323	41,711,538	-670,252,785	59,277,166
Financing with receivables	761,050,910	527,248,935	-233,801,975	—
Other equity instrument investments	55,867,066	1,012,850,323	956,983,257	917,726
Other non-current financial assets	26,343,260	25,067,265	-1,275,995	99,558
Bonds payable (preferred stock)	128,126,596	148,943,421	20,816,825	-9,480,500
<b>Total</b>	<b>1,683,352,155</b>	<b>1,755,821,482</b>	<b>72,469,327</b>	<b>50,813,950</b>

# COMPANY BUSINESS

## 1. CEMENT

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

In 2022, Chinese economy presented robust potential and resilience in spite of complexed and severe domestic and international situations and multiple unexpected factors. GDP growth rate was 3%, which is still faster than most of the other major economies. However, demand for cement shrank at a rapid speed due to the dip of real estate market, and mounting pressure of downward economy. For the whole year, total cement output was 2.13 billion tons, decreasing by 10.5% as compared to that of 2021. Cement price was in a downward trend for the whole year. Compounded by soaring price of raw materials and fuels, production costs increased drastically. Overall profit for the industry was merely RMB68 billion, decreased by 60% as compared with that of last year. (Source: National Statistics Bureau and Material Department of the Ministry of Industry and Information)

According to the statistics of China Cement Association Information Research Center, in 2022, cement clinker capacity utilization rate was 65%, decreased by 10% over the same period of last year. The normality of peak production, carbon peak, the control on electricity may squeeze cement supply, nevertheless, demand slide and overcapacity remained as major issues in the cement industry. Cutting capacity was still an urgent problem to be settled.

Cement industry bears the most arduous task of reducing carbon emission given its high energy consumption and high emission. Following the national requirements of “dual control of energy consumption and intensity”, the policy of cutting carbon emission and lowering intensity aimed at the cement industry was issued in 2022. In February, the National Development and Reform Commission published “Guidelines for High Energy Consumption and Intensity Industries and Key Areas to Upgrade to Conserve Energy and Cut Emission (2022 version)”, requiring that by 2025, the clinker capacity above advanced level in consumption and intensity shall reach 30%, and the clinker capacity below the benchmark will be basically eliminated. In November, the Ministry of Industry and Information and other three ministries published “Action Plan for Building Materials Industry to Reach Carbon Peak”, requiring that during the period of the “Fourteenth Five Year Plan”, the comprehensive energy intensity level of cement clinker unit product will reduce by at least 3% to ensure that the industry reaches carbon peak before 2030. Meanwhile, the extra low emission upgrade was being promoted. The Ecological Department and other departments jointly published “Action Plan of Pollution and Carbon Reduction and Synergy Efficiency” and “Action Plan of Eliminating Heavy Polluted Weather, Prevention of Ozone Pollution and Diesel Truck Pollution”, stating that the extra low emission upgrade of cement industry would be included as a key project. As the “dual carbon” strategy continues to forge ahead, the impact to the cement industry are demonstrated in: low-carbon development will be the lifeline of the cement industry; low efficiency capacity will be phased out, industry structure will be further optimized; promote green development of energy conservation and emission reduction and promote extension of the industrial chain; promote the industry to increase investment in carbon reduction technology, alternative fuel, digital intelligence to improve energy efficiency of the whole industry.

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

# COMPANY BUSINESS

## 2. MAIN BUSINESS AND OPERATION MODEL OF THE COMPANY

### (1) Main business of the Company

At the beginning of the listing on the 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 new 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 2022, the Company owned over 300 subsidiaries across 14 provinces and cities in China including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi, with total cement grinding capacity of 118 million tons/year (grinding capacity, including capacity in associates), cement equipment production capacity of 50,000 tons/year, ready-mixed concrete capacity of 68.75 million m<sup>3</sup>/year, aggregate capacity of 210 million tons/year, composite eco wall material capacity of 540 million units/year, aerated concrete product (brick, board) capacity of 950,000 m<sup>3</sup>/year, mortar capacity of 1.32 million tons/year, UHPC capacity of 400,000 tons/year, civil building curtain wall slab production of 800,000 m<sup>2</sup>/year, industrial anti-corrosion tile production of 3 million m<sup>2</sup>/year, lime production of 690,000 tons/year, cement packaging bag production of 700 million bags/year, and wastes disposal capacity of 15.71 million tons/year (including CIPs).

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

### (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 organization method based on sales volume. Subsidiaries formulate annual production and operation plan and organize 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 the SSE, through continuous mergers and acquisitions, the Company is now equipped with 118 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 RMX, 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

The Company is committed to the mission of “clean the living environment, provide reliable building materials” and the concept of whole lifecycle green low-carbon building material, taking “be the leader of earning index in low-carbon and sustainable industry” as the strategic goal of the Company. Through extensive use of alternative raw fuels, green mines, the improvement of the intelligent level of industrial system, and the pilot projects of co-generation of heat and carbon reduction for integrated projects such as cement-aggregate-wall materials, the Company has deployed carbon reduction practices in advance, forming a green, low-carbon advantages.

As of the end of 2022, the Company has cumulatively utilized over 15 million tons of wastes derived alternative fuels in a safe and ecological way. Accumulated TSR of all domestic kiln lines has reached 15%. 7 plants were awarded pioneers of green Manufacturing in building materials industry, the largest number in the industry.

#### (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 “Turnkey Projects” of cement production facilities. It also has the capacity of exploring technology in cement kiln co-processing of wastes, as well as the capacity of commercially applying the relevant technologies into industrial production practices.

# COMPANY BUSINESS

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. As of the end of 2022, the Company obtained 54 patents for invention derived from production practice and 108 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 2022, the Company ranked 79th in the “China’s 500 Most Valuable Brands” for the tenth year in a row with the brand value of 81.572 billion RMB. Meanwhile, the Company ascended among the ranking list of Top 500 of Asian Brands as the 167th. In addition, Huaxin Cement was listed in the magazine Fortune’s Top 500 Enterprises for 13 years consecutively and in Chinese Manufacturing Enterprises Top 500.

## (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, Jingzhu Expressway, Qinghai-Tibet Railway, Three Gorges Dam, and Xiluodu, Baihetan Hydropower Plants, winning widespread acclaim.

## (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 leading intelligent management

For over 20 years, the Company has been making relentless efforts in the path of digitalized development. 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” to stimulate the reform and breakthrough in manufacturing model, operation model and decision-making model, so as to support digitalized transformation. As of the end of 2022, the Company has finished the implementation and operation of HIAC system in 8 plants, the intelligent vehicle has been applied in 28 plants, intelligent patrol has achieved monitoring and warning abnormalities of equipment, intelligent quality control has channeled 7 production links to use quality data to drive the production control.

# COMPANY BUSINESS

The Company was the first of its kind in the industry to be selected in 2020 Industry Internet Pilot Project, Model Case of Clouding Enterprise of the Ministry of Industry and Information, and the Company was among the first batch of Digital Pioneer in 2022 and Demonstration Plant of Intelligent Manufacturing 2022. Additionally, the Company was awarded Pioneer Enterprise of Digital Transformation, Demonstration Enterprise of Intelligent Manufacturing and Industry Internet Platform of Hubei Province.

## **(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 presents the directors' report and the audited financial statements of the Group for the year ended 31 December 2022 as set out on pages 83 to 280.

## 1. INVESTMENT DURING THE REPORTING PERIOD

### (1) Analysis of foreign equity investment

Unit: RMB

<b>Item</b>	<b>Amount for current period</b>	Amount for same period of last year	Changes (%)
Other equity instrument investments	<b>1,012,850,323</b>	55,867,066	1,712.96
Other non-current financial assets	<b>25,067,265</b>	26,343,260	-4.84
Long-term equity investments	<b>438,886,647</b>	523,612,871	-16.18

### (2) None Changes in the scope of consolidation due to changes in the equity of major subsidiaries during the Reporting Period.

### (3) Major non-equity investment during the Reporting Period

Unit: RMB

<b>Project</b>	<b>Item in the balance sheet</b>	31 December 2021	<b>31 December 2022</b>	<b>Progress of the project</b>	<b>Fund source</b>
Huangshi Huaxin Green Building Materials Industry Company 100million tons/year machine-made sand project	Construction in progress, intangible assets, other non-current assets	1,277,115,093	<b>8,647,573,170</b>	87%	Self-owned fund and loans

# DIRECTORS' REPORT

## (4) Financial Assets valued by fair value

Unit: RMB

Project name	Original investment (Yuan)	Profit or loss in the fair value during the period	Accumulated change in fair value counted in equity	Impairment provision for the period	Purchased amount during the period	Sold/ redeemer amount for the period	Change in fair value	Amount at the end of the period
Financial assets held for trading	711,964,323	59,277,166	—	—	3,343,000,000	4,043,000,000	—	41,711,538
Other equity instrument investment	55,867,066	—	-43,016,743	—	1,000,000,000	—	—	1,012,850,323
Other non-current financial assets	26,343,260	-1,275,995	—	—	—	—	—	25,067,265
Total	<u>794,174,649</u>	<u>58,001,171</u>	<u>-43,016,743</u>	<u>—</u>	<u>4,343,000,000</u>	<u>4,043,000,000</u>	<u>—</u>	<u>1,079,629,126</u>

## (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	2,676,122,939	1,642,221,012	406,876,437	2,257,770,779
Huaxin Cement (Yangxin) Co., Ltd.	Production and sales of cement	500,000,000	1,139,228,136	808,613,260	86,301,847	1,216,146,786
Huaxin Aggregate (Yangxin) Co., Ltd	Production and sales of aggregate	140,000,000	643,618,333	346,387,410	232,241,823	710,535,967

## 2. PROFIT DISTRIBUTION POLICY AND ITS IMPLEMENTATION

### (1) The formulation and implementation of cash dividend policy

On 20 May 2022, the 2021 Annual General Meeting approved the 2021 Profit Distribution Plan. On the basis 2,094,949,878 shares, being a total of 2,096,599,855 shares at the end of 2021 less 1,649,977 shares in the special repurchase account, equivalent to a cash dividend of RMB1.00 per share (tax inclusive) was distributed to all shareholders. The undistributed amount was retained as undistributed profit for distribution. No capitalizations of common reserve fund were made in the profit distribution plan for 2021. Shares in the special account for the share repurchase were not eligible for cash dividend.

The Company published the Distribution of Final Dividend for the Year Ended 31 December 2021 on 24 May 2022 and the 2021 Profit Distribution Announcement for A Shares on 8 June 2022, clarifying the implementation of dividend of A Shares and H Shares dividend respectively.

The profit distribution plan was implemented on 20 July 2022.

### (2) Profit distribution plan for 2022

The net profit of the Company in 2022 amounted to RMB2,238,002,243 and the consolidated net profit attributable to the shareholders amounted to RMB2,698,868,510. The profits of the Company available for distribution was RMB8,507,891,676 as at 31 December 2022.

# 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 2022, a cash dividend of RMB0.51 per share (tax inclusive) was proposed to be distributed to all shareholders (it was estimated cash dividends of RMB1,068,424,438 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 2022.

As at the date of this report, no shareholders waived or agreed to waive the dividend distribution plan for 2022.

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 2022 Annual General Meeting of the Company (the "2022 AGM"). The date of the Company's 2022 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 2022 AGM which will be published in due course.

## 3. DIVIDENDS

The Board of Directors proposed to distribute a final dividend of RMB0.51 (tax inclusive) per share for 2022, subject to the approval at the 2022 AGM. The above proposed final dividends are expected to be paid to the shareholders of the Company before 21 July 2023.

## 4. TAXES

Details of taxes are set out in Notes 19, 25, 44 and 56 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 RMB1,239.85 million, representing approximately for 4.1% of the annual total sales for the year ended 31 December 2022. 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	37,004	1.2
2	Customer B	24,543	0.8
3	Customer C	22,235	0.7
4	Customer D	20,463	0.7
5	Customer E	19,740	0.7
	Total	<u>123,985</u>	<u>4.1</u>

# DIRECTORS' REPORT

## (2) Suppliers

Procurement amount of the top 5 suppliers amounted to approximately RMB3,185.22 million, representing approximately 15.8% of the annual total purchases. No related-party transaction was included 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 annual total purchases (%)
1	Supplier A	172,966	8.6
2	Supplier B	68,748	3.4
3	Supplier C	22,250	1.1
4	Supplier D	22,037	1.1
5	Supplier E	32,521	1.6
	Total	318,522	15.8

None of the Group's directors, supervisors or their respective close associates (as defined in the HKEX 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 Group's top 5 customers or suppliers as at 31 December 2022.

## 6. R&D EXPENSES

Unit: RMB

R&D expenses calculated as expenses	78,162,7834
R&D expenses calculated as capital expenditure	35,036,278
Total R&D expenses	113,199,061
% in operating income	0.37
% of capitalized R&D expenses	30.95

## 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 2022 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 of 31 December 2022 determined in accordance with the PRC Accounting Standards were approximately RMB64.24 billion, representing an increase of approximately RMB11.69 billion as compared to that as at 31 December 2021.

# DIRECTORS' REPORT

## 9. RESERVES

Changes in land lease, real estate, factory and equipment of the Company during this year as at 31 December 2022 are set out in Note V (36) to (42) 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 of 31 December 2022 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 2022 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 RMB70 billion. Details are set out in Note V (14) to the financial report 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 Tanzanian Shilling, Zambian Kwacha, Malawi Kwacha) is relatively small, so their impact on the foreign exchange risk of the Group is not significant.

The Financial Department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions, 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 2022, 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 2022 and main risk factors, please refer to the sections "III. Company Business" and "V. Discussion and Analysis on the Operations of the Company" of this annual report.

## 13. SUFFICIENT PUBLIC FLOAT

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

## 14. COMPLIANCE WITH LAWS AND REGULATIONS

As a public company listed in the Mainland 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 HKEX 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

The year 2022 is a critical year connecting the first year and initiating the second year of the “Fourteenth Five Year Plan”, and a year when the building material industry faced huge challenges. Under the impact of the unfavorable factors including falling demand, overcapacity, and elevated energy price, the industry as a whole experienced a rapid decline. During the Reporting Period, in spite of these external factors, the Company was committed to the development philosophy of “green and low carbon building material lifecycle”, and aim to be a leader in terms of profitability among players in the “low-carbon and sustainable industry” as the strategic goal of the Company. The Company has unwavering commitment in promoting the four corporate development strategies, namely: “Integrated Transformation Development”, “Overseas Expansion”, “New Building Materials”, as well as “Digital Innovation in Traditional Industry”. This has allowed the Company to adhere to the 3 pillars in “integrity, safety, eco-friendly” in order to manage financial, quality and compliance risks. Furthermore, the Company employed localized and timely measures in operation management to make new breakthroughs while maintained overall stability of its development.

During the Reporting Period, the Company was committed to four strategies to drive forward high quality development.

### **(1) Accelerated the non-cement business development, and achieved progress in integrated transformation**

Aggregate business: During the Reporting Period, 20 aggregate production lines including Yangxin 100 million tons machine-made sand (1st phase), Zigui, Yichang, Quxian 2nd phase, Honghe were put into operation. Aggregate production capacity has reached 210 million tons per annum, significantly enhancing the Company’s competitiveness.

RMX business: The Company actively increased its market share through OEM, leasing and acquisition. Throughout the year, the Company leased, constructed and acquired 30 RMX stations, and expanded the layout of over 20 OEM stations. Thus the RMX business expanded to Yangtze River Delta, Haikou and other new markets and repositioned the market in Wuhan. The Company’s self-operated RMX production capacity has reached 68.75 million tons.

Eco business: The Company completed the construction of nearly 40 solid wastes kiln and pre-treatment projects throughout the year to prepare for the expansion of energy conservation and carbon reduction with alternative fuels. In the meantime, the Company piloted FWD (fly ash washing for salt desalinization) business to actively expand business opportunities.

In addition, according to the Company’s business development needs, the Company accelerated the research and development of UHPC (Ultra-high performance concrete) and grinding aids, and realized the industrialization of scientific research results. Several UHPC products were developed and applied successfully. The Company’s self developed grinding aids have reached the industry-leading performance level and their application will continue to be applied company-wide.

With respect to resource acquisition, the Company acquired 3.2 billion tons of new resources and obtained mining permit for a total of 6.8 billion tons of resource reserves.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

## (2) Steadily operated overseas business to build up new profit drivers

During the Reporting Period, overseas plants operated stably and the revenue improved steadily. The operating revenue of overseas business amounted to RMB4.19 billion, representing a year-on-year increase of 62.3%, while EBITDA exceeded RMB1.4 billion calculated based on actual exchange rate, representing a year-on-year increase of 40%.

In terms of project development, the 3,000 ton per day cement clinker dry process production line of Nepal Narayani Co., Ltd. was put into operation at the beginning of the year. The second phase of the 4,000 ton per day cement clinker production line project in Maweni, Tanzania started construction in July 2022. Upon completion, it will become the largest cement manufacturer in Tanzania. The preparation work for the clinker line project in Malawi have also started. In addition, the Company completed the investigation and verification of more than ten projects in Africa, the Middle East and other places, laying the foundation for future business expansion.

## (3) Propelled digital transformation for innovative growth of related business

During the Reporting Period, the Company conducted 356 digital projects, developed 18 standalone systems and built 13 mega digital projects. Throughout the year, the HIAC systems in 6 plants were operated, with an overall operation rate of 90%. Smart vehicle project has completed the transformation and upgrade of 22 vehicles in 9 factories; intelligent patrol project completed the equipment real-time online monitoring and warning system in 4 plants; intelligent quality control project was rolled out in 3 plants to achieve quality data driven production control.

The Company takes responsibility for environmental protection and social responsibility, and knows climate-related issues that may affect its business. The Company has formulated an environment, society and governance policy in accordance with the standards set out in Appendix 27 to the HKEX Listing Rules, which outlines, among other things, (i) appropriate risk management in relation to environment, society and governance matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and communication channels to engage with them; (iii) environment, society and governance management structure; (iv) environment, society and governance strategy formulation process; (v) environment, society and governance risk management and monitoring; and (vi) identification of key performance indicators, related measurement methods and mitigation measures. Responsibilities and authorities of each party in the above procedures are also defined in the Company's environment, society and governance policy. The board of directors is responsible for risks and opportunities related to environment, climate and society affecting the Group, formulating and adopting the Group's environment, society and governance policies, strategies and objectives, reviewing annually the Group's performance based on the environment, society and governance target, and revising the environment, society and governance strategy as appropriate when material discrepancies with the target are identified. The Company will publish an independent environment, society and governance report on the website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.huaxincem.com](http://www.huaxincem.com)) in accordance with the *Environment, Society and Governance Reporting Guide* set out in Appendix 27 to the HKEX Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

## 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	2022	2021	Changes (%)
Operating income	<b>30,470,382,363</b>	32,464,083,379	-6.14
Operating costs	<b>22,481,901,607</b>	21,392,494,465	5.09
Selling and distribution expenses	<b>1,371,820,965</b>	1,331,208,970	3.05
General and administrative expenses	<b>1,582,539,460</b>	1,634,697,607	-3.19
Financial expenses	<b>458,488,171</b>	170,259,608	169.29
R&D expenses	<b>78,162,783</b>	71,401,459	9.47
Net cash flow generated from operating activities	<b>4,567,694,220</b>	7,594,957,122	-39.86
Net cash flow generated from investing activities	<b>-8,383,336,829</b>	-6,794,063,625	-23.39
Net cash flow generated from financing activities	<b>1,771,835,223</b>	-632,252,873	380.24

Note:

Reasons for change in financial expenses: increase in the foreign exchange loss and interests expenditure.

Reasons for change in net cash flow from operating activities: profit decrease for the year.

Reasons for change in net cash flow from financing activities: borrowing increase in capital expenditure.

### (2) Analysis of revenue and cost

#### *Major performance by products*

Unit: RMB

Major business performance by products						
Product	Operating income	Operating costs	Gross profit margin%	Year-on-year change in operating income(%)	Year-on-year change in operating cost(%)	Year-on-year change in gross profit margin(%)
Cement	18,829,682,529	13,944,658,651	25.94	-21.76	-12.43	Decreased by 7.89 percentage points
RMX	5,132,828,829	4,321,263,005	15.81	61.64	67.59	Decreased by 2.99 percentage points
Aggregate	3,064,928,809	1,370,864,491	55.27	49.25	94.17	Decreased by 10.35 percentage points
Commercial clinker	1,758,355,585	1,577,161,155	10.30	9.46	20.02	Decreased by 7.89 percentage points
Others	1,684,586,611	1,267,954,305	24.73	7.91	45.86	Decreased by 19.59 percentage points
Total	<b>30,470,382,363</b>	<b>22,481,901,607</b>	26.22	-6.14	5.09	Decreased by 7.88 percentage points



# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

## Major business performance by geographical locations

Unit: RMB

Areas	Operating income	Change over the same period of last year (%)
East China Region	5,433,058,180	37.62
Central China Region	11,533,354,573	-19.46
South China Region	585,040,633	-55.38
South West China Region	8,695,982,391	-15.59
Overseas	4,222,946,586	63.50
<b>Total</b>	<b>30,470,382,363</b>	<b>-6.14</b>

## Analysis of output and sales volume

Unit: 10,000 tons

Product	Output	Sales volume	Inventory	Output change over last year (%)	Sales volume change over last year (%)	Inventory change over last year (%)
Cement	5,902	5,469	165	-19.14	-22.03	5.77
Clinker	5,077	571	229	-17.70	11.52	13.04
Aggregate	9,980	6,579	285	112.25	88.14	2.90
RMX	1,639	1,639	—	81.02	—	Not Applicable

Note: Self-produced cement and aggregate were partially used in RMX products of the Company.

In 2022, operating revenue decreased by RMB1.994 billion as compared with previous year. Among them, the sales volume of cement and clinker decreased by 14.8739 million tons year-on-year (-19.76%), with the average cement price leveled off against last year, resulting a decrease in revenue of RMB5.086 billion. The sales volume of RMX increased by 7.3352 million cubic meter (81.02%), which offset the impact of price decline of RMB37.54 per cubic meter (-10.70%), resulting an increase in revenue of RMB1.957 billion. The sales volume of aggregate increased by 30.8176 million tons (88.13%), which offset the impact of price decline of RMB12.14 per ton (-20.67%), resulting an increase in revenue by RMB1.011 billion.

Operating costs in 2022 increased by RMB1.089 billion as compared with the same period of the preceding year. The sales volume of RMX and aggregate surged year-on-year, resulting an increase in cost by RMB2.408 billion. The sales volume of cement and clinker decreased, resulting a decrease in cost by RMB1.717 billion.

The cement and clinker price remained stable as compared with previous year. However, due to the increase in energy cost, unit cost of sales increased by RMB27.97 yuan (12.21%), and gross profit per unit decreased by RMB28.18 per ton, resulting a decrease of gross profit margin in 2022 by 7.88 percentage points over the same period of the previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

By regions, due to the decline in cement sales, the operating revenue in major regions decreased by over 10% as compared with the same period of the preceding year. With the completion of overseas merge and acquisition and equipment upgrade, overseas revenue increased by 63.50%.

## Analysis of costs and expenses

Costs by products in 2022 and the changes as compared to 2021

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	1,516,099,305	10.9	2,012,104,613	12.6	-24.7
	Fuel and power	8,304,767,922	59.6	9,270,191,489	58.2	-10.4
	Depreciation and amortization	1,154,040,629	8.3	1,211,460,257	7.6	-4.7
	Labor and Others	2,969,750,795	21.2	3,430,816,849	21.6	-13.4
Clinker	Raw materials	97,854,807	6.2	90,614,072	6.9	8.0
	Fuel and power	1,081,584,546	68.6	849,282,754	64.6	27.4
	Depreciation and amortization	119,731,427	7.6	94,608,433	7.2	26.6
	Labor and Others	277,990,375	17.6	279,601,524	21.3	-0.6
RMX	Raw materials	3,229,409,283	74.7	2,163,471,714	83.9	49.3
	Fuel and power	30,591,619	0.7	11,509,840	0.4	165.8
	Depreciation and amortization	115,748,201	2.7	60,258,048	2.3	92.1
	Labor and Others	945,513,902	21.9	343,253,238	13.4	175.5
Aggregate	Raw materials	105,114,342	7.7	49,278,935	7.0	113.3
	Fuel and power	127,654,708	9.3	70,670,793	10.0	80.6
	Depreciation and amortization	253,509,582	18.5	126,586,146	17.9	100.3
	Labor and Others	884,585,859	64.5	459,466,054	65.1	92.5

Due to the significant rise in the coal cost, the fuel and power cost of cement and clinker increased by 1.4 and 4.0 percentage points in the proportion of total cost.

# 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

<b>Items</b>	<b>2022</b>	2021	Changes (%)
Selling and distribution expenses	<b>1,371,820,965</b>	1,331,208,970	3.05
General and administrative expenses	<b>1,582,539,460</b>	1,634,697,607	-3.19
Financial expenses	<b>458,488,171</b>	170,259,608	169.29

Financial expenses in 2022 increased by 169.29% from the previous year, mainly attributed to the increase in foreign exchange loss and interest expenses.

### (3) Profitability

Unit: RMB

<b>Items</b>	<b>2022</b>	2021	Changes (%)
Operating revenue	<b>4,022,570,540</b>	7,444,360,170	-45.96
Profit before tax	<b>3,988,085,596</b>	7,372,995,844	-45.91
Net profit attributable to shareholders of the Company	<b>2,698,868,510</b>	5,363,525,692	-49.68

During the Reporting Period, the sales volume of cement and clinker, the Company's leading products, decreased year-on-year due to the downward trend of the real estate industry; at the same time, the cost of cement and clinker increased year-on-year due to the rising energy prices. The Company's net profit decreased by RMB2.781 billion, of which the net profit attributable to shareholders of the Company decreased by RMB2.665 billion as compared with the same period of the preceding year.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

## (4) Financial positions

### Assets and Liabilities

Unit: RMB

Items	Amount at the end of current period	Percentage of amount at the end of current period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Change of the amount at the end of current period compared with that of last period (%)	Description
Financial assets held for trading	41,711,538	0.06	711,964,323	1.35	-94.14	Monetary fund redeemed
Notes receivable	545,960,470	0.85	145,430,152	0.28	275.41	Increase in the collection of notes receivable
Accounts receivable	1,382,631,200	2.15	956,580,152	1.82	44.54	Expansion of RMX business
Receivables financing	527,248,935	0.82	761,050,910	1.45	-30.72	Decrease in notes receivable due to decline in revenue
Other receivables	477,956,891	0.74	356,013,351	0.68	34.25	Increase in loans and out-of-pocket expenses
Other current assets	677,454,529	1.05	477,967,711	0.91	41.74	Increase in withheld VAT tax overseas
Long-term receivables	131,594,447	0.20	35,934,266	0.07	266.21	Increase in working capital of local government
Other equity investment	1,012,850,323	1.58	55,867,066	0.11	1,712.96	Increase in the strategic investment on local state-owned enterprise
Construction in progress	6,575,465,631	10.24	4,199,141,042	7.99	56.59	Increase in the investment in aggregate projects
Right-of-use assets	979,311,070	1.52	273,191,262	0.52	258.47	Increase of RMX business leasing
Intangible assets	15,182,751,513	23.63	7,377,964,445	14.04	105.79	Increase in the quarry mining right
Long-term prepaid expenses	817,417,303	1.27	582,072,668	1.11	40.43	Increase in quarry development fee
Employee benefits payable	131,081,719	0.20	409,092,005	0.78	-67.96	Payment of upcoming long-term incentives
Non-current liabilities due within one year	4,427,049,341	6.89	1,213,650,184	2.31	264.77	Borrowings due for repayment and increase in payment of mining right
Long-term borrowings	7,282,088,824	11.34	5,081,924,506	9.67	43.29	Increase in project loans
Bonds payable	4,426,286,852	6.89	3,327,860,620	6.33	33.01	Issuance of corporate bonds of low-carbon transformation at RMB900 million
Lease liabilities	759,905,754	1.18	223,580,118	0.43	239.88	Increase of RMX business leasing
Long-term payables	2,837,076,467	4.42	463,257,160	0.88	512.42	Increase in payment by installments for mining right
Accumulated other comprehensive incomes	-175,257,484	-0.27	-305,350,132	-0.58	42.60	Foreign currency of overseas subsidiaries appreciated against RMB

Among the above, overseas assets amounted to RMB7.6 billion representing approximately 11.8% 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	422,320,014
Notes receivable	2,720,000
Financing with receivables	26,413,178
Fixed assets	5,687,992
Intangible assets	27,492,441

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 RMB4,829,073,769.

## *Funding sources*

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

Unit: RMB

<b>Items</b>	<b>Closing balance</b>	Opening balance
Within 1 year	<b>2,786,503,163</b>	1,493,826,837
1-2 years	<b>2,421,597,318</b>	1,899,342,560
2-5 years	<b>4,206,408,619</b>	3,074,885,639
Over 5 years	<b>654,082,887</b>	107,696,307
Total	<b><u>10,068,591,987</u></b>	<b><u>6,575,751,343</u></b>

As at the end of the Reporting Period, the accumulative balance of bank loans and interest of the Company amounted to RMB10.069 billion, representing an increase of RMB3.493 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 RMB4.277 billion of corporate bonds due within 2-5 years as at the end of the Reporting Period.

## *Analysis of liquidity*

Unit:RMB

<b>Item</b>	<b>As at 31 December 2022</b>	As at 31 December 2021	Change (%)
Interest-bearing liability	<b>14,494,878,839</b>	9,926,870,636	46.02
Current ratio	<b>0.87</b>	1.27	-31.56
Asset-liability ratio	<b>52.00%</b>	44.10%	Up by 7.90 percentage points

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

As at 31 December 2022, the amount of interest-bearing liabilities increased by 46.02% as compared with the beginning of 2022, mainly due to the increase in long-term borrowings of projects. Despite the asset-liability ratio increased by 7.90 percentage points, the current ratio shed by 31.56% against last year and decreased to below 1, the total cash and bank balances is able to cover the existing current interest-bearing liabilities, the liquidity risk is controllable.

## *Analysis of cash flow*

Unit: RMB

<u>Items</u>	<u>Amount for current period</u>	<u>Amount for same period of last year</u>	<u>Changes (%)</u>
Net cash flow from operating activities	<b>4,567,694,220</b>	7,594,957,122	-39.86
Net cash flow from investing activities	<b>-8,383,336,829</b>	-6,794,063,625	-23.39
Net cash flow from financing activities	<b>1,771,835,223</b>	-632,252,873	380.24

Net cash flow from operating activities decreased by RMB3.027 billion as compared with the same period of the preceding year, primarily due to the decrease in profit for the year.

Net cash flow from investing activities increased RMB1.589 billion as compared with the same period of the preceding year, primarily due to the increase in investment in aggregate, RMX and other projects in construction.

Net cash flow from financing activities increased by RMB2.404 billion as compared with the same period of the preceding year, primarily due to the increase in borrowing of CAPEX expenditure.

## 3. OUTLOOK FOR 2023

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

The year 2023 is the second year after the high plateau period of China's cement demand and the industry will generally bear the brunt going forward. The Central Economic Work Conference held in December 2022 set the tone: "making economic stability a top priority and pursuing progress while ensuring stability in 2023". As the government fully implements "3060" carbon peak and carbon neutrality, the cement industry in China will face both opportunities and challenges in 2023. The industry outlooks are as followed:

**Flat cement demand amid stability, basically level off year-on-year.** Despite Chinese economy faces mounting pressure, the macro economy in 2023 is expected to recover considerably. Infrastructure will become one of the major forces to bolster the economy and is expected to maintain rapid growth. A number of departments have issued policies favorable to the real estate which may help stabilize the industry, and thus alleviate the negative impact to the cement demand as compared with 2022. In 2023, the cement industry is expected to experience periodical rebound and cement demand will be stable overall, nearly level off against last year.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

**Industry suffers with overcapacity and further capacity reduction is needed.** Weakening demand has resulted in more noticeable problem in overcapacity. Solving the problem of overcapacity is still the key of supply side structure reform. As the dual carbon continues to advance, eco low carbon expectation continuous to be rampant, normalization of off-peak production, electricity limit and dual control on energy consumption and intensity will suppress cement supply and mitigate overcapacity temporarily. However, against the backdrop of rapid drop of demand and weak expectation, capacity reduction alone cannot guarantee the mid-to-long term healthy industry development. Intensifying capacity reduction efforts and enhancing concentration will be the top priority of the cement industry.

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

**Cement price under pressure as cost is up, industry performance still faces pressure.** The uncertainties in the energy market has led to high cost of cement production, coupled with the investment increase in technology upgrade to meet compliance in energy consumption, carbon reduction, safety, eco and mining treatment, rising production cost with weakening demand will pose challenges to the profit growth stability and put pressure to industry performance.

**“Dual control on energy consumption and intensity” will become an important measure of the supply-side reform in the cement industry in the new era.** Against the backdrop of carbon peak, carbon neutrality and weakening demand, new and more effective measures of supply-side reform should be employed. The dual control on the comprehensive energy intensity and consumption amount complies with the government policy of “strictly control energy intensity” and “appropriately control consumption amount”, and promotes the execution of supply-side reform to achieve supply demand balance and effective carbon reduction.

## (II) Development strategy of the Company

In 2023, the Company will continue to promote the corporate culture of “integrity, 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 corporate vision “Beautiful world starts with us”. Following the mission of “Clean our living environment, supply reliable building material” and the concept of whole lifecycle green low carbon building materials, the Company will strive to implement and deepen four strategies of “integrated transformation, overseas development, expansion to new building material, digitization in traditional industry”. The Company will accelerate the high-end, green and intelligent transformation, while pioneer in low carbon and sustainable development to catapult Huaxin Cement in becoming a global enterprise.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

## (III) Business Plan

### 1. Completion of the 2022 business plan

In 2022, the Company achieved operating revenue of 30.470 billion Yuan, completing 72% of the annual budget despite of dropping demand and fierce competition, among which revenue of cement and clinker completed 72% of the budget; RMX sales revenue completed 82% of the budget; aggregate sales revenue completed 68% of the budget; the Eco sales revenue completed 50% of the budget.

In 2022, the actual budget completion rate on overall investment was 61%.

By the end of 2022, total assets of the Company were 64.242 billion Yuan and the asset-liability ratio was 52.0%. Asset-liability ratio is defined as the ratio of total liabilities to total assets as at the end of respective reporting period.

### 2. Business Plan for 2023

In 2023, the Company targets to sell 57.00 million tons cement and clinker, 130 million tons aggregate, 25.00 million cubic meters RMX and 4.50 million tons eco disposal. The total operating revenue is expected to be RMB35 billion.

In 2023, the Company plans to invest RMB11.00 billion mainly in the production capacity of aggregate and RMX, the expansion of eco and new material business, and the development of overseas cement business.

In 2023, total assets of the Company are expected to be about RMB70.0 billion and the asset-liability ratio is expected to be around 50%.

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

- (1) Adhere to the bottom line of “safety and environmental protection”, and establish an industry benchmark for clean and civilized production. It will continue to carry out annual ESG related audits and facilitate our plants to operate in a healthy, safe and eco-friendly manner.
- (2) Strengthen compliance supervision to mitigate potential business risks. Organize production in strict accordance with national product quality standards to ensure 100% qualified products; reinforce management of working capital to guard against liquidity risks; enhance management of legal affairs and contract, promote corporate legal construction; further promote the creation of “clean and honest Huaxin” activities, to create a corporate culture with integrity.
- (3) Strengthen and refine marketing to accelerate integrated development. Competition and marketing strategy will analyze and focus on core markets and valuable clients to improve intelligent marketing efficiency; coordinate marketing management of aggregates and RMX along Yangtze River to accelerate the market and end users penetration to achieve sales target; continue to develop digitalization and intelligence of marketing to improve efficiency and customer experience.
- (4) Step up efforts to source AFR to increase the utilization of alternative fuels. In 2023, the TSR is expected to reach over 20%; focus on the costs of fuels, raw materials, maintenance and third party labor contracts and benchmark and evaluation to reduce costs; practice green procurement and increase the ratio of direct supply cooperation to enhance procurement cost competitiveness.



# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

- (5) Steadfast advancement in the four corporate strategies. Accelerate and promote the integrated development of the industry chain featuring cement as the core with aggregate, RMX, wall material, eco disposal, packaging and equipment engineering business.
- (6) Further optimize human resources mechanism. Encourage employees to develop to key business areas of the Company; restructure the remuneration system to incentivize core employees.

**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.**

## (IV) Potential Risks

**Drop in the domestic cement demand and severe overcapacity may result in declining performance.** In 2022, cement demand dropped significantly as a result of various factors such as gloomy real estate market and increasing downward economic pressure. In the medium term, with the continuous optimization of the Chinese economic structure, the cement demand will show a downward trend or become normalized. In the absence of any significant change in the severe overcapacity situation in the cement industry, the decline in demand will intensify market competition, and the continued pressure on cement prices will have an adverse impact on the operating performance of the Company.

**Risks of safe production and compliant operation of low carbon.** The Company's production operations cover quarry exploitation, cement and cement product production, hazardous waste, household garbage, sludge disposal and other businesses. As the PRC government increasingly enforces stringent requirements on enterprise safety production and environmental protection emissions, any such accident occurrence in production will damage the reputation and bring financial loss to the Company, and will have an adverse impact on the Company's operations. In addition, under the backdrop of "carbon reduction", the quota for energy consumption will be elevated and become more stringent. As cement is one of the key industries of "dual control of energy consumption", the plants that fail to meet the industry benchmark will be considered as low efficient production capacity and face the risk of elimination.

**Risks of surging production cost.** The energy market has many uncertainties due to the overseas situation, supply demand landscape and policies, resulting in high production cost for the cement enterprises. With the goal of carbon peak and carbon neutrality, energy consumption, safety, eco protection, transportation overload and quarry treatment requirements will be stricter. Therefore, enterprises need to invest more in technology upgrade, hence adding further burden on production cost factors. In addition, the concept of "our environment is our treasure" is gaining momentum, therefore the cost of obtaining quarry right is surging as well.

**Risk of international operation.** Overseas development is one of the four strategies of Huaxin. The current international situation is complicated. Factors such as geopolitical conflicts, economic and trade disputes, financial market turmoil, and commodity price shocks have increased the risk of instability and uncertainty in the development of the global economy. In addition, the political, economic, social, and religious complexities of different countries, as well as the differences in legal systems, together with fluctuations in exchange rates and its foreign reserves, will bring challenges to the Company's international business development.

# MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

To cope with the above risks, the Company will take following measures to enhance competitiveness and resilience:

1. The Company shows the sense of responsibility of a large enterprise to actively implements national policies and measures such as “supply-side structural reform”, “carbon reduction”, “dual control of energy consumption and intensity”, and local government off-peak production to promote the healthy development of the industry.
2. The Company adopts the concept of whole lifecycle of green and low-carbon building materials, adheres to the concept of “safety and eco-friendly” as the bottom line of production, sets up the industry benchmark for clean and civilized production, increases investment in safe and eco protection to further eliminate/prevent potential environmental risks.
3. Driven by technology innovation, the Company plans to build highly intelligent “unmanned plant” through technological transformation and digital technology innovation to improve operation efficiency and reduce costs.
4. Strengthen and refine the marketing ability, formulate a scientific approach in competitive strategy with a business mindset, focus on the core markets, valuable clients and smart marketing to improve the efficiency.
5. Increase the utilization of alternative fuels to continuously optimize the energy consumption targets, utilize centralized procurement to reduce procurement costs.
6. Further optimize the employment and human resources mechanism, increase the recruitment of talents and cultivate them to promote the sustainable, stable and healthy development of the Company.

# IMPORTANT MATTERS

## 1. COMMITMENTS

There were no commitments made by the de facto controller, 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 Ernst & Young Hua Ming 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

Unit: RMB

	Current
Name of PRC auditors	Ernst & Young Hua Ming
Remuneration of domestic CPA	5,200,000
Year of auditing by domestic CPA	1

	Name	Payment
Internal control auditor	Ernst & Young Hua Ming	500,000

### Description of the appointment and resignation of auditors

On 20 May 2022, the Company's annual general meeting of shareholders in 2021 approved the renewal of Deloitte Touche Tohmatsu's appointment as the Company's 2022 financial audit and internal control audit accounting firm.

On 23 December 2022, the Company received a resignation letter from Deloitte Touche Tohmatsu, which confirmed its resignation as the Company's financial audit and internal control audit accounting firm for 2022.

On 9 January 2023, the Company's first extraordinary general meeting of shareholders in 2023 approved the appointment of Ernst & Young Hua Ming as the Company's financial audit and internal control audit accounting firm for 2022.

## 5. INSOLVENCY OR RESTRUCTURING

During the Reporting Period, the Group did not experience bankruptcy or reorganization.

# IMPORTANT MATTERS

## 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.

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	Estimated amount of contingent		Progress	Consequence and impact	Enforcement
				Amount	liability			
Moncement Building Materials LLC	Huaxin Cement Co., Ltd.	Arbitration	For detailed information, please refer to the Annual Report 2020 of the Company at www.sse.com.cn	USD52,215,000	Nil	The scheduled trial has been postponed and a new session is pending.		
Huaxin Cement Co., Ltd.	The People's Government of Fengjie County	Civil action	For detailed information, please refer to the Annual Report 2021 of the Company at www.sse.com.cn	1,227.34	Nil		The Defendant paid the Plaintiff 12,184,659.75 RMB plus interest	The Plaintiff received the enforcement payment in November 2022 and the case was closed.
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang Jianshan Technology Co., Ltd., Xiangyang Xingshida Plastics Co., Ltd., Liu Jianshan	Civil action	For detailed information, please refer to the Annual Report 2015, 2017, 2018 and 2020 of the Company at www.sse.com.cn	2,477.39	Nil	The Defendant Xiangyang Jianshan Technology Co., Ltd. and Xiangyang Xingshida Plastic Co., Ltd. applied to the court for bankruptcy repayment	The Defendant paid 24,773,900 RMB to the Plaintiff.	The Plaintiff filed the claim within the specified period.

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. 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.

# IMPORTANT MATTERS

## 7. PUNISHMENT ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLERS OF THE COMPANY AND THE RECTIFICATION

During the Reporting Period, the Company and its Directors, Supervisors, senior management, controlling shareholders and de facto controllers were not penalised and/or rectified.

## 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

### (1) Related party transactions related to day-to-day operations or continuing related party transactions

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 X of the financial statements prepared in accordance with the PRC Accounting Standards. The related party transactions disclosed in Note X are not considered as connected transactions defined in Chapter 14A of HKEX Listing Rules or exempt from the reporting, announcement and shareholder approval requirements under the HKEX Listing Rules.

### (2) Connected transaction of asset or equity purchase or sale

On 20 May 2022, the Company together with State-owned Assets Supervision and Administration Commission of Huangshi Municipal People’s Government and Huangshi State-owned Assets Management Co., Ltd., which both indirectly held 16.12% in the equity interests of the Company as at the date of the transaction and were connected persons of the Company, signed a capital injection agreement. The Company uses self-owned fund RMB1 billion to invest in the Huangshi State-owned Assets Company. The Company will hold 5.2173% shares of the Huangshi State-owned Assets Company. The investment has been finished within the Reporting Period. Details can be referred to in the announcement disclosed on the SEHK on 30 May 2022.

## 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.

# IMPORTANT MATTERS

## (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 RMB2.885 billion. As of the end of the Reporting Period, the balance of the Company's external guarantees was RMB9.922 billion, accounting for 36.15% 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 to its 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	2,885,140,216
Guarantee amount left at the end of the Reporting Period (B)	9,921,647,850

### Total guarantee amount (including guarantee for its subsidiaries)

Total guarantee amount (A+B)	9,921,647,850
Proportion in net assets of the Company (%)	36.15

Including:

Guarantee amount provided to the Company's shareholders, de facto controller and its related parties (C)	0
Debt guarantee amount provided directly or indirectly to subjects whose asset-liability ratio is over 70% (D)	6,864,487,777
Guarantee amount in excess of 50% of the net assets (E)	0
Total guarantee amount of the above three (C+D+E)	6,864,487,777

## 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: RMB

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	0	-700,000,000	0	0

# IMPORTANT MATTERS

## 12. SIGNIFICANT EVENTS

### (1) Construction 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.

On 26 September 2022, the first phase of the 100 million tons/year machine-made sand production line project (40 million tons/year machine-made sand production line) in Huangshi Huaxin Green Building Materials Industrial Park was completed and put into operation.

On 10 October 2022, the main body of the project obtained the limestone mining right for construction stone (solvent, cement) with resource reserves of about 2.135 billion tons.

### (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.

On 28 March 2022, the H shares of the Company were listed and traded on the Main Board of the SEHK.

### (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%.

The issuance of the second tranche of the bonds was completed on 19 July 2022, with an issuance scale of 900 million yuan, which was issued in two varieties. Among them, the issuance scale of Variety 1 is 500 million yuan, the term is 3 years, and the coupon rate is 2.99%; Variety 2 has an issuance scale of 400 million yuan, a term of 5 years, and a coupon rate of 3.39%.

# CHANGES IN SHARES AND SHAREHOLDERS

## 1. TOTAL NUMBER AND STRUCTURE OF SHARES

In 2022, 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 2022, the total number of registered shareholders of the Company was 63,357; as at 28 February 2023, the total number of registered shareholders of the Company was 53,154.
- (2) To the best knowledge of the Company, as at 31 December 2022, 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	Shareholder type
					Quantity	
1	Hong Kong Securities Clearing Company Ltd. (Agent)	734,719,989	35.04	H Shares	Unknown	0 Overseas legal entity
2	HOLCHIN B.V.	451,333,201	21.53	A Shares	None	0 Overseas legal entity
3	Huaxin Group Co., Ltd.	338,060,739	16.12	A Shares	None	0 State-owned legal entity
4	Hong Kong Securities Clearing Company Ltd. (HKSCC)	60,981,781	2.91	A 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 Merchants Bank Co., Ltd. – SSE Dividend Trading Open-ended Index Securities Investment Fund	17,070,110	0.81	A Shares	None	0 Others
7	National Social Security Fund 413 Portfolio	15,900,000	0.76	A Shares	None	0 Others
8	China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	A Shares	None	0 Unknown
9	ICBC Credit Suisse Fund – Chinese Life Insurance Co., Ltd. – Participating Insurance – ICBC Credit Suisse Fund China Life Equity Balanced Equity Portfolio Single Asset Management Plan (available for sale)	9,448,416	0.45	A Shares	None	0 Others
10	Bank of China – ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,769,985	0.37	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. while the number of shares held by its party acting in concert, Holpac Limited, was reduced by 8 million shares. The shares held by Holchin B.V. and Holpac Limited were not subject to any pledge, freezing order or custody.
- ② The shares mentioned above are not subject to any trading restrictions.
- ③ Saved that Holchin B.V. and Holpac Limited are wholly-owned subsidiaries of Holcim Limited, the board of directors of the Company is not aware of any other connected relationship among the top ten shareholders.



# CHANGES IN SHARES AND SHAREHOLDERS

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

As at 31 December 2022, the persons (other than a director or chief executive of the Company) holding 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* (the director or chief executive referred in this paragraph including supervisors) are as follows:

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%
		H Shares	417,902,467	56.88%	19.93%
		Total	869,235,668	—	41.46%
Holderfin B.V.	Interest of controlled corporation	A Shares	451,333,201	33.14%	21.53%
		H Shares	384,210,624	52.29%	18.33%
		Total	835,543,825	—	39.85%
Holchin B.V.	Beneficial owner	A Shares	451,333,201	33.14%	21.53%
		H Shares	384,210,624	52.29%	18.33%
		Total	835,543,825	—	39.85%
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 Co., Ltd.	Interest of controlled corporation	A Shares	338,060,739	24.82%	16.12%
Huaxin Group Co., Ltd.	Beneficial owner	A Shares	338,060,739	24.82%	16.12%
China Conch Venture Holdings (HK) Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
China Conch Venture Holdings International Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Conch International Holdings (HK) Limited	Beneficial owner	H Shares	92,788,469	12.63%	4.43%
China Conch Venture Holdings Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Anhui Conch Venture New Energy-saving Construction Material Co., Ltd.	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Anhui Conch Cement Company Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Anhui Conch Holding Co., Ltd	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Conch Venture Wuhu	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%

# CHANGES IN SHARES AND SHAREHOLDERS

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

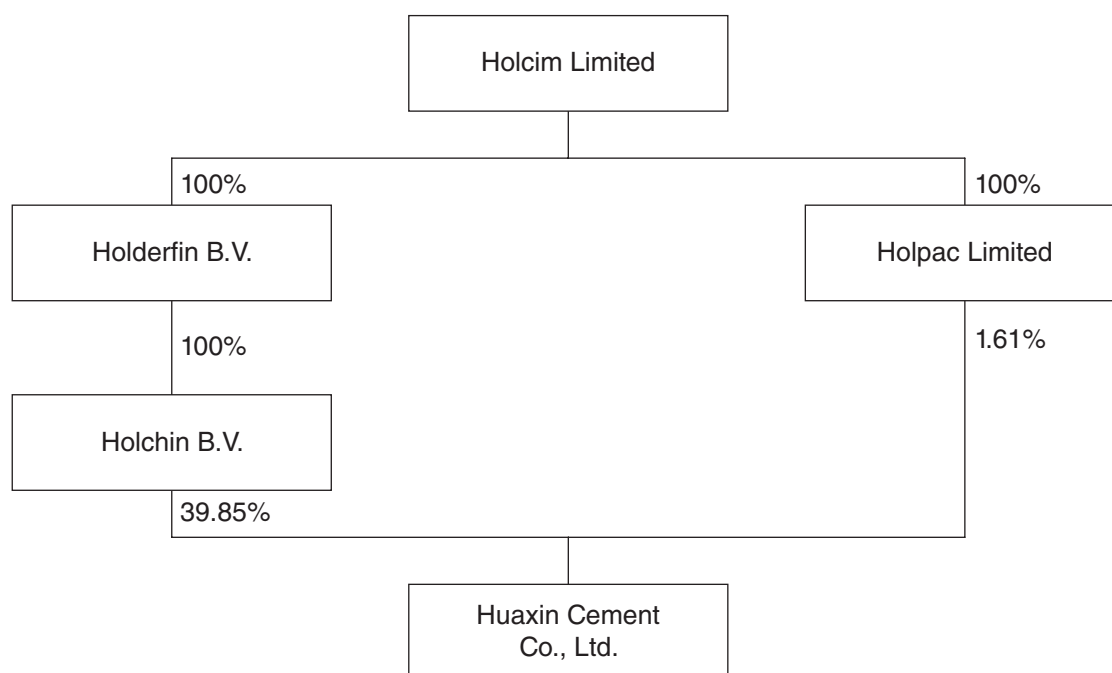
As at 31 December 2022, the Directors, Supervisors and chief executives holding interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests kept by the Company in accordance with Section 352 of the *Securities and Futures Ordinance* are as follows:

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
Mr. Li Yeqing	Beneficial interest	A-Shares	364,334	0.0268%	0.0174%
		H-Shares	451,596	0.0615%	0.0215%
Mr. Liu Fengshan	Beneficial interest	A-Shares	161,400	0.0119%	0.0077%
		H-Shares	120,600	0.0164%	0.0058%
Mr. Ming Jinhua	Beneficial interest	H-Shares	18,500	0.0025%	0.0009%
Mr. Zhang Lin	Beneficial interest	A-Shares	11,600	0.0009%	0.0006%
Mr. Liu Weisheng	Beneficial interest	H-Shares	148,400	0.0202%	0.007%
		H-Shares	13,700	0.0019%	0.0007%

## (5) Information on the controlling shareholder and de facto controller

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

As at 31 December 2022, Holcim Limited was the controlling shareholder as well as the de facto controller of the Company. The following chart sets out the shareholding relationship structure between the Company and Holcim Limited:



# CHANGES IN SHARES AND SHAREHOLDERS

## 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 2022.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 1. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) The shareholdings or share transactions of the 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 at the beginning of the year	Shares held at the beginning of the year	change	Reason for change	Payment from the Company (10k Yuan) before tax	Remuneration/ allowance from shareholder company or other related Company
Xu Yongmo	Chairman	M	66	April 2021	April 2024					150.0	No
Li Yeqing	Director & CEO	M	58	April 2021	April 2024	739,030	815,930	76,900	purchase shares on secondary market	359.5	No
Liu Fengshan	Director&VP	M	57	April 2021	April 2024	244,700	282,000	37,300	purchase shares on secondary market	170.8	No
Martin Kriegner	Director	M	61	January 2023	April 2024					N/A	Yes
Lo Chi Kong	Director	M	59	April 2021	April 2024					21.6	Yes
Tan Then Hwee	Director	F	50	April 2021	April 2024					21.6	Yes
Wong Kun Kau	Independent Director	M	62	April 2021	April 2024					36.0	No
Zhang Jiping	Independent Director	M	54	April 2021	April 2024					36.0	No
Jiang Hong	Independent Director	M	52	April 2021	April 2024					36.0	No
Ming Jinhua	Supervisor Chairman, Chairman of Labor Union	M	50	August 2021	April 2024	6,500	18,500	12,000	purchase shares on secondary market	159.9	No
Zhang Lin	Supervisor	M	50	April 2021	April 2024	87,200	160,000	72,800	purchase shares on secondary market	104.1	No
Yang Xiaobing	Supervisor	M	52	April 2021	April 2024					48.0	No
Zhu Yaping	Supervisor	M	54	April 2021	April 2024					85.3	No
Liu Weisheng	Supervisor	M	50	April 2021	April 2024	13,700	13,700			74.6	No
Ke Youliang	VP	M	57	April 2021	April 2024	419,061	469,061	50,000	purchase shares on secondary market	182.3	No
Du Ping	VP	M	52	April 2021	April 2024	124,800	181,800	57,000	purchase shares on secondary market	174.6	No
Liu Yunxia	VP	F	54	April 2021	April 2024	176,960	216,960	40,000	purchase shares on secondary market	166.5	No
Mei Xiangfu	VP	M	50	April 2021	April 2024	135,040	184,040	49,000	purchase shares on secondary market	175.7	No
Yuan Dezu	VP	M	59	April 2021	April 2024	117,220	167,220	50,000	purchase shares on secondary market	169.7	No
Yang Hongbing	VP	M	50	April 2021	April 2024	134,364	311,664	177,300	purchase shares on secondary market	168.1	No
Xu Gang	VP	M	44	April 2021	April 2024	64,600	139,800	75,200	purchase shares on secondary market	161.4	No
Chen Qian	VP & Chief Financial Officer	M	44	April 2021	April 2024	35,000	71,500	36,500	purchase shares on secondary market	163.9	No
Ye Jiaying	VP & Secretary to the Board	M	41	April 2021	April 2024	64,625	112,025	47,400	purchase shares on secondary market	139.6	No
Wang Jiajun	VP	M	42	April 2021	April 2024	37,500	58,900	21,400	purchase shares on secondary market	139.5	No
Geraldine Picaud (Note)	Director	F	52	April 2021	December 2022					20.3	Yes
Total	/	/	/	/	/	2,400,300	3,203,100	802,800	/	2,965.0	/

Notes:

- Mr. Martin Kriegner was appointed as an non-executive Director on 9 January 2023.
- Ms. Geraldine Picaud resigned as non-executive director on 9 December 2022.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## (2) Main work experience of Directors, Supervisors, and senior management

<b>Name</b>	<b>Main work experience</b>
Xu Yongmo	<p>Mr. Xu Yongmo, born in April 1956, Master of Engineering, and obtained Doctor and Post Doctorate in the United Kingdom. From 1982 to 1983, Mr. Xu worked as the assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant. From 1986 to 1988, he served as the head of RMX laboratory of Concrete and Housing Building Materials Institute of China Building Materials Academy. From 1988 to 1991, he served as the vice director of Technical Information Centre of China Building Materials Academy. From 1998 to 2002, he served as the vice president of China Building Materials Academy. From April 2002 to April 2017, he served as the vice president of China Building Materials Federation. From June 2006 to December 2016, he served as the president of China Concrete &amp; Cement Product Association. From December 2016 to July 2022, he served as the executive president of China Concrete &amp; Cement Product Association. From March 2007 to July 2022, he served as the director-general of China Construction Units Association. From October 2007 to July 2019, he served as the VP of China Cement Association. From December 2011 to March 2019, he served as the director-general of China Silicate Association. He became an independent director of Jiangsu Sobute New Materials Co., Ltd (a company listed on SSE, stock code: 603916) since April 2021. He became the Independent Director of the Company from April 2009 to March 2012. He has been the Chairman of the Company since April 2012.</p>
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, chief engineer, chief specialist and executive chairman of the Specialist Committee of China Building Materials Federation. 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, he served as a teacher in Wuhan University of Technology Silicon Engineering Department, and a deputy secretary of the Youth League Committee. He joined Huaxin Cement Plant (predecessor of the Company) in November 1987, and 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 and chief engineer since 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 has been serving as the Executive Vice Chairman of the Sixth Council of China Building Materials Federation since October 2020.</p>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
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 the Discipline Inspection Commission 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 has been the vice president of the Company since June 2012.</p>
Martin Kriegner	<p>Mr. Martin Kriegner, born in September 1961, graduated from the University of Vienna with a Doctorate in Law and he obtained a Master of Business Administration at the Vienna University of Economics and Business. He joined the Holcim Group in 1990 and became the Chief Executive Officer of the Austrian operations in 1998. He served as the Chief Executive Officer of India operations in 2002 and later served as the Regional President Cement for Asia. In 2012, he was appointed as the Chief Executive Officer of Lafarge India for Cement, RMX and Aggregates. In July 2015, he became the Area Manager Central Europe and was appointed as the Head of India in 2016. He serves as the Region Head for Asia, Middle East &amp; Africa and an executive member of Holcim's Group since 2016, and he served as a director of the Company from April 2017 to April 2018. He was appointed as a Director of the Company in January 2023.</p>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
Lo Chi Kong	<p>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, he served as a MIS manager and executive assistant in Ohio government agency. From May 1991 to August 1998, he 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, he served as the chief financial officer of Switzerland Suzhou Schindler Elevator Co. From 2003 to 2005, he served as the executive vice president of Schindler China. From 2005 to 2018, he successively served as the president of Sika Group in China, the head of APAC business developments as well as the Co-head of Corporate and Merger &amp; Acquisition department in Sika Group. From October 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.</p>
Tan Then Hwee	<p>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 &amp; 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 a member of the Board of Directors of Ambuja Cements Ltd and a member of the Compliance Committee from February 2019 to September 2022. She has been the head of Learning and Development of Holcim Group since March 2019. She also served as a member of the Board of Directors of Holcim Philippines, Inc and a member of the Audit Committee, and concurrently as a Director of the Company since September 2020. She has been the Head of Human Resources Asia Pacific of Holcim since January 2023.</p>

# 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 and before he worked as the head of BNP Paribas Capital (Asia Pacific) Limited and Asian Infrastructure Investment Bank, he worked with Wardley Investment Services Ltd., Bank America Trust Co., (HK) Ltd., Nomura International (HK) Ltd., and Samuel Montagu &amp; Co., Ltd. He is the founder and has served as the chief executive officer of Bull Capital Partners Limited since July 2007. He has been an independent non-executive director of REF Holdings Limited (a company listed on SEHK, stock code: 1631) since August 2015, and he has been an independent non-executive director of Jianzhong Construction Development Limited (a company listed on SEHK, stock code: 589) since February 2020. Mr. Wong Kun Kau has over 28 years of experience in investment banking and corporate finance. From August 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 since 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 from New York University School of Law. He worked at the Legal Department of China Securities Regulatory Commission as a staff attorney from 1993 and 1996. He worked at Simpson Thacher &amp; Bartlett LLP in its New York and Hong Kong offices from 1997 to 2003. He joined Haiwen &amp; Partners in 2004 and has been promoted as a managing partner in May 2014. Mr. Zhang has over 25 years of legal experience, and his practice primarily focuses on the FDI, M&amp;A, and capital markets areas. He has been a Director of the Company since 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. He used to be a representative of the 15th Shanghai People's Congress and a member of the 12th Standing Committee of the Jing'an District CPPCC. From August 1992 to June 2006, he worked with the MOF Commissioners Office in Shanghai. From June 2000 to October 2015, he worked as chief financial officer, chief taxation officer, and chief governmental affairs officer at Philips (China) Investment Co., Ltd. From October 2015 to December 2021, he has been 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. He is currently serving as the Chairman of Shanghai O2Change Network Technology Co., Ltd. He has been a Director of the Company since 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, and 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 a Supervisor in March 2017.</p>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
Yang Xiaobing	Mr. Yang Xiaobing, born in July 1970, bachelor's degree, human resources professional. 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, master's degree and senior engineer. 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, deputy director of the president office, director of communication and public affairs, director of the CEO's office (supervision office). He is now the director of the Talent Development of the Human Resources Development, director of the Political Work Department of the Communist Party Committee, and general manager of Huaxin Cement Technology Management (Wuhan) Co., Ltd. He served as a Supervisor from April 2021.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Ke Youliang	<p>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 &amp; wall materials business department from November 2001. From April 2003 to March 2004, he served as the deputy general manager of the Company. He became a vice president of the Company in March 2004.</p>
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 deputy general manager and general manager 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 general manager of Hubei East Cement Business Unit, general manager of Yunnan Business Unit, and general manager 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>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
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 &amp; 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 the Company 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

<b>Name</b>	<b>Main work experience</b>
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. Since February 2011, he successively served as GM of Hubei Northwest Cement Business Unit, GM of Hubei West Business Unit, Head of Marketing, and GM of Western Region. 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 the Company 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>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
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 &amp; Acquisition Project, Project Manager of Organization Structure Optimization and Strategic Manager of China region. From May 2009 to December 2015, he served as Lafarge's Marketing Director of Guizhou, Commercial Director of Chongqing, and Sales Director of Yunnan. From December 2015 to April 2016, he took the position of Marketing Director of Yunnan BU of Huaxin Cement. Since April 2016, he successively served as Head of Growth &amp; Innovation, Head of Strategy Development &amp; Procurement Businesses, and GM of Oversea Business Unit. From April 2016 to April 2018, he was AVP of the Company. From April 2018, he became VP of the Company.</p>
Chen Qian	<p>Mr. Chen Qian, born in September 1978, Master of Business Administration, Chinese Certified Public Accountant, Fellow Member of Chartered Global Management Accountant. He graduated from Fudan University with a Bachelor's Degree in World Economics in June 2001. In June 2008, he graduated from the Anderson School of Business in the United States with a Master's Degree in Business Administration. He started to work in 2001 and joined the Company in 2020. Before joining the Company, he successively acted as Senior Auditor of PricewaterhouseCoopers, Senior Consultant of Monitor Consulting Group, Chief Financial Officer of Sika Group China, Chief Financial Officer of IMI Critical Engineering Greater China and Korea, Chief Financial Officer of CIF Bureau Veritas China, and Chief Financial Officer of Terminix Group China. From May 2020 to April 2021, he served as the Deputy Chief Financial Officer of the Company. From April 2021, he became Vice President and Chief Financial Officer (CFO) of the Company.</p>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
Ye Jiaxing	<p>Mr. Ye Jiaxing, 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 &amp; 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 the Company in June 2006 and successively served as Manager of the Process Department, Manager of Engineering Department, Head of Environmental Protection Technology Department, Operation &amp; R &amp; 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>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

<b>Name</b>	<b>Main work experience</b>
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 Essilor International (a listed ophthalmic optics company in CAC 40), 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 had been the Director of the Company since April 2018 until she resigned her position on 9 December 2022.

Note: 17 senior management and supervisors received RMB26.377 million as rewards from the 2019 phantom stock incentive. In addition, in 2022, Directors, Supervisors and senior management had performance-linked performance bonus of RMB10.923 million, RMB15.780 million was written off of due to share based payment, and the actual payment amount in the future will be subject to the assessment of the performance assessment.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(3) Positions taken by existing Directors, Supervisors and senior management of the Company in the substantial shareholder of the Company:

<b>Name</b>	<b>Shareholder company</b>	<b>Position</b>	<b>Appointment date</b>	<b>Resignation date</b>
Li Yeqing	Huaxin Group	Party Secretary	7 September 2001	/
Li Fengshan	Huaxin Group	Director, General Manager	21 September 2011	/
Ming Jinhua	Huaxin Group	Deputy Party Secretary, Secretary of Committee for Discipline Inspection	14 July 2021	/
		Chairman of Labor Union	31 August 2021	/
		Chairman of Supervisors Committee	30 May 2022	/

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

<b>Name</b>	<b>Positions taken in other units</b>
Xu Yongmo	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.
Lo Chi Kong	Head of Holcim Group Greater China.
Tan Then Hwee	Member of the Board of Directors of Holcim Philippines, Inc. and a member of the Audit Committee; Head of Learning and Development of Holcim Group; Head of Human Resources Asia Pacific of Holcim Group.
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	Chairman of Shanghai O2Change Network Technology Co., Ltd.
Martin Krienger	Region Head for Asia, Middle East & Africa and an executive member of Holcim Group; member of the board of directors of LafargeHolcim Bangladesh Limited, Holcim Philippines, Inc., LafargeHolcim Maroc S.A., ACC Limited and Ambuja Cements Limited.

# 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 that the Board of Directors to discuss and decide the remuneration of senior management personnel; the annual remuneration involving directors and supervisors shall be submitted to the general meeting of shareholders for approval.

**Basis of determining the remuneration** On 30 May 2022, the fourteenth meeting of the tenth Board of Directors reviewed and approved the Proposal in Respect of 2021 Short-term Incentives for the Senior Management, Proposal on Vesting and Cashing in “Phantom Performance Stock (PPS) Incentives” 2019 for the Top Management, Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020-2022 Core Employee Stock Ownership Plan, clarifying the short-term incentives for the senior management for 2021, cash-in of the phantom performance stock for 2019, Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022.

On 24 August 2022, the eighteenth meeting of the tenth board of directors approved the Proposal on 2022 KPI Assessment Plan for Management, clarifying the assessment plan for 2022 basic salary and short-term incentives KPI.

**Actually paid remuneration** During the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB65.8572 million.

**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 RMB65.8572 million.

## 3. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

<b>Name</b>	<b>Position</b>	<b>Change</b>	<b>Reason</b>
Geraldine Picaud	Director	Resigned	Resigned due to work commitment
Martin Kriegner	Director	Appointed	—

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 HKEX 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.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 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 Reporting Period).

During the Reporting Period, the Directors and Supervisors 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 has been no permitted indemnity provisions benefit the directors of the Company (including former directors) or any directors (including former directors) of the Company's affiliated companies.

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

## 6. EMPLOYEE OF THE COMPANY AND MAJOR SUBSIDIARIES

The number of employees in the Company	880
The number of employees in major subsidiaries	18,398
Total number of employees	19,278
Retired or to be retired employees whose expenses are born by the Company or major subsidiaries	0

### Employee function

Category	Number
Production	7,168
Sales	1,267
Technology	7,175
Financial	804
Administrative	2,864
Total	<u>19,278</u>

### Education

Education	Number
Master or above	338
Bachelor	3,151
College	4,794
Others	10,995
Total	<u>19,278</u>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 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.

## 8. ENDOWMENT INSURANCE FUND

For details of the endowment insurance fund, see Note V (24) to the Financial Reports 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 2022 was RMB250 million.

## 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 2022, the total amount of housing provident fund paid by the Group was about RMB160 million.

## 10. TRAINING PLAN

In 2022, through both online and offline methods, the Company carried out diversified and differentiated training for different levels and types of employees, such as management, technology, procurement, finance, security, promoting the construction of the internal trainers management and courses, promoting a learning organization and continuously improving the Company's core competitiveness.

## 11. LABOR OUTSOURCING

Unit: RMB

Total payment for labor outsourcing	158,831,408
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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 circle for determination and assignment of the annual performance appraisal indicators of 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](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2020-09-26/600801_20200926_3.pdf)

On 30 May 2022, the second meeting of the tenth board of directors of the Company reviewed and approved the *Proposal on the Grant Date, Grant Price and Grant Quantity of A-1.1 and A-1.2 in 2021 of the 2020-2022 Core Employee Stock Ownership Plan*, which clarifies the grant date, grant price, and the number of shares to be granted to the A-2.1 and A-2.2 batches in 2022.

# 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 HKEX 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 2021 Annual General Meeting. 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 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*, *Procedural Rules of the Board of Directors* and relevant laws and regulations. In the deliberation of proposals on connected transactions, directors that are not 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 HKEX Listing Rules, please refer to relevant contents in Section 4 "Report of the Board of Directors", 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* as set out in Appendix 10 to the HKEX 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.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

### 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

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

<b>Meeting</b>	<b>Convening Date</b>	<b>Website where the Resolutions are Published and Available on Display</b>	<b>Publication Date of Resolutions</b>	<b>Resolutions</b>
2021 Annual General Meeting	20 May 2022	www.sse.com.cn	21 May 2022	<ol style="list-style-type: none"><li>1. Report of the Work of the Board of Directors in 2021</li><li>2. Report of Work of the Board of Supervisors in 2021</li><li>3. 2021 Annual Report</li><li>4. 2021 Final Financial Report and 2022 Financial Budget Report</li><li>5. 2021 Profit Distribution Plan</li><li>6. Proposal on Reappointment of Deloitte Touche Tohmatsu as the Company's Auditor for Financial Audit and Internal Control Audit for the Year 2022</li><li>7. Proposal for Provision of Guarantees for Subsidiaries</li></ol>

# 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 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*. If the Board 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 separately or aggregately holding no less than 3% of the shares of the Company may propose extraordinary motions to the convener in writing ten days before the convening of such general meeting. The convener shall issue 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

## (4) Procedures for directing shareholders' enquiries to the Board

Enquiries may put to the Board by contacting either the Company Secretary through (0086) 27 87773898 or email at investor@huaxincem.com or directly by questions at an annual general meeting or an extraordinary general meeting. Questions on the procedure for convening or putting forward proposals at an annual general meeting or an extraordinary general meeting may also be put to the Company Secretary through the same means.

## 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. As at the date of this annual report, 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.

All directors are entitled to acquire the Company's documents (including but not limited to management account, operation result and statistics, audit result and related information and prediction of other industries and market), to seek help and professional opinions from corporate secretary (if any), the fee of which shall be borne by the Company. The Company also took multiple measures and methods to provide the information to independent and non-executive directors for them to learn about the business and operation situation, organized them to pay field visit and exchange with the management to ensure adequate fulfillment of responsibility of the board and safeguard shareholders' interests.

The Directors confirm their individual and collective responsibility for preparing the financial statements of the Company for the year ended 31 December 2022. 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, Mr. Martin Kriegner, 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.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

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

## Board meetings during the Reporting Period

Meeting	Time	Resolution
11th Meeting of the Tenth Board of Directors	28 February 2022	Reviewed and Passed: <ol style="list-style-type: none"> <li>1. Proposal on Authorizing the Nominal Holder of H-Shares and Appointing the Overseas Agent Broker and the Domestic Securities Company to Open H-Share Security Account</li> <li>2. Proposal to Enter into Zimbabwe and the Binding Offer for the Holcim's Business in Zimbabwe</li> </ol>
12th Meeting of the Tenth Board of Directors	28–29 March 2022	Reviewed and Passed: <ol style="list-style-type: none"> <li>1. Annual Report 2021 and its abstract, announcement on the annual performance</li> <li>2. Final Financial Report 2021 and Financial Budget Report 2022</li> <li>3. 2021 Profit Distribution Proposal of the Company</li> <li>4. Proposal on the Modification of Corporate Accounting Policy</li> <li>5. Proposal on Providing Guarantee for Bank Loans of Some Subsidiaries</li> <li>6. Proposal on Reappointing the Accounting Firm for 2022 Financial Audit and Internal Control Audit of the Company</li> <li>7. Internal Control Assessment Report 2021 of the Company</li> <li>8. Proposal on Providing Working Capital to Changyang Tujia Nationality Autonomous County People's Government by the Subsidiary</li> <li>9. Proposal on Building Maweni Limestone Limited Phase II 4000tpd Integration Line in Tanzania</li> <li>10. Report of the Work of the Board of Directors in 2021</li> </ol>
13th Meeting of the Tenth Board of Directors	27 April 2022	Reviewed and Passed: <ol style="list-style-type: none"> <li>1. 2022 First Quarterly Report of the Company</li> <li>2. Proposal in Respect of Convening the 2021 Annual General Meeting</li> </ol>
14th Meeting of the Tenth Board of Directors	30 May 2022	Reviewed and Passed: <ol style="list-style-type: none"> <li>1. Proposal on Having a Stake in Huangshi State-owned Assets Management Co., Ltd.</li> <li>2. Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2019 for the Top Management</li> <li>3. Proposal in Respect of 2021 Short-term Incentives for the Senior Management</li> <li>4. Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020–2022 Core Employee Stock Ownership Plan</li> </ol>
15th Meeting of the Tenth Board of Directors	24 June 2022	Nil

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

<b>Meeting</b>	<b>Time</b>	<b>Resolution</b>
16th Meeting of the Tenth Board of Directors	25 July 2022	Reviewed and Passed: Proposal on the Construction of the Aggregate Processing Project in Shangcheng County
17th Meeting of the Tenth Board of Directors	10 August 2022	Reviewed and Passed: Proposal on Change of Joint Company Secretary, Authorized Representative and Authorized Person to Accept Service of Process and Notice in Hong Kong
18th Meeting of the Tenth Board of Directors	24 August 2022	Reviewed and Passed: 1. Half Year Report 2022 and announcement on the half year results 2. 2022 KPI Assessment Plan for Top Management
19th Meeting of the Tenth Board of Directors	26 October 2022	Reviewed and Passed: Third Quarterly Report 2022
20th Meeting of the Tenth Board of Directors	14 December 2022	Reviewed and Passed: 1. 2023 Budget Report 2. Proposal on Authorizing the Company's Management to Conduct Foreign Exchange Derivatives Business
21st Meeting of the Tenth Board of Directors	23 December 2022	Reviewed and Passed: 1. Proposal on the Nomination of Mr. Martin Kriegner as the Candidate of the Tenth Board of Directors 2. Proposal on the Appointment of the Auditor for Financial Audit and Internal Control Audit of the Company for 2022 3. Proposal on Convening the First Extraordinary General Meeting in 2023

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

## Directors' attendance at Board Meetings and Shareholders' General Meetings

Name	Number of meetings required to attend	Present at board meetings			Absent or present by proxy successively		Present at annual general meeting
		Present in person	Present by means of communication	Present by proxy	Absent	for twice	
<b>Non-executive Director and Chairman of the Board</b>							
Xu Yongmo	11	11	3	0	0	No	1
<b>Executive Directors</b>							
Li Yeqing	11	11	3	0	0	No	1
Liu Fengshan	11	11	3	0	0	No	1
<b>Non-executive Directors</b>							
Geraldine Picaud <sup>(Note 1)</sup>	9	9	2	0	0	No	0
Lo Chi Kong	11	11	3	0	0	No	1
Tan Then Hwee	11	11	3	0	0	No	1
Martin Kriegner <sup>(Note 2)</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Independent non-executive Directors</b>							
Wong Kun Kau	11	11	3	0	0	No	1
Zhang Jiping	11	11	3	0	0	No	1
Jiang Hong	11	11	3	0	0	No	1

### Notes:

- Ms. Geraldine Picaud resigned as non-executive Director on 9 December 2022.
- Mr. Martin Kriegner was appointed as a non-executive Director on 9 January 2023.

### Objections raised by directors to matters relating to the Company

Applicable  Not applicable

### Directors' training

All Directors (Mr. Li Yeqing, Mr. Liu Fengshan, Mr. Xu Yongmo, Ms. Geraldine Picaud (resigned on 9 December 2022), 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.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

As at 31 December 2022, the participation of the Directors in training is as follows:

1. From 26 to 28 January 2022, executive directors Mr. Li Yeqing and Mr. Liu Fengshan, independent non-executive directors Mr. Zhang Ji Ping and Mr. Jiang Hong, attended the 2021 annual report supervision video training for listed companies organized by the Hubei Securities Regulatory Bureau.
2. From 25 to 26 May 2022, executive directors Mr. Li Yeqing and Mr. Liu Fengshan attended the training and online test on integrity education for directors and supervisors of listed companies organized by the Hubei Securities Regulatory Bureau and Hubei Listed Companies Association.
3. On 29 August 2022, the Company sent a copy of the latest issue of the “Enforcement Briefing on the Listing Rules” published by the Stock Exchange of Hong Kong to all directors by mail.
4. From 20 to 22 December 2022, an independent non-executive director Mr. Wong Kun Kau completed the 5th follow-up training for independent directors of listed companies on the Main Board of the SSE in 2022.

## 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 *HKEX 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.

The Company has formulated internal policies and mechanisms (including but not limited to the Articles of Association, the *Procedural Rules of the Board of Directors* and the respective terms of references of the special committees) to ensure that the Board has access to independent views and opinions. The implementation and effectiveness of the relevant policies and mechanisms have been reviewed by the Board during the Reporting Period and will be reviewed annually.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

## 8. CHAIRMAN AND PRESIDENT

To ensure power balance and enhance independence and accountability, the position of Chairman and President (i.e. chief executive 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.

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 *HKEX 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 *HKEX Listing Rules*. The Company acknowledges their independence and considers all independent non-executive Directors as independent third parties.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

## 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.
- (2) The Company has set up the Audit Committee in accordance with Rules 3.21 and 3.22 of the *HKEX 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 system; 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 management and internal control system is effective and adequate and complies 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.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

- (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 3.8:1 of all the staff). The Board is mindful of the measurable objectives as set out in the *Board Diversity Policy* for assessing the candidacy of the board members and will ensure that any successors to the Board shall follow the *Board Diversity Policy*.

During the Reporting Period, the Nomination Committee held a meeting to, among other things, review the structure, size and composition of the Board (including expertise, knowledge and experience) as well as the composition of the CEO and other senior management positions and the Board Diversity Policy, and to assess the independence of the independent non-executive Directors. In addition, the Nomination Committee made recommendations to the Board to the appointment of Mr. Martin Kriegner as a non-executive Director during the Reporting Period. The Nomination Committee had taken into account a number of factors including the size and composition of the Board, a balance of skills and experience of the Board as well as its diversity in setting its appointment criteria.

The Company has also established the “Procedures for Shareholders to Nominate Candidates for Directors”, which relates to the following: The shareholders of the Company may nominate a person for election as a director of the Company at the shareholders general meeting when the Company is required to elect directors in accordance with the provisions of Articles 74, 79 and 112 of the Company’s Articles of Association.

The implementation and effectiveness of *Board Diversity policy* have been reviewed by the Board during the Reporting Period and will be reviewed annually. 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 HKEX Listing Rules on board diversity and the requirements of the Company’s Board Diversity Policy.

- (4) The Company has established a Remuneration and Assessment Committee in accordance with Rules 3.25 and 3.26 of the *HKEX 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.



# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

- (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

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, resigned on 9 December 2022).
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).

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

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

<b>Time</b>	<b>Agenda</b>	<b>Opinions and suggestions</b>
28 March 2022	<ol style="list-style-type: none"> <li>1. Review the Company's 2021 Annual Financial Report, results Announcement for the year ended 31 December 2021, Internal Control Assessment Report 2021, Proposal on Reappointment of the Accounting Firm for 2022 Financial Audit and Internal Control Audit of the Company, Duty Performance Report 2021 of the Audit Committee</li> <li>2. Hear the Company's 2021 Annual Financial Report, 2021 Audit Completion Report, 2021 Internal Audit &amp; Internal Control Work Report</li> </ol>	The meeting matters were reviewed and approved, and it was agreed to submit the Company's 2021 Annual Financial Report, results announcement for the year ended 31 December 2021, Internal Control Assessment Report 2021, Proposal on Reappointment of the Accounting Firm for 2022 Financial Audit and Internal Control Audit of the Company to the Board for approval
24 August 2022	<ol style="list-style-type: none"> <li>1. Review the Half Year Report 2022 of the Company, results announcement on the half year results.</li> <li>2. Hear the Company's Internal Audit &amp; Internal Control Work Report 2022</li> </ol>	The meeting matters were reviewed and approved, and it was agreed to submit the Half Year Report 2022 of the Company, results announcement on the half year results to the Board for approval
13 December 2022	Hear the company's Internal Audit & Internal Control Work Plan 2023, Resignation of Deloitte Touche Tohmatsu and the appointment of Ernst & Young Hua Ming as the auditor for financial audit and internal control audit of the Company for the financial year ended 31 December 2022	Agreed to submit the proposal on the appointment of Ernst & Young Hua Ming as the auditor for financial audit and internal control audit of the Company for the financial year ended 31 December 2022 to the Board for approval

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

<b>Time</b>	<b>Agenda</b>	<b>Opinions and suggestions</b>
19 December 2022	Review the Proposal on the Nomination of Mr. Martin Kriegner as the Candidate of the Tenth Board of Directors	The meeting matters were reviewed and approved, and it was agreed to submit the Proposal on the Nomination of Mr. Martin Kriegner as the Candidate of the Tenth Board of Directors to the Board for approval

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

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

<b>Time</b>	<b>Agenda</b>	<b>Opinions and suggestions</b>
23 May 2022	Review the Proposal on Vesting and Cashing in “Phantom Performance Stock (PPS) Incentives” 2019 for the Top Management, Adjustment of the Absolute Index of KPI of Senior Management for 2021, Proposal in Respect of 2021 Short-term Incentives for the Senior Management, KPI Assessment Plan for Top Management (2022), Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020–2022 Core Employee Stock Ownership Plan	<ol style="list-style-type: none"> <li>1. Agreed to submit Proposal on Vesting and Cashing in “Phantom Performance Stock (PPS) Incentives” 2019 for the Top Management, Proposal in Respect of 2021 Short-term Incentives for the Senior Management, KPI Assessment Plan for Top Management (2022), Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020–2022 Core Employee Stock Ownership Plan to the Board for approval</li> <li>2. Voted against the Adjustment of the Absolute Index of KPI of Senior Management for 2021, and agreed to maintain the original 2021 Senior Management KPI Result</li> </ol>

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

<b>Time</b>	<b>Agenda</b>	<b>Opinions and suggestions</b>
24 June 2022	Hear the Corporate Strategy Report (2022–2025)	Agreed to further define the orientation of the Company’s development
14 December 2022	Hear the macro situation outlook and strategy review	Members put forward constructive opinions to the traditional business, new materials, new technology and investment in transformation

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

<b>Time</b>	<b>Agenda</b>	<b>Opinions and suggestions</b>
24 June 2022	Hear the Report on the Violation of Discipline and Law by Chen Bing and related persons and Follow-up Rectification	Discipline Commission regularly reports the violation incidents of deputy directors and above
13 December 2022	Hear the Implementation of the Follow-up Rectification of Chen Bing, Report on the Quarry Warrant, Report on the External Litigation	Legal Compliance Department regularly reports the litigation cases above RMB20 million or with impact to company reputation

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Chairman to the Board convened a meeting with independent non-executive directors on 13 December 2022.

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

## 11. JOINT COMPANY SECRETARIES

Mr. Ye Jiaying 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 HKEX Listing Rules, the Company has appointed Ms. Lee Mei Yi, an Executive Director of Corporate Services Division of Tricor Services Limited and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, as the Joint Company Secretary to assist Mr. Ye Jiaying in fulfilling his obligations and responsibilities. The main contact within the Company for Ms. Lee Mei Yi is Mr. Ye Jiaying (Vice President and Secretary to the Board of Directors of the Company).

In 2022, both Mr. Ye Jiaying and Ms. Lee Mei Yi complied with the training requirements set out in Rule 3.29 of the *HKEX Listing Rules*.

## 12. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The financial statements and results announcement of the Company for the year ended 31 December 2022 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, 2022, 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 <i>Articles of Association</i> or resolutions of shareholders' general meetings	√ Yes <input type="checkbox"/> No
Dividend distribution standard and ratio are clear and cut	√ Yes <input type="checkbox"/> No
Decision procedure and system are complete	√ Yes <input type="checkbox"/> No
Independent directors performed duties and played their roles	√ Yes <input type="checkbox"/> No
Minority shareholders fully expressed their opinions and requests, and their legitimate rights have been fully protected	√ Yes <input type="checkbox"/> No

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

## 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.

The Company enabled effective internal control system in place by promoting collaboration among three aspects, namely (i) the self-inspection on the operation of internal control by the functional management/business operation departments, (ii) the independent evaluation by the internal audit department, and (iii) 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.

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

## 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 20 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 193 subordinate units. The Company engaged Ernst & Young Hua Ming to audit the effectiveness of internal control over financial report, and a standard unqualified audit'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*

During the Reporting Period, the Company organized an open discussion among all functional management/business operation departments on the importance of various risks such as strategic, operational and external risks, evaluated and confirmed 4 annual key risks, and formulated 20 specific action plans. The responsible persons for each action plan perform their responsibilities in a practical manner, report the progress of their work in due time and accept the supervision of the risk control department.

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 *HKEX 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 *HKEX 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 audit's report

Ernst & Young Hua Ming 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](http://www.sse.com.cn)).

## (4) Anti-corruption and whistleblowing measures

The Company's *Anti-Bribery and Anti-Corruption Rules* encourage employees to report any problems or suspected misconduct as early as possible. If an employee is unsure whether an action constitutes bribery or corruption, or has any other questions, he or she should refer such questions to his or her department head or to the Company's Discipline Committee or Supervisory Office.

Employees and those who deals with the Company, including customers and suppliers, may also raise concerns or report problems, in confidence and anonymity, about possible improprieties in any matter related to the Company by following the procedures set forth in the Company's whistleblowing policy and system.

## (5) Remuneration for independent auditors

Ernst & Young Hua Ming was appointed as an independent auditor of the Group on 9 January 2023 for the financial audit and internal control audit of the Company for the Reporting Period.

The remuneration paid/payable to Ernst & Young Hua Ming during the Reporting Period is set out below:

	<b>Fees paid/payable</b>
	(RMB)
Audit services — Annual audit and internal control audit	5,700,000
Non-audit services — Valuation report and due diligence	625,000
	<u>6,325,000</u>

# CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

## (6) Communication with the shareholders

The Company has adopted the Shareholders' Communication 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 meeting and other extraordinary general meeting that may be held, as well as published disclosures submitted to the SEHK.

Communication channels between the Company and its shareholders include shareholder enquiries, corporate newsletters, corporate website, general meetings, investment market communications (including investor/analyst briefings, local and global roadshows, media interviews, investor promotions and topical forums, etc., which are regularly organized by the Company).

The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the Reporting Period. The Board considered that the Shareholders' Communication Policy remained effective and was properly implemented given the multiple channels of communication in place during the Reporting Period.

## (7) Documents of the articles of association

During the Reporting Period, there was no change to the Articles of Association of the Company.



# 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	Nov.19, 2020	Nov 19, 2020	Nov.18, 2025	20.81	2.25	Payment of interest half a year, debt maturity	Singapore Stock Exchange	Traded in the exchange	No
2021 public bonds for professional investors	21HX01	188650	Aug 25, 2021	Aug 25, 2021	Aug 24, 2024	12.99	3.26	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1st tranche)	22 HX 01	137544	July 19, 2022	July 19, 2022	July 18, 2025	4.99	2.99	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1st tranche)	22 HX 02	137545	July 19, 2022	July 19, 2022	July 18, 2027	3.99	3.39	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No

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

Unit: RMB100 million

Bonds	Total raised fund	Used amount	Balance	Operation of the fund account (if any)	Rectification due to illegal use of fund (if any)	In alignment with the purpose, plan in the prospectus
2020 overseas bonds	19.44	15.97	3.47	The Company has set up a special account for raised funds, which is specially used for the acceptance, storage and transfer of fund raised from corporate bonds issued by the Company.	Not applicable	Yes
2021 public bonds for professional investors	12.98	12.98	0		Not applicable	Yes
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1st tranche)	4.99	4.99	0		Not applicable	Yes
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1st tranche)	3.99	3.99	0		Not applicable	Yes

### Progress and operation profit of the bonds:

2020 overseas bonds: have been used for Zambia and Malawi acquisition and Nepal project construction. Projects enjoy stable profit.

2021 public bonds for professional investors 1st tranche: not applicable

2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1st tranche): not applicable

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

Unit: RMB

Item	2022	2021	Change over the same period of last year (%)
Net profit attributable to shareholders of the Company after extraordinary items	<b>2,578,634,452</b>	5,304,878,118	-51.39
Liquid ratio	<b>0.87</b>	1.27	-31.56
Quick ratio	<b>0.64</b>	0.96	-33.01
			Up by 7.90 percentage points
Asset-liability ratio (%)	<b>52.0%</b>	44.1%	
EBITDA/total liabilities	<b>0.11</b>	0.42	-73.81
Interest coverage ratio	<b>9.93</b>	24.82	-59.99
Cash interest coverage ratio	<b>14.08</b>	31.12	-54.76
EBITDA Interest coverage ratio	<b>16.11</b>	31.85	-49.42
Loan repayment ratio (%)	<b>100%</b>	100%	—
Interest repayment ratio (%)	<b>100%</b>	100%	—

## 5. BOND REDEMPTION & INTEREST PAYMENT DURING THE REPORTING PERIOD

Bond	Redemption and issuance
2020 Overseas bonds	Payment on time and in full
2021 public bonds for professional investors (1st tranche)	Payment on August 25, 2022 for the interest from August 25, 2021 to August 24, 2022
2022 corporate bonds type I (linked with low-carbon transformation 1st tranche)	Not yet to pay interest
2022 corporate bonds type II (linked with low-carbon transformation 1st tranche)	Not yet to pay interest

# 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: RMB Million

<b>Item</b>	<b>For the year ended 31 December</b>				
	<b>2022</b>	2021	2020	2019	2018
Operating income	<b>30,470</b>	32,464	29,357	31,439	27,466
Total profit	<b>3,988</b>	7,373	7,664	8,716	7,131
Income tax expenses	<b>965</b>	1,568	1,490	1,695	1,426
Net profit	<b>3,024</b>	5,805	6,174	7,021	5,705
Net profit attributable to owners of the Company	<b>2,699</b>	5,364	5,631	6,342	5,181
Profit or loss attributable to minority interests	<b>325</b>	441	543	679	524
<b>Item</b>	<b>2022</b>	2021	2020	2019	2018
Total assets	<b>64,242</b>	52,550	43,929	36,646	33,161
Total liabilities	<b>33,403</b>	23,172	18,189	13,278	14,842
Total equity attributable to the Company	<b>27,446</b>	26,730	23,571	21,309	16,673
Total equity attributable to minority interests	<b>3,392</b>	2,648	2,169	2,059	1,646

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

# AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Ernst & Young Hua Ming (2023) Shen Zi No. 60946663\_C01  
Huaxin Cement Co., Ltd.

TO THE BOARD OF DIRECTORS OF HUAXIN CEMENT CO., LTD. :

## I · AUDIT OPINION

We have audited the financial statements of Huaxin Cement Co., Ltd., which comprise the consolidated and company balance sheets as at 31 December 2022, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for the year then ended, and the relevant notes to the financial statements.

In our opinion, the accompanying financial statements of Huaxin Cement Co., Ltd. present fairly, in all material aspects, the consolidated and company's financial position of Huaxin Cement Co., Ltd. as at 31 December 2022 and the consolidated and company's operating results and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

## II · BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Our responsibilities under those standards are further described in the section "Certified Public Accountants' responsibilities for the audit of the financial statements" under the auditor's report. Pursuant to the Code of Ethics for Chinese Certified Public Accountants, we are independent of Huaxin Cement Co., Ltd. and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the section "Certified Public Accountants' responsibilities for the audit of the financial statements" under the report, including those in relation to these key audit matters. Accordingly, our audit included the performance of audit procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the key audit matters below, provide the basis for our audit opinion on the financial statements as a whole.

# AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Ernst & Young Hua Ming (2023) Shen Zi No. 60946663\_C01  
Huaxin Cement Co., Ltd.

## III. KEY AUDIT MATTERS *(continued)*

Key audit matters:	How our audit addressed the matters:
<p><b><i>Expected credit losses on accounts receivable</i></b></p> <p>As at 31 December 2022, the carrying amounts of accounts receivable in the consolidated balance sheet and the company balance sheet were RMB1,382,631,200 and RMB1,064,169,857, respectively, and the amounts of provision for expected credit losses (“ECLs”) were RMB177,857,087 and RMB24,608,187, respectively. According to the different types of clients and other factors, the management classified the accounts receivable into groups of different credit risk characteristics. For each credit risk characteristic group, the management uses the ECLs model to estimate and make provision for bad debts. When estimating the ECLs, the management takes relevant information into consideration, including the customer’s historical default rate and other specific factors (such as the type of customers, the historical collections and write-offs of bad debts), as well as the expected macroeconomic environment to consider the forward-looking information. At the same time, the management pays attention to the collection of accounts receivable to identify additional indicators of default or impairment and determine whether additional provision for bad debts is required.</p> <p>As the amount of accounts receivable was significant and the determination of ECLs required significant accounting judgments and estimations of the management, we identified the ECL of accounts receivable as a key audit matter.</p> <p>Please refer to Note III. 8 Financial instruments, Note III. 32 Significant accounting judgments and estimates, Note V. 4 accounts Receivable and Note XV. 1 accounts receivable for disclosures of accounts receivable in the financial statements.</p>	<p>Our main procedures to address the ECLs of accounts receivable include:</p> <ol style="list-style-type: none"><li>(1) Evaluating and testing the internal controls in relation to the ECLs of accounts receivable;</li><li>(2) Reviewing and evaluating the ECLs model including the classification of groups by different credit risk characteristics, the estimation of credit loss of each classification, the historical statistics and other forward-looking information used to calculate the credit risk loss;</li><li>(3) Testing the accuracy of aging of accounts receivable and the mathematical accuracy of the amount of ECLs calculated by the management using the ECLs model;</li><li>(4) For accounts receivables assessed individually, selecting samples and reviewing the supporting documents (including the going concern condition, the market environment and the historical collection of the clients) to evaluate the reasonableness of the expected present value of cash flows and bad debts accrual by the management; and</li><li>(5) Evaluating the adequacy of management’s disclosures regarding the ECLs of accounts receivable.</li></ol>

# AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Ernst & Young Hua Ming (2023) Shen Zi No. 60946663\_C01  
Huaxin Cement Co., Ltd.

## IV. OTHER INFORMATION

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report.

Our audit opinion on the financial statements does not cover the other information and we will 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.

With respect to the work we have performed, if we are certain that the other information is materially misstated, we should report the facts. In this regard, we have nothing to report.

## V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, performance and maintenance of such internal control as the Management determines necessary to enable the financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Huaxin Cement Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to continuing as a going concern and using the assumptions of continuing as a going concern unless it is intended to either commence liquidation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Huaxin Cement Co., Ltd.'s financial reporting process.

## VI. CERTIFIED PUBLIC ACCOUNTANTS' 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 audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are usually 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 the financial statements.

# AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Ernst & Young Hua Ming (2023) Shen Zi No. 60946663\_C01  
Huaxin Cement Co., Ltd.

## VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

As part of an audit conducted in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also perform the following tasks:

- (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 audit 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 appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the assumptions of continuing as a going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Huaxin Cement Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention of users of the financial statements 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 information obtained up to the date of our auditor's report. However, future events or conditions may cause Huaxin Cement Co., Ltd. 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 and appropriate audit evidence regarding the financial information of the entities or business activities within Huaxin Cement Co., Ltd. to express an audit 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 the matters regarding 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

FOR THE YEAR ENDED 31 DECEMBER 2022

Ernst & Young Hua Ming (2023) Shen Zi No. 60946663\_C01

Huaxin Cement Co., Ltd.

## VI. CERTIFIED PUBLIC ACCOUNTANTS' 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 these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Ernst & Young Hua Ming LLP**

*Chinese Certified Public Accountant:* **Fu Yi** (Engagement Partner)

*Chinese Certified Public Accountant:* **He Pei**

Beijing, the PRC

28 March 2023



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED BALANCE SHEET

RMB

Assets	NOTE V	31 December 2022	31 December 2021
<b>Current assets</b>			
Cash and bank balances	1	7,038,341,792	8,836,439,385
Held for trading financial assets	2	41,711,538	711,964,323
Notes receivable	3	545,960,470	145,430,152
Accounts receivable	4	1,382,631,200	956,580,152
Receivables financing	5	527,248,935	761,050,910
Prepayments	6	353,870,798	339,315,919
Other receivables	7	477,956,891	356,013,351
Inventories	8	3,405,122,012	3,541,954,674
Other current assets	9	677,454,529	477,967,711
<b>Total current assets</b>		<b>14,450,298,165</b>	<b>16,126,716,577</b>
<b>Non-current assets</b>			
Debt investments		7,500,000	7,500,000
Long-term receivables	10	131,594,447	35,934,266
Long-term equity investments	11	438,886,647	523,612,871
Other equity investments	12	1,012,850,323	55,867,066
Other non-current financial assets		25,067,265	26,343,260
Fixed assets	13	22,720,804,975	21,326,030,410
Construction in progress	14	6,575,465,631	4,199,141,042
Right-of-use assets	15	979,311,070	273,191,262
Intangible assets	16	15,182,751,513	7,377,964,445
Development expenditures		45,429,082	10,392,804
Goodwill	17	618,543,411	643,192,969
Long-term prepaid expenses	18	817,417,303	582,072,668
Deferred tax assets	19	387,429,400	410,534,318
Other non-current assets		848,327,033	951,124,092
<b>Total non-current assets</b>		<b>49,791,378,100</b>	<b>36,422,901,473</b>
<b>Total assets</b>		<b>64,241,676,265</b>	<b>52,549,618,050</b>

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED BALANCE SHEET (continued)

RMB

LIABILITIES AND EQUITY	Note V	31 December 2022	31 December 2021
<b>Current liabilities</b>			
Short-term borrowings	20	593,415,661	642,946,608
Notes payable	21	729,227,787	670,993,082
Accounts payable	22	8,366,283,316	7,112,302,355
Contract liabilities	23	681,610,930	847,443,693
Employee benefits payable	24	131,081,719	409,092,005
Taxes payable	25	692,510,079	1,060,916,467
Other payables	26	915,096,046	756,194,670
Non-current liabilities due within one year	27	4,427,049,341	1,213,650,184
Other current liabilities		88,609,421	—
<b>Total current liabilities</b>		<b>16,624,884,300</b>	<b>12,713,539,064</b>
<b>Non-current liabilities</b>			
Long-term borrowings	28	7,282,088,824	5,081,924,506
Bonds payable	29	4,426,286,852	3,327,860,620
Including: Preference shares		148,943,421	128,126,596
Lease liabilities	30	759,905,754	223,580,118
Long-term payables	31	2,837,076,467	463,257,160
Long-term employee benefits payable	32	47,606,682	54,458,394
Provisions	33	442,260,626	347,473,462
Deferred income	34	291,877,454	292,376,076
Deferred tax liabilities	19	586,568,845	572,865,342
Other non-current liabilities	35	104,940,000	94,446,000
<b>Total non-current liabilities</b>		<b>16,778,611,504</b>	<b>10,458,241,678</b>
<b>Total liabilities</b>		<b>33,403,495,804</b>	<b>23,171,780,742</b>
<b>Equity</b>			
Share capital	36	2,096,599,855	2,096,599,855
Capital reserves	37	1,975,889,177	2,031,151,748
Less: Treasury shares	38	610,051,971	610,051,971
Other comprehensive income	39	(175,257,484)	(305,350,132)
Specialized reserves	40	37,644,851	—
Surplus reserves	41	1,111,880,257	1,111,880,257
Retained profit	42	23,009,600,343	22,405,681,711
<b>Total equity attributable to owners of the parent</b>		<b>27,446,305,028</b>	<b>26,729,911,468</b>
Non-controlling interests		3,391,875,433	2,647,925,840
<b>Total equity</b>		<b>30,838,180,461</b>	<b>29,377,837,308</b>
<b>Total liabilities and equity</b>		<b>64,241,676,265</b>	<b>52,549,618,050</b>

The financial statements have been signed by:

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

The accompanying notes to financial statements form an integral part of these financial statements

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED INCOME STATEMENT

RMB

	Note V	2022	2021
Operating income	43	<b>30,470,382,363</b>	32,464,083,379
Less: Cost of sales	43	<b>22,481,901,607</b>	21,392,494,465
Taxes and surcharges	44	<b>585,791,991</b>	604,610,294
Selling expenses	45	<b>1,371,820,965</b>	1,331,208,970
Administrative expenses	46	<b>1,582,539,460</b>	1,634,697,607
Research and development expenses		<b>78,162,783</b>	71,401,459
Finance costs	47	<b>458,488,171</b>	170,259,608
Including: Interest expenses		<b>406,554,646</b>	278,751,019
Interest income		<b>84,844,797</b>	155,781,766
Add: Other income	48	<b>217,317,644</b>	207,513,824
Investment income	49	<b>17,140,874</b>	27,449,280
Including: Income from investments in associates and joint ventures		<b>(15,582,356)</b>	10,506,995
Gains (losses) from changes in fair value	50	<b>18,990,720</b>	(4,495,795)
Impairment losses on credit	51	<b>(21,555,697)</b>	(27,661,442)
Impairment losses of assets	52	<b>(113,838,596)</b>	(35,100,858)
(Losses) gains on disposal of assets	53	<b>(7,161,791)</b>	17,244,185
Operating profit		<b>4,022,570,540</b>	7,444,360,170
Add: Non-operating income	54	<b>40,698,667</b>	23,182,968
Less: Non-operating expenses	55	<b>75,183,611</b>	94,547,294
Profit before taxes		<b>3,988,085,596</b>	7,372,995,844
Less: Income tax expenses	56	<b>964,530,723</b>	1,568,058,827
Net profit		<b><u>3,023,554,873</u></b>	<u>5,804,937,017</u>
Classified by continuity of operations			
Net profit from continuing operations		<b>3,023,554,873</b>	5,804,937,017
Classified by attribution of ownership			
Net profit attributable to the owners of the company		<b>2,698,868,510</b>	5,363,525,692
Non-controlling interests		<b>324,686,363</b>	441,411,325

The accompanying notes to financial statements form an integral part of these financial statements

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED INCOME STATEMENT *(continued)*

RMB

	NOTE V	2022	2021
Other comprehensive income, net of tax		<b>239,446,671</b>	(37,150,809)
Other comprehensive income attributable to owners of the Company, net of tax	39	<b>130,092,648</b>	(30,057,369)
Other comprehensive income that cannot be reclassified to profit or loss		<b>(32,262,556)</b>	16,569,053
Changes in fair value of other equity investment instruments		<b>(32,262,556)</b>	16,569,053
Other comprehensive income to be reclassified into profit or loss		<b>162,355,204</b>	(46,626,422)
Exchange differences on translation of financial statements denominated in foreign currencies		<b>162,355,204</b>	(46,626,422)
Other comprehensive income attributable to non-controlling interests, net of tax	39	<b>109,354,023</b>	(7,093,440)
Total comprehensive income		<b><u>3,263,001,544</u></b>	<b><u>5,767,786,208</u></b>
Including : Total comprehensive income attributable to owners of the Company		<b>2,828,961,158</b>	5,333,468,323
Total comprehensive income attributable to non-controlling interests		<b>434,040,386</b>	434,317,885
Earnings per share	57		
Basic earnings per share		<b><u>1.30</u></b>	<b><u>2.58</u></b>
Diluted earnings per share		<b><u>1.28</u></b>	<b><u>2.58</u></b>

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

RMB

2022

	Equity attributable to the shareholders of the parent								Non-controlling interests	Total Shareholder's equity
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Specialized reserves	Surplus reserves	Retained profit	Subtotal		
I. Balance at the beginning of the year	2,096,599,855	2,031,151,748	610,051,971	(305,350,132)	—	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308
II. Movements during the year	—	(55,262,571)	—	130,092,648	37,644,851	—	603,918,632	716,393,560	743,949,593	1,460,343,153
(1) Total comprehensive income	—	—	—	130,092,648	—	—	2,698,868,510	2,828,961,158	434,040,386	3,263,001,544
(2) Capital contribution and reduction from shareholders	—	(55,262,571)	—	—	—	—	—	(55,262,571)	576,597,801	521,335,230
1. Capital contributions by owners	—	—	—	—	—	—	—	—	630,653,011	630,653,011
2. Amount of share-based payments recognised in equity	—	(48,733,276)	—	—	—	—	—	(48,733,276)	—	(48,733,276)
3. Acquisition of non-controlling interests	—	(7,496,006)	—	—	—	—	—	(7,496,006)	(59,079,325)	(66,575,331)
4. Sell of non-controlling interests	—	268,622	—	—	—	—	—	268,622	5,024,115	5,292,737
5. Others	—	698,089	—	—	—	—	—	698,089	—	698,089
(3) Profit distribution	—	—	—	—	—	—	(2,094,949,878)	(2,094,949,878)	(266,688,594)	(2,361,638,472)
Dividend to shareholders	—	—	—	—	—	—	(2,094,949,878)	(2,094,949,878)	(266,688,594)	(2,361,638,472)
(4) Specific reserve	—	—	—	—	37,644,851	—	—	37,644,851	—	37,644,851
1. Appropriated during the year	—	—	—	—	205,683,364	—	—	205,683,364	—	205,683,364
2. Using during the year	—	—	—	—	(168,038,513)	—	—	(168,038,513)	—	(168,038,513)
III. Balance at the end of the year	2,096,599,855	1,975,889,177	610,051,971	(175,257,484)	37,644,851	1,111,880,257	23,009,600,343	27,446,305,028	3,391,875,433	30,838,180,461

2021

	Equity attributable to the shareholders of the parent								Non-controlling interests	Total Shareholder's equity
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Specialized reserves	Surplus reserves	Retained profit	Subtotal		
I. Balance at the beginning of the year	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
II. Movements during the year	—	87,613,696	—	(30,057,369)	—	—	3,100,979,824	3,158,536,151	479,362,659	3,637,898,810
(1) Total comprehensive income	—	—	—	(30,057,369)	—	—	5,363,525,692	5,333,468,323	434,317,885	5,767,786,208
(2) Capital contribution and reduction from shareholders	—	87,613,696	—	—	—	—	—	87,613,696	364,186,684	451,800,380
1. Capital contributions by owners	—	—	—	—	—	—	—	—	364,186,684	364,186,684
2. Amount of share-based payments recognised in equity	—	86,789,021	—	—	—	—	—	86,789,021	—	86,789,021
3. Others	—	824,675	—	—	—	—	—	824,675	—	824,675
(3) Profit distribution	—	—	—	—	—	—	(2,262,545,868)	(2,262,545,868)	(319,141,910)	(2,581,687,778)
Dividend to shareholders	—	—	—	—	—	—	(2,262,545,868)	(2,262,545,868)	(319,141,910)	(2,581,687,778)
(4) Specific reserve	—	—	—	—	—	—	—	—	—	—
1. Appropriated during the year	—	—	—	—	154,522,455	—	—	154,522,455	—	154,522,455
2. Using during the year	—	—	—	—	(154,522,455)	—	—	(154,522,455)	—	(154,522,455)
III. Balance at the end of the year	2,096,599,855	2,031,151,748	610,051,971	(305,350,132)	—	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED STATEMENT OF CASH FLOWS

RMB

	Note V	2022	2021
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		28,725,662,825	31,749,395,997
Receipts of tax refunds		94,306,041	116,148,374
Other cash receipts relating operating activities	58	366,471,932	364,745,201
Subtotal of cash inflows from operating activities		29,186,440,798	32,230,289,572
Cash payments for goods purchased and services received		17,733,229,137	17,548,873,242
Cash payments to and on behalf of employees		2,692,241,310	2,786,085,026
Payments of various types of taxes		3,166,840,307	3,323,615,276
Other cash payments relating to operating activities	58	1,026,435,824	976,758,906
Subtotal of cash outflows from operating activities		24,618,746,578	24,635,332,450
Net cash flows from operating activities	59	4,567,694,220	7,594,957,122
<b>II. Cash flows from investing activities:</b>			
Cash receipts from redemption of investments		4,043,000,000	2,300,000,000
Cash receipts from investment income		32,456,515	14,994,618
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		36,180,723	43,148,111
Net cash receipts from disposal of subsidiaries and other operating units		—	22,000
Other cash receipts relating to investing activities	58	111,634,822	5,602,256
Subtotal of cash inflows from investing activities		4,223,272,060	2,363,766,985
Cash payment for acquisition of fixed assets, intangible assets and other long-term assets		7,718,000,495	6,229,454,258
Cash payment for investments		4,343,000,000	2,000,000,000
Net cash payment for acquisition of subsidiaries and other operating units	59	66,365,072	928,376,352
Cash payments for other investing activities	58	479,243,322	—
Subtotal of cash outflows from investing activities		12,606,608,889	9,157,830,610
Net cash flows from investing activities		(8,383,336,829)	(6,794,063,625)

The accompanying notes to financial statements form an integral part of these financial statements

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		RMB	
	Note V	2022	2021
<b>III. Cash flows from financing activities:</b>			
Cash receipts from capital contributions		546,007,402	153,333,766
Cash receipts from borrowings		5,485,850,938	3,220,124,455
Cash receipts from issuance of bonds		897,847,746	1,297,504,000
Other cash receipts relating to financing activities	58	20,024,115	124,507,075
		<u>6,949,730,201</u>	<u>4,795,469,296</u>
Subtotal of cash inflows from financing activities		<u>6,949,730,201</u>	<u>4,795,469,296</u>
Cash repayment of borrowings		2,091,765,395	2,499,908,822
Cash repayment for distribution of dividends or profits or settlement interest expenses		2,813,259,066	2,828,550,460
Including: Dividends and profits paid by subsidiaries to non-controlling shareholders		268,262,311	343,575,679
Other cash payments relating to financing activities	58	272,870,517	99,262,887
		<u>5,177,894,978</u>	<u>5,427,722,169</u>
Subtotal of cash outflows from financing activities		<u>5,177,894,978</u>	<u>5,427,722,169</u>
Net cash flows from financing activities		<u>1,771,835,223</u>	<u>(632,252,873)</u>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>			
		<u>109,354,023</u>	<u>(38,411,852)</u>
<b>V. Net increase in cash and cash equivalents</b>			
Add: Balance of cash and cash equivalents at the beginning of the year		<u>8,550,475,141</u>	<u>8,420,246,369</u>
<b>VI. Balance of cash and cash equivalents at the end of the year</b>			
	59	<u><u>6,616,021,778</u></u>	<u><u>8,550,475,141</u></u>

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY BALANCE SHEET

RMB

Assets	Note XV	31 December 2022	31 December 2021
<b>Current assets</b>			
Cash and bank balances		3,371,482,031	5,169,508,200
Held for trading financial assets		41,711,538	711,964,323
Notes receivable		2,657,000	32,408,118
Accounts receivable	1	1,064,169,857	903,298,318
Receivables financing		6,006,461	247,445,734
Prepayments		202,336,689	382,262,179
Other receivables	2	4,853,948,075	4,317,066,529
Inventories		317,520,810	726,314,719
Non-current assets maturing within one year		1,580,000	1,580,000
Other current assets		30,437,969	22,596,645
<b>Total current assets</b>		<b>9,891,850,430</b>	<b>12,514,444,765</b>
<b>Non-current assets</b>			
Long-term receivables		61,595,884	87,898,133
Long-term equity investments	3	13,291,077,272	11,936,939,283
Other equity investments		1,012,850,323	55,867,066
Other non-current financial assets		25,067,265	26,343,260
Fixed assets		514,953,103	384,704,226
Construction in progress		67,298,137	291,066,732
Right-of-use assets		49,684,572	59,568,221
Intangible assets		110,473,423	38,448,339
Development expenditures		19,235,220	—
Long-term prepaid expenses		10,875,947	13,107,626
Deferred tax assets		7,589,057	29,811,375
<b>Total non-current assets</b>		<b>15,170,700,203</b>	<b>12,923,754,261</b>
<b>Total assets</b>		<b>25,062,550,633</b>	<b>25,438,199,026</b>

The accompanying notes to financial statements form an integral part of these financial statements.



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY BALANCE SHEET (continued)

RMB

LIABILITIES AND EQUITY	31 December 2022	31 December 2021
<b>Current liabilities</b>		
Notes payable	190,606,110	309,821,465
Accounts payable	273,190,074	347,419,293
Contract liabilities	30,761,067	70,245,287
Employee benefits payable	28,132,478	87,023,012
Taxes payable	131,701,323	205,305,241
Other payables	6,772,872,313	8,032,946,947
Non-current liabilities due within one year	928,941,258	167,357,327
<b>Total current liabilities</b>	<b>8,356,204,623</b>	<b>9,220,118,572</b>
<b>Non-current liabilities</b>		
Long-term borrowings	961,060,000	1,418,420,000
Bonds payable	2,196,795,791	1,297,795,200
Lease liabilities	35,343,333	44,483,255
Long-term employee benefits payable	13,559,328	18,934,675
Provisions	6,864,253	6,570,974
Deferred income	6,875,000	8,782,667
<b>Total non-current liabilities</b>	<b>3,220,497,705</b>	<b>2,794,986,771</b>
<b>Total liabilities</b>	<b>11,576,702,328</b>	<b>12,015,105,343</b>
<b>Owners' equity</b>		
Share capital	2,096,599,855	2,096,599,855
Capital reserves	2,381,459,845	2,429,495,032
Less: Treasury shares	610,051,971	610,051,971
Other comprehensive income	(1,931,357)	30,331,199
Surplus reserves	1,111,880,257	1,111,880,257
Retained profit	8,507,891,676	8,364,839,311
<b>Total equity</b>	<b>13,485,848,305</b>	<b>13,423,093,683</b>
<b>Total liabilities and equity</b>	<b>25,062,550,633</b>	<b>25,438,199,026</b>

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY INCOME STATEMENT

RMB

	Note XV	2022	2021
Operating income	4	5,004,556,691	5,105,277,163
Less: Cost of sales	4	4,730,600,508	4,750,674,764
Taxes and surcharges		12,904,229	2,855,972
Selling expenses		19,168,881	29,228,354
Administrative expenses		265,277,460	362,816,521
Research and development expenses		18,823,430	17,301,729
Finance costs		(13,108,353)	16,378,153
Including: Interest expenses		228,711,531	234,762,365
Interest income		171,004,866	251,364,116
Add: Other income		14,138,555	6,876,753
Investment income	5	2,254,893,130	3,296,033,501
Including: Income from investments in associates and joint ventures		(13,660,100)	(401,915)
Gains from changes in fair value		28,471,220	898,576
Impairment losses on credit		(2,902,082)	(2,564,799)
Impairment losses of assets		(83,658)	(1,048,704)
(Losses) gains on disposal of assets		(503,768)	17,691,662
Operating profit		2,264,903,933	3,243,908,659
Add: Non-operating income		7,306,424	255,256
Less: Non-operating expenses		1,231,611	5,363,881
Profit before taxes		2,270,978,746	3,238,800,034
Less: Income tax expenses		32,976,503	(17,984,345)
Net profit		<u>2,238,002,243</u>	<u>3,256,784,379</u>
Including: Profit from continuing operations		2,238,002,243	3,256,784,379
Other comprehensive income, net of tax		(32,262,556)	16,569,053
Other comprehensive income not allowed to be reclassified into profit or loss		(32,262,556)	16,569,053
Change in the fair value of other equity investments		(32,262,556)	16,569,053
Total comprehensive income		<u>2,205,739,687</u>	<u>3,273,353,432</u>

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY STATEMENT OF CHANGES IN EQUITY

RMB

2022

	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserves	Retained profit	Total equity
I. Balance at the beginning of year	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
II. Changes for the year	—	(48,035,187)	—	(32,262,556)	—	143,052,365	62,754,622
(1) Total comprehensive income	—	—	—	(32,262,556)	—	2,238,002,243	2,205,739,687
(2) Owners' contributions and reduction in capital	—	(48,035,187)	—	—	—	—	(48,035,187)
1. Amount of share-based payments recognised in equity	—	(48,733,276)	—	—	—	—	(48,733,276)
2. Others	—	698,089	—	—	—	—	698,089
(3) Profit distribution	—	—	—	—	—	(2,094,949,878)	(2,094,949,878)
Distribution to shareholders	—	—	—	—	—	(2,094,949,878)	(2,094,949,878)
(4) Specific reserve	—	—	—	—	—	—	—
1. Appropriated during the year	—	—	—	—	—	—	—
2. Using during the year	—	—	—	—	—	—	—
(5) Others	—	—	—	—	—	—	—
III. Balance at end of year	2,096,599,855	2,381,459,845	610,051,971	(1,931,357)	1,111,880,257	8,507,891,676	13,485,848,305

2021

	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserves	Retained profit	Total equity
I. Balance at the beginning of year	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
II. Changes for the year	—	87,613,696	—	16,569,053	—	994,238,511	1,098,421,260
(1) Total comprehensive income	—	—	—	16,569,053	—	3,256,784,379	3,273,353,432
(2) Owners' contributions and reduction in capital	—	87,613,696	—	—	—	—	87,613,696
1. Capital contributions by owners	—	—	—	—	—	—	—
2. Amount of share-based payments recognised in equity	—	86,789,021	—	—	—	—	86,789,021
3. Others	—	824,675	—	—	—	—	824,675
(3) Profit distribution	—	—	—	—	—	(2,262,545,868)	(2,262,545,868)
Distribution to shareholders	—	—	—	—	—	(2,262,545,868)	(2,262,545,868)
(4) Specific reserve	—	—	—	—	—	—	—
1. Appropriated during the year	—	—	—	—	—	—	—
2. Using during the year	—	—	—	—	—	—	—
(5) Others	—	—	—	—	—	—	—
III. Balance at end of year	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

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY STATEMENT OF CASH FLOWS

RMB

	Note XV	2022	2021
<b>I. Cash flows from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		5,001,714,224	3,828,012,639
Receipts of tax refunds		—	6,611,239
Other cash receipts relating to operating activities		1,117,576,440	1,132,463,694
Subtotal of cash inflows from operating activities		6,119,290,664	4,967,087,572
Cash payments for goods and services		4,546,955,837	4,861,866,654
Cash payments to and on behalf of employees		257,186,910	261,885,569
Payments of various types of taxes		96,492,515	109,845,660
Other cash payments relating to operating activities		849,225,002	165,550,728
Subtotal of cash outflows from operating activities		5,749,860,264	5,399,148,611
Net cash flows from operating activities	6	369,430,400	(432,061,039)
<b>II. Cash flows from investing activities:</b>			
Cash receipts from redemption of investments		4,043,000,000	2,300,000,000
Cash receipts from investment income		2,476,743,230	3,088,245,416
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		29,786,802	14,963,320
Other cash receipts relating to investing activities		2,190,032,403	4,639,485,395
Subtotal of cash inflows from investing activities		8,739,562,435	10,042,694,131
Cash payments to acquire fixed assets, intangible assets and other long-term assets		90,780,359	82,893,684
Cash payments for investments		4,343,000,000	2,000,000,000
Net cash payments for acquisition of subsidiaries and other business units		1,290,970,212	817,000,000
Other cash payments relating to other investing activities		2,891,045,700	4,466,422,746
Subtotal cash outflows from investing activities		8,615,796,271	7,366,316,430
Net cash flows from investing activities		123,766,164	2,676,377,701

The accompanying notes to financial statements form an integral part of these financial statements.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## COMPANY STATEMENT OF CASH FLOWS (continued)

		RMB	
	Note XV	2022	2021
<b>III. Cash flows from financing activities:</b>			
Cash receipts from borrowings		500,000,000	400,000,000
Cash receipts from issuance of bonds		897,847,746	1,297,504,000
Other cash receipts relating to financing activities		172,636,693	676,015,745
		<u>1,570,484,439</u>	<u>2,373,519,745</u>
Subtotal cash inflows from financing activities		<u>1,570,484,439</u>	<u>2,373,519,745</u>
Cash repayment for borrowings		195,860,000	1,650,367,253
Cash payment for distribution of dividends or profit and settlement interest expenses		2,403,651,884	2,416,094,933
Other cash payments relating to financing activities		1,275,761,382	10,851,000
		<u>3,875,273,266</u>	<u>4,077,313,186</u>
Subtotal cash outflows from financing activities		<u>3,875,273,266</u>	<u>4,077,313,186</u>
Net cash flows from financing activities		<u>(2,304,788,827)</u>	<u>(1,703,793,441)</u>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>			
		<u>25,688,894</u>	<u>(13,175,115)</u>
<b>V. Net increase in cash and cash equivalents</b>			
		<u>(1,785,903,369)</u>	527,348,106
Add: Cash and cash equivalents at beginning of year		<u>5,151,662,429</u>	<u>4,624,314,323</u>
<b>VI. Balance of cash and cash equivalents at the end of the year</b>			
	6	<u><u>3,365,759,060</u></u>	<u><u>5,151,662,429</u></u>

The accompanying notes to financial statements form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## I. BASIC INFORMATION

Huaxin Cement Co., Ltd. (hereinafter referred to as the “Company” or “Huaxin Cement”) is a joint stock company with limited liability incorporated in Hubei, the People’s Republic of China and was established on 30 November 1993. The Renminbi-denominated ordinary shares (A shares) and H shares of the Company are listed on the Shanghai Stock Exchange (“Shanghai Stock Exchange”) and The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), respectively. The Company’s headquarters is located at No. 426 Gaoxin Avenue, Donghu New Technology Development District, Wuhan, Hubei.

The principle business activities of the Company and its subsidiaries (collectively, the “Group”) includes: manufacture and sale of cement, concrete, clinker, aggregate and other building materials.

These financial statements were approved by a resolution of the board of directors of the Company on 28 March 2023.

The consolidation scope of consolidated financial statements was determined on the basis of control. Please refer to Note. VI for changes of the year.

## II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance as well as specific accounting standards, the implementation guidance, interpretations and other relevant provisions issued and revised subsequently (collectively referred to as “Accounting Standards for Business Enterprises”). In addition, the financial statements also include the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

The financial statements are presented on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be provided according to relevant provisions.

As at 31 December 2022, the Group’s current assets were RMB14,450,298,165 and current liabilities were RMB16,624,884,300, the amount of current assets was less than the amount of current liabilities. When evaluating whether the Group has sufficient financial resources to continue its operations, the management of the Group has taken its liquid working capital position in the future and financial resources into consideration, mainly including the net cash flows generated by operating activities and the availability of sufficient bank line of credit.

Accordingly, the management of the Group considers that the Group will have sufficient working capital to cover operating use and make repayment on matured debts, thus it is appropriate to prepare the Group’s financial statements on a going concern basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The specific accounting policies and accounting estimation has been prepared by the Group based on actual production and operation characteristics, as mainly embodied in the provision for bad debt of accounts receivable, the depreciation of fixed assets, the amortization of intangible assets, revenue recognition and measurement.

### 1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2022 and their financial performance and cash flows for the year then ended.

### 2. Accounting period

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

### 3. Functional currency

The Company's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

The subsidiaries, joint ventures and associates of the Group may determine their own functional currencies based on the specific economic environments in their place of business. In the preparation of financial statements, their functional currencies shall be translated into RMB.

### 4. Business combinations

The Group only has business combinations not under common control.

#### *Business combinations not under common control*

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

The acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination not under common control are measured at their fair values on the acquisition date. Where the aggregate of the fair value of the consideration paid and any fair value of the acquirer's previously held equity interest exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired, the difference shall be recognised as goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration paid and any fair value of the acquirer's previously held equity interest is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired, reassessment of the measurement of these items is conducted, if the sum of the fair value of this consideration and other items mentioned above is still lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired, the difference is recognised in profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural entity controlled by the Company, etc.) that is controlled by the Company.

In preparing consolidated financial statements, subsidiaries adopt the same accounting period and accounting policies as those of the Company. All assets, liabilities, interests, income, fees and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses for the current period attributed to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against non-controlling interests.

For subsidiaries acquired through a business combination not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Group obtains control and will continue to be consolidated until the date that such control ceases. In preparing consolidated financial statements, adjustments shall be made to the subsidiaries' financial statements based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

The Group reassesses whether or not it controls an investee if facts or circumstances indicate that there are changes to one or more elements of control.

### 6. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand for payment purposes. Cash equivalents are short-term, highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 7. Foreign currency transactions and translation of financial statements prepared in foreign currencies

The Group translates the amounts of foreign currency transactions occurred into its functional currency.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 7. Foreign currency transactions and translation of financial statements prepared in foreign currencies *(continued)*

Foreign currency transactions are recorded, on initial recognition, in their functional currencies by translating the foreign currency amounts at the spot exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for acquisition and construction of assets qualified for capitalisation, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction dates, while the amounts denominated in the functional currencies do not change. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rates prevailing on the date on which the fair values are determined. The resulting exchange differences are recognised in profit or loss or as other comprehensive income for the current period, depending on the nature of the non-monetary item.

For foreign operations, the Group translates their functional currency amounts into Renminbi in preparing the financial statements as follows: asset and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, and equity items other than “retained earnings” are translated using the spot exchange rates on the transaction dates; revenue and expense items in the income statement are translated using the weighted average exchange rate for the period during which the transactions occur (unless it is not appropriate to use such exchange rate to translate as a result of the exchange rate changes, such items will be translated using the spot exchange rate at the transaction date). The resulting exchange differences are recognised as other comprehensive income.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur (Unless it is not appropriate to use such exchange rate to translate as a result of the exchange rate changes, such items will be translated at the spot exchange rate prevailing on the date when the cash flows incurred). The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

### 8. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Recognition and derecognition of financial instruments*

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 8. Financial instruments *(continued)*

#### *Recognition and derecognition of financial instruments (continued)*

The Group derecognises and writes off a financial asset (or part of a financial asset, or part of a group of similar financial assets) from its account and balance sheet when the following conditions are met:

- (1) the rights to receive cash flows from the asset have expired;
- (2) the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period established by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the asset.

#### *Classification and measurement of financial assets*

The financial assets of the Group are classified in the initial recognition based on the business model of the Group’s financial asset management and the characteristics of the financial assets’ contractual cash flows: financial assets carried at amortised cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss,

Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or notes receivable arising from sales of goods or provision of services do not include significant financing components or does not consider financing components not exceeding one year, they shall be initially recognised at the transaction price.

In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit and loss for the current period; transaction costs relating to financial assets of other categories are included in the amounts initially recognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 8. Financial instruments *(continued)*

#### *Classification and measurement of financial assets (continued)*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Debt instrument investment measured at amortised cost*

Financial assets are classified as financial assets measured at amortised cost if the financial assets meet the following conditions: the objective of the Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets requires that the cash flows giving rise on specified dates represent payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### *Debt instruments investment at fair value through other comprehensive income*

Financial assets are classified as financial assets at fair value through other comprehensive income if the financial assets meet the following conditions: the financial assets are held within a business model whose the objective is achieved by collect contractual cash flows and selling; the contractual terms of the financial assets requires that the cash flows giving rise on specified dates represent payments of principal and interest on the principal amount outstanding. For such financial assets, the effective interest method is used for recognizing interest income. Changes in fair value are included in other comprehensive income except for interest income, impairment loss, and exchange differences which are be recognised as profit or loss for the current period. On derecognition of financial assets, gains and losses accumulated in other comprehensive income are reclassified to profit or loss for the current period.

#### *Equity instruments investment at fair value through other comprehensive income*

The Group irrevocably elects to designate its certain equity instrument investments not held for trading as financial assets at fair value through other comprehensive income, and only recognise dividends (except for dividend income clearly recovered as part of the investment cost) in profit or loss for the current period. Subsequent changes in fair values are included in other comprehensive income, and no provision for impairment is required. On derecognition of financial assets, gains and losses previously accumulated in other comprehensive income are reclassified to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 8. Financial instruments *(continued)*

#### *Classification and measurement of financial assets (continued)*

##### *Financial assets at fair value through profit or loss*

Except for the above-mentioned financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group has classified the remaining financial assets as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value, where all changes in fair value are recognised in profit or loss for the current period.

#### *Classification and measurement of financial liabilities*

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, financial liabilities carried at amortised cost. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period, and transaction costs relating to financial liabilities carried at amortised cost are included in the initial amounts recognised.

The subsequent measurement of financial liabilities depends on its classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and those designated upon initial recognition at fair value through profit or loss. Financial liability held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, where all changes in fair value are recognised in profit or loss for the current period. For financial liabilities designated as measured at fair value through profit or loss, subsequent measurements are made at fair value. Changes in fair value caused by changes in the Group's own credit risk are recognised in other comprehensive income, while other changes in fair value are recognised in profit or loss for the current period. Unless changes in fair value caused by changes in the Group's own credit risk recognised in other comprehensive income may result in or expand accounting mismatches in profit or loss, the Group shall recognise all changes in fair value (including the amount of impact of changes in its own credit risk) in profit or loss for the current period.

##### *Financial liabilities carried at amortised cost*

Such kinds of financial liabilities are subsequently measured at amortised cost by using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 8. Financial instruments *(continued)*

#### *Impairment of financial instruments*

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets measured at amortised cost and debt instruments investments at fair value through other comprehensive income and recognizes the loss provision.

For amount receivables and contract assets excluding the major financing portion, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to the financial assets mentioned above that use the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition, it is at the first stage, and the Group measures the loss provision based on the amount of expected credit loss equivalent to the next 12 months and calculates interest income based on book balance and effective interest rate; if the credit risk has increased significantly since the initial recognition but credit loss has not occurred, it is at the second stage, and the Group measures loss provision based on the amount of expected credit losses equivalent to the entire duration of the life and calculates interest income based on book balance and effective interest rate; if credit loss has occurred since initial recognition, it is at the third stage, and the Group measures loss provision based on the amount of expected credit losses equivalent to the entire duration of the life and calculates interest income based on amortized cost and effective interest rate. For financial instruments that only have low credit risk at the balance sheet date, the Group assumes that their credit risks have not increased significantly since initial recognition.

The Group assesses expected credit loss of financial instruments individually and in group. After considering the credit risk characteristics of difference customers, the Group assesses the expected credit loss of financial assets measured at amortized cost based on age combinations.

Please refer to Note VIII. 3 for the Group's criteria for determining significant increase in credit risk and definition of financial assets that have been credit-impaired.

The Group measures expected credit losses on a financial instrument in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 8. Financial instruments *(continued)*

#### *Derivative financial instruments*

The Group uses derivative financial instruments, such as interest rate swap, to hedge interest rate risk. Derivative financial instruments are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently measured at their fair values. Derivative financial instruments with a positive fair value are recognised as an asset, and that with a negative fair value is recognised as a liability.

Other than hedge accounting, gains or losses arising from changes in the fair value of derivatives are directly recognised in profit or loss for the current period.

#### *Transfers of financial assets*

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transactions as follows: if the Group has not retained control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

Continuing involvement that takes the form of a financial guarantee over the transferred financial asset is recognised at the lower of the carrying amount of the financial asset and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount of consideration that the Group could be required to repay.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 9. Inventories

Inventories include raw materials, work in progress, finished goods, spare parts and auxiliary materials, etc.

Inventories are initially carried at cost. Cost of inventories comprises costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Spare parts and auxiliary materials include low value consumables and packing materials. Low value consumables and packing materials are amortised by using the immediate write-off method.

The Group adopts a perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist and result in the net realisable value being higher than their carrying amount, the amount of the write-down is reversed to the extent of the amount of the previous provision for the inventories and is recognised in profit or loss for the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale. The provision for decline in value is made on an individual basis, provided that for inventories with large quantity and lower unit cost, the provision for decline in value is made on a category basis. For inventories related to a series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar, and if it is difficult to measure them by separating them from other items, the provision for decline in value of inventories are made on a combination basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 10. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted against capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). Other comprehensive income prior to the date of the merger is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. The initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date). The cost of combination includes the assets transferred and the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued. Other comprehensive income held prior to the date of the acquisition and recognised using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into other equity instruments investments upon the disposal is transferred in full. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

For a long-term equity investment where the Group can exercise control over the investee, the long-term equity investment is accounted for using the cost method in the Group's separate financial statements. Control refers to having the power over the investee, the entitlement to variable returns through the participation in the relevant activities of the investee, and the ability to affect the amount of returns by using its power over the investee.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 10. Long-term equity investments *(continued)*

Under the cost method, the long-term equity investment is measured at its initial investment cost. If investment is increased or withdrawn, the cost of long-term equity investment shall be adjusted. Cash dividends or profit distributions declared by the investee are recognised as investment income for the current period.

The equity method is adopted when the Group holds joint control or exercises significant influence on the investee. Joint control is the relevant agreed sharing of control over an arrangement, and relevant activities of such arrangement shall be decided upon the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making of the financial and operating policies of the investee, but without the power to control or jointly control with other parties the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, long-term equity investment is measured at the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises, upon acquisition of the long-term equity investment, its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits or losses, except for those from dispensing or selling businesses constituted by assets, based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investing party according to its entitled ratio (but impairment losses for assets arising from internal transactions shall be recognised in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distributions) and includes the corresponding adjustments in the shareholders' equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 10. Long-term equity investments *(continued)*

On disposal of a long-term investment, the difference between the carrying amount of the investment and the sales proceeds actually received is recognised in profit or loss for the current period. For long-term equity investments accounted for using the equity method, where the equity method is no longer adopted, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in full for the current period; where the equity method is still adopted, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee and transferred to profit or loss in proportion for the current period, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in corresponding proportion for the current period.

### 11. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meet the recognition criteria shall be included in its cost, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the assets is considered. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable costs for bringing the asset to working condition for its intended use.

Except for those fixed assets formed by using production safety fees accrued, depreciation of fixed assets is calculated using the straight-line method. The useful lives, estimated net residual values and annual depreciation rates of fixed assets are as follows:

	Useful life	Estimated net residual value %	Annual depreciation rate %
Buildings	25-40 years	4%	2.4%-3.8%
Machinery and equipment	5-18 years	4%	5.3%-19.2%
Office and other equipment	5-10 years	4%	9.6%-19.2%
Transportation equipment	4-12 years	4%	8.0%-24.0%

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each financial year, and makes adjustments if necessary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 12. Construction in progress

The cost of construction in progress is determined according to the actual costs incurred for the construction, including all necessary construction costs incurred during the construction period, borrowing costs that shall be capitalised before the construction gets ready for its intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

### 13. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised in profit or loss for the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred;
- (3) 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.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised in profit or loss for the period during which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any temporary bank interest earned from depositing the borrowed funds or any investment income;
- (2) where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by multiplying a weighted average interest rate of the funds borrowed for a general purpose by the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than three months. Borrowing costs incurred during these periods are recognised in profit or loss for the period during which they are incurred until the acquisition, construction or production is resumed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 14. Right-of-use assets

On the commencement date of the lease term, the Group recognises its right to use the lease assets over the lease term as the right-of-use asset, including: the initial measurement amount of the lease liability; the amount of the lease payment on or before the commencement date of the lease term, deducting the relevant amount of the lease incentives already enjoyed if there is a lease incentive; the initial direct expenses incurred by the lessee; and the cost expected to be incurred by lessee for dismantling and removing the lease assets, restoring the site where the lease assets are located or restoring the lease assets to the state agreed upon under the lease terms. The Group remeasures the lease liability for the revision to the lease payments and adjusts the carrying amount of the right-of-use assets accordingly. The Group subsequently depreciated the right-of-use assets using the straight-line method. If it is reasonable to determine that the ownership of the lease assets can be obtained at the expiration of the lease term, the Group will provide for depreciation during the remaining useful life of the lease assets. If it is not reasonable to determine that the ownership of the lease assets can be obtained at the expiration of the lease term, the Group will provide for depreciation during the shorter of the lease term and the remaining useful life of the lease assets.

### 15. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination which is not under common control and with a fair value that can be measured reliably are recognized separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is estimated to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when the period over which the asset is estimated to generate economic benefits for the Group is uncertain.

The useful life of each intangible assets is as follows:

	<b>Useful life</b>
Land use rights	40–50 years
Mining rights	Amortization on the basis of production
Concession right	10–20 years
Software use rights and others	5–10 years

Land use rights that are purchased by the Group are generally accounted for as intangible assets.

Costs of mining rights include costs incurred to obtain the mining licence and estimated mine restoration cost. Amortisation is calculated using the production method based on the relevant recoverable mining reserves.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 15. Intangible assets *(continued)*

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least once at the end of each financial year and makes adjustment if necessary.

The Group classifies expenditure for an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits, for which, among other things, the Group can demonstrate 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; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

### 16. Impairment of assets

The Group determines the impairment of assets other than inventories, deferred income tax assets, and financial assets using the following methods: The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and intangible assets with indefinite useful life and Intangible assets that have not been ready for intended use are tested for impairment at least once at the end of each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 16. Impairment of assets *(continued)*

For the purpose of goodwill impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is not possible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset group or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergy of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment test, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then by the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above asset impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

### 17. Long-term deferred expenditures

Long-term deferred expenditures represent expenditures incurred but should be recognised as expenses over more than one year in the current year and subsequent periods, including mine development expenses and residents' relocation expenses. A long-term deferred expenditures is amortised using the straight-line method according to the period over which it is estimated to generate economic benefits for the Group.

### 18. Employee benefits

Employee benefits are all forms of considerations or compensations given by the Group in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the Group to the spouses, children and dependents of employees as well as families and other beneficiaries of deceased employees are also classified as employee benefits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 18. Employee benefits *(continued)*

#### *Short-term benefits*

In the accounting period in which services are rendered by employees, the actual amount of short-term benefits incurred is recognised as liabilities and charged to profit or loss for the current period or cost of underlying assets.

#### *Post-employment benefits (the defined contribution plan)*

The employees of the Group participate in the pension insurance and unemployment insurance scheme administered by the local government and also enterprise annuity, and the corresponding expenses are included in the costs of underlying assets when incurred or recognised in profit or loss for the current period.

#### *Post-employment benefits (the defined benefit plan)*

The Group's defined Benefit plans are supplemental benefit plans for employees who retire before a specified date and for employees who have already retired. These plans are subject to interest rate risk and the risk of changes in the life expectancy of pension beneficiaries.

The items to be remeasured as a result of the defined benefit pension plan, which include actuarial gains or losses, movements arising from assets cap (net of amounts included in net interest of liabilities in the defined benefit plan) and return on plan assets (net of amounts included in net interest of liabilities in the defined benefit plan), are all immediately recognised in the balance sheet, and are included in shareholders' equity through other comprehensive income during the period in which they are incurred. They will not be reversed to profit or loss in subsequent periods.

The past service costs are recognised as expenses for the current period when the defined benefit plan is modified or when the Group recognises relevant restructuring costs or termination benefits, whichever occurs earlier.

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. The Group recognises changes in net liabilities of the defined benefit plan under operating cost, administrative expense, research and development expenses, selling expenses and finance expenses in the income statement. Service cost includes current service cost, past service cost and gains or losses on settlement; net interest includes interest income on plan assets, interest expenses on plan obligations and interest arising from assets cap.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 19. Lease liabilities

On the commencement date of the lease term, the Group recognises the present value of the outstanding lease payments as lease liabilities, except for short-term leases and low-value asset leases. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the implicit interest rate in the lease as the discount rate; if the implicit interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liabilities for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, unless otherwise stipulated to be recognized in related asset costs. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, unless otherwise stipulated to be recognised in related asset costs.

After the commencement date of the lease term, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. When the substantially fixed payment amount changes, the expected amount payable of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, or the assessment results or actual exercise of the purchase option, renewal option or termination option change, the Group re-measures the lease liabilities based on the present value of the changed lease payments.

### 20. Provisions

Except for contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as an provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of provisions is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 21. Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such equity-settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognised, with a corresponding increase in capital reserves; if such equity-settled share-based payment could not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group at each balance sheet date during the vesting period recognises the services received for the current period as related costs and expenses, with a corresponding increase in capital reserves, at an amount equal to the fair value of the equity instruments at the grant date, based on the best estimate of the number of equity instruments expected to vest. The fair value is determined using the market closing price at the granted date as described in Note XI.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

The cost of cash-settled transactions is measured at the fair value of the liability which is determined on the basis of shares or other equity instruments of the Group. It is initially recognised at the fair value on the grant date together with the consideration of terms and conditions on which the equity instruments are granted, as described in Note XI. If the rights under a cash-settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognised, with a corresponding increase in liability. If the rights under a cash-settled share-based payment could not vest until the completion of services for a vesting period, or until achievement of a specified performance condition, the Group at each balance sheet date during the vesting period recognises the services received for the current period as related costs and expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. The liability is measured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 22. 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.

### 23. Revenue from contracts with customers

When the Group has fulfilled its performance obligations of the contract, the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

#### *Sales contracts of goods*

Sales contracts of goods between the Group and its customers generally include the performance obligation of transferred goods only. Generally, upon taking account of all the following factors, namely, receipt of the current payment rights of goods, transfer of major risks and rewards in relation to the ownership of goods, transfer of the legal ownership of goods, transfer of physical assets of goods and receipt of delivery of such goods by the customers, the Group recognises this as revenue when control of goods have been transferred to the buyer.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 23. Revenue from contracts with customers *(continued)*

#### *Contracts for rendering of services*

Contracts for provision of services between the Group and its customers generally include performance obligations in relation to disposal of solid and waste and disposal of government household waste etc. Because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs/the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, the Group considers such revenue as performance obligations fulfilled during a specific period and recognises the revenue based on the progress of performance, unless the progress of performance cannot be reasonably determined. The Group determined the progress of performance in relation to the provision of services using input method or output method. Where progress of performance cannot be reasonably determined, the Group determined its revenue based on the incurred amount of costs to the extent that they are expected to be compensated, until the progress of performance is able to be determined reasonably.

#### *Significant financing component*

For the existence of significant financing components in the contract, the Group determines the transaction price based on the amount payable by cash when assuming that the client takes the control of the goods or services, and uses the discount rate of the nominal amount of the contract consideration to the discounted price of the goods sold or services rendered. The difference between the determined transaction price and the consideration amount of the contractual commitment is amortized using the effective interest method during the contract period. Where the interval between the customer's taking control of the goods or services and the customer's payment for goods or services is expected to be less than one year, the Group did not consider the significant financing components existing in the contract.

#### *Warranty obligations*

The Group provides quality assurance for the goods sold or the assets constructed pursuant to contractual agreement and laws and regulations. The Group performs accounting treatments in accordance with Note III. 20 with a view to providing guarantee to the customers that the goods sold meet the established quality standards.

### 24. Contract assets and contract liabilities

The Group presented contract assets or contract liabilities on the balance sheet based on the correlation between the performance of obligations and customer payments. The Group offsets contract assets against contract liabilities under the same contract and presents the net amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 24. Contract assets and contract liabilities *(continued)*

#### *Contract assets*

Contract asset refers to the right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time.

Details of the Group's determination method and accounting treatment for expected credit losses of contract assets are set forth in Note III. 8.

#### *Contract liabilities*

Contract liabilities present the obligation to transfer goods or services to a customer for consideration received or receivable from the customer, such as the amount received by the enterprise before the promised goods or services are transfer to the customers.

### 25. Assets related to contractual cost

The Group's assets related to contractual costs include costs incurred to secure a contract and costs incurred in performing a contract, which are presented in inventory, other current assets and other non-current assets, respectively, based on their liquidity.

The Group recognises as the additional costs incurred to secure a contract as an asset if it expects to recover the costs, unless the amortization period of the asset is less than one year.

If the costs incurred in performing a contract are not within the scope of inventories, fixed assets, intangible assets or other relevant standards, the Group recognises the costs incurred in performing a contract as an asset if those costs meet all of the following criteria:

- (1) the costs relate directly to an existing contract or to an anticipated contract, including direct labour, direct materials, production overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only by the reason of the contract;
- (2) costs generate resources of the corporate that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

Assets related to contract costs are amortised on a basis that is consistent with the recognition of the revenue to which the assets relate and recognised in profit or loss for the current period.

The Group makes impairment provisions and recognises an impairment loss on asset to the extent that the carrying amount of an asset related to contract costs exceeds:

- (1) The remaining amount of consideration that the corporation expects to receive in exchange for the goods or services to which the assets relates; less
- (2) the estimated costs to be incurred for the exchange of the related goods or services.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 26. Government grants

Government grants are recognised when all attaching conditions can be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value cannot be reliably determined, it is measured at a nominal amount.

Government grants shall be recognised as government grants related to assets where long-term assets are built or otherwise developed in accordance with the requirements of government documents. If there are no specific requirements of government documents, judgment shall be exercised based on the basic conditions required for the grants. Government grants shall be recognised as government grants related to assets where the building or otherwise development of long-term assets is considered as the basic condition; otherwise, they shall be recognised as government grants related to income.

A government grant related to income is accounted for as follows: if the grant is a compensation for related cost expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs expenses for losses are recognised; and if the grant is a compensation for related cost expenses or losses already incurred, it is immediately recognized in profit or loss for the current period.

A government grant related to an asset shall be recognised as deferred income, and recognised in profit or loss in instalments over the useful life of the related asset in a reasonable and systematic way.

### 27. Deferred income tax

Deferred income tax is recognised under the balance sheet liability method based on the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and carrying amounts in respect of items not recognized as assets and liabilities, but the tax bases being determinable under tax law.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss;
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 27. Deferred income tax *(continued)*

A deferred income tax asset is recognised for deductible temporary differences, and unused deductible tax losses and tax credits that can be carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible tax losses and tax credits can be utilised, except:

- (1) where the deductible temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss;
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred income tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

At the balance sheet date, the Group measured the deferred income tax assets and liabilities at the tax rates that are estimated to apply to the period when the asset is recovered or the liability is settled according to the requirements of tax laws. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

When the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are shown as net amounts after set-off: there is a legally enforceable right to settle current income tax assets and current income tax liabilities on a net basis; deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, but the involved taxable entities intended to settle the current income tax assets and current income tax liabilities on a net basis or to simultaneously acquire assets and repay debts during each future period in which significant amounts of deferred income tax assets and deferred income tax liabilities are expected to be reversed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 28. Leases

On the contract start date, the Group assesses whether the contract is a lease or contains a lease. If one of the parties to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease.

#### *As a lessee*

Except for the Short-term lease and low-value asset lease, the Group recognizes the use right assets and lease liabilities for the lease, refer to Notes III. 14 and III. 19.

#### *Short-term lease and low-value asset lease*

The Group recognises leases with lease terms of not more than 12 months as at the commencement date of the lease term and without the purchase option as short-term leases; and recognises leases with a value of not more than RMB500 when the single lease asset is a new asset as low value leases.

#### *As a lessor*

Leases that transfer substantially all of the risks and rewards associated with the ownership of the lease assets on the lease start date are finance leases, and all other leases are operating leases.

#### *As a lessor of an operating lease*

Rental income under an operating lease is recognized through profit or loss using the straight-line method for each period of the lease term. Variable lease payments not included in the measurement of the net investment in the lease are recognized in profit or loss as incurred. Initial direct costs are capitalised and recognised over the lease term on the same basis as rental income, through profit or loss.

#### *Sale and leaseback transactions*

The Group will estimate and determine whether the asset transfer under the sale and leaseback transactions shall be treated as a sale according to Note III. 23.

#### *As a lessee*

Where asset transfer under the sale and leaseback transactions is a sale, the Group, as a lessee, shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognize relevant profit or loss for the right transferred to the lessor; where asset transfer under the sale and leaseback transactions is not a sale, the Group, as a lessee, will continue to recognize the transferred assets while recognize a financial liability equal to the transfer income and account for such liability according to Note III. 8.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 29. Profit distribution

Cash dividend of the Company is recognised as a liability upon being approved at the shareholders' general meeting.

### 30. Production safety cost

Production safety cost appropriated pursuant to regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specific reserve. The use of production safety cost is accounted for separately according to whether a fixed asset is formed; the cost incurred through expenditure will be reduced from the specific reserve; the cost incurred for a fixed asset shall be pooled and recognised as a fixed asset when it reaches the working condition for its intended use, meanwhile, an equivalent amount shall be deducted from the specific reserve and recognised as accumulated depreciation.

### 31. Fair value measurement

The Group measures its Derivative financial instruments and equity instruments investments at fair value at each balance sheet date. 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs -quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date; Level 2 inputs -the observable inputs, either directly or indirectly, of the relevant assets or liabilities other than Level 1 inputs; Level 3 inputs -unobservable inputs of the relevant assets or liabilities.

At each balance sheet date, for assets and liabilities that are recognised in the financial statements that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessment.

### 32. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 32. Significant accounting judgments and estimates *(continued)*

#### *Judgments*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Business model*

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise valuation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contract cash flow, the Group is required to analyse and exercise judgment in respect of the reasons, timing, frequency and values of any disposals prior to maturity.

#### *Characteristics of contract cash flow*

The classification of financial assets at initial recognition is dependent on the characteristics of the contract cash flow of such type of financial assets. Judgment is required to determine whether the contract cash flow represents interest payment in relation to principal amounts based on outstanding principal amounts only, including judgment of whether it is significantly different from the benchmark cash flow when assessing modifications to the time value of currencies, and judgment of whether the fair value of early repayment features is minimal where the financial assets include such early repayment features.

#### *Uncertainty of estimation*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods are discussed below.

#### *Impairment of financial instruments*

The Group uses expected credit losses model to conduct assessment on the impairment of financial instruments. The application of expected credit losses model requires significant judgment and estimation and takes into account all reasonable and reliable information, including forward-looking information. When making such judgment and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk. Differences in estimates may have an impact on the provision for Impairment. A provision for impairment may not be equal to the actual amount of impairment losses in the future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 32. Significant accounting judgments and estimates *(continued)*

#### *Uncertainty of estimation (continued)*

##### *Impairment of non-current assets other than financial assets (other than goodwill)*

The Group assesses whether there are any indication of impairment for all non-current assets other than financial assets at the balance sheet date. Other non-current assets other than financial assets are tested for impairment when there is indication that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e. the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in sales agreement or observable market price in arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. Estimating the present value of the expected future cash flows requires the management to make an estimation of the expected future cash flows from an asset or asset group and also choose a suitable discount rate in order to calculate the present value of those future cash flows.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the expected future cash flows from an asset group or set of asset groups to which the goodwill is allocated. Estimating the present value of the expected future cash flows requires the Group to make an estimation of the expected future cash flows from an asset group or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those future cash flows.

##### *Fair value of unlisted equity investments*

The unlisted equity investments have been valued based on a market-based valuation technique. This valuation requires the Group to determine the comparable listed companies, select the price multiple, and make estimates about the discount for illiquidity, and hence they are subject to uncertainty.

##### *Deferred income tax assets*

Deferred income tax assets are recognised for all unused deductible tax losses to the extent that it is probable that taxable profit will be available against which the deductible tax losses can be utilised. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 32. Significant accounting judgments and estimates *(continued)*

#### *Uncertainty of estimation (continued)*

##### *Lessee's incremental borrowing rate*

For a lease with uncertain interest rate, the Group adopts the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payment. When determining the incremental borrowing rate, the observable interest rate is used as reference basis according to the economic environment in which it operates. Based on this, the interest rate as reference is adjusted to get applicable incremental borrowing rate, according to its own situation, the underlying asset situation, lease term, the amount of the lease liability and other specific conditions leasing business.

##### *Provision for decline in value of inventory*

The Group's inventory is measured at the lower of the costs and net realisable value. Net realizable value of inventory is the estimated selling price of inventory less the estimated costs upon completion of production, the estimated selling expenses and the related taxes and surcharges necessary to make the sale. Management's calculation of the net realisable value of inventory involves the estimation on the estimated selling price, the estimated costs upon completion, the estimated selling expenses and the related taxes and surcharges necessary to make the sale. Any changes in such estimates will affect the carrying amount of the inventory and profit or loss of the year of the future change.

##### *Useful lives and residual values of fixed assets*

Fixed assets are depreciated over their estimated useful lives by taking into account of their residual values. The Group regularly reviews the estimated useful lives and residual values of relevant assets to determine the total amount of depreciation which will be included in each reporting period. Useful lives and residual values of assets are determined on the basis of the previous experience from assets of the same category and the expected change of technology. If the past estimates change significantly, the depreciation costs shall be adjusted during future periods.

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

#### *Changes of accounting policies*

According to Accounting Standards for Business Enterprises Interpretation No.15, starting from 1 January 2022, the Group recognises the proceeds from external sales of any products or by-products produced while bringing fixed assets to working condition for intended use (hereinafter referred to as “trial sales”) and the costs of such products or by-products, respectively, in profit or loss (For items produced that are output of the Group’s ordinary activities, they are presented in “Revenue” and “Cost of sales”, or “Gains on disposal of non-current assets” if otherwise), i.e., not offsetting the net amount of the proceeds less costs from trial sales against the costs of fixed assets : the Group recognises, before external sales, products or by-products produced in a trial operation that meet the conditions for asset recognition in inventories or other relevant assets. For trial sales in 2021, the Group has adjusted comparative amounts retrospectively in accordance with Accounting Standards for Business Enterprises Interpretation No.15. There is no significant impact on The Group’s financial condition and operating profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IV. TAXATION

### 1. Major categories of taxes and respective tax rates

- Value-added tax (VAT): — Except for the local tax rate applicable to the overseas company in accordance with the tax law, output tax shall be calculated according to the corresponding tax rate for the taxable income of the general taxpayers of the Group, and VAT shall be calculated and paid according to the difference after deducting the allowable deduction of input tax for the current period. Among them, the sand, soil and stone used in the sales of construction materials and the production of construction materials of the Group are simply taxed according to the sales revenue, with a levy rate of 3%. Concrete companies are simply taxed according to the sales revenue, with a levy rate of 3%. Sales of other commodities are calculated as output tax at a rate of 13%. Small scale taxpayers according to the sales revenue simply levy, the levy rate is 3%. The VAT rate for transportation services and professional and technical services is 6%.
- City maintenance and construction tax: — It is levied at 7%, 5% and 1% of actual VAT paid.
- Education surcharge: — It is levied at 3% of actual VAT paid.
- Property tax: — It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10%–30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.
- Land use tax: — It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local government.
- Individual income tax: — Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.
- Land appreciation tax: — It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.
- Resource tax: — Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis or price basis.
- Corporate income tax: — Except for the overseas subsidiaries adopt the local corporate income tax and the income tax concessions entitled to by some of the enterprises comprising the Group as below, the Group's corporate income tax is levied at the tax rate of 25% based on the taxable profit.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IV. TAXATION *(continued)*

### 2. Tax Concessions

#### 2.1 Corporate income tax

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 2022. 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 (2021: 15%).

The Group's subsidiary Huaxin Cement (Henan Xinyang) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Henan Provincial Science & Technology Department in 2022. 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 (2021: 25%).

The Group's subsidiary Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2022. 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 (2021: 25%).

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 (2021: 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 (2021: 15%).

The Group's subsidiaries Huaxin Cement Chongqing Fuling Co., Ltd., Huaxin Cement (Enshi) Co., Ltd., Huaxin Cement (Quxian) Co., Ltd., Huaxin Cement (Wanyuan) Co., Ltd., Huaxin Cement (Lijiang) Co., Ltd., Yunnan Huaxin Dongjun Cement Co., Ltd., Huaxin Guizhou Dingxiao Special Cement Co., Ltd., Huaxin Cement (Zhaotong) Co., Ltd., Huaxin Hongta Cement (Jinghong) Co., Ltd., Huaxin Cement (Jianchuan) Co., Ltd., Huaxin Cement (Kunming Dongchuan) Co., Ltd., Huaxin Cement (Lincang) Co., Ltd., Huaxin Cement (Honghe) Co., Ltd., Chongqing Huaxin Diwei Cement Co., Ltd., Chongqing Huaxin Cantian Cement Co., Ltd. and Guizhou Shuicheng Rui An Cement Co., Ltd., Huaxin Cement (Fumin) Co., Ltd., Kunming Chongde Cement Co., Ltd. and Huaxin Cement (Tibet) Co., Ltd. Huaxin Cement (Diqing) Co., Ltd., Tibet Huaxin Building Materials Co., Ltd., Huaxin Cement (Yunlong) Co., Ltd., Panzhuhua Huaxin Cement Co., Ltd., Chongqing Huaxin Yanjing Cement Co., Ltd., Chongqing Huaxin Phoenix Lake Concrete Co., Ltd., Yunwei Baoshan Organic Chemical 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%.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IV. TAXATION *(continued)*

### 2. Tax Concessions *(continued)*

#### 2.1 Corporate income tax *(continued)*

The Group's subsidiaries Huaxin (Hainan) Investment Co., Ltd., Hainan Xinhongda Building Materials Co., Ltd., Hainan Baihuitong Supply Chain Technology Co., Ltd., and Hainan Huaxin Ronghui Concrete Co., Ltd, are enterprises established in Hainan Province. Pursuant to Cai Shui [2020] No. 31 Announcement of Corporate Income Tax Relief Policy in Hainan Free Trade Port, the applicable enterprise income tax rate of these subsidiaries for the years from 2020 to 2024 is reduced to 15%.

The Group's subsidiaries, Huaxin Environmental Engineering (Wuxue) Co., LTD., Huaxin Environmental Engineering (Zhuzhou) Co., LTD., and Enping Huaxin Environmental Engineering Co., Ltd. are qualified third-party enterprises engaged in pollution prevention and control. According to Announcement No. 60 of the Ministry of Finance of the People's Republic of China (2019), Announcement of the Ministry of Ecology and Environment of the State Development and Reform Commission on the Income Tax Policies of Third-party Enterprises engaged in Pollution Prevention and Control and Announcement No. 4 of the Ministry of Finance of the People's Republic of China (2022), the above subsidiaries are subject to corporate income tax at a reduced rate of 15% from 2019 to 2023.

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.

#### 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 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

	31 December 2022	31 December 2021
		RMB
Cash on hand	1,100,172	604,954
Bank deposits	6,549,623,633	8,549,870,187
Other cash and bank balances	487,617,987	285,964,244
	<b>7,038,341,792</b>	<b>8,836,439,385</b>
		RMB
Other cash and bank balances:	31 December 2022	31 December 2021
Deposits for acceptance bills and letter of credit	160,128,771	127,901,317
Deposits for mine land reclamation	134,135,878	97,908,191
Deposit for auction of mining rights	100,003,372	—
Cash in transit between domestic and overseas subsidiaries within the group (Note)	65,297,973	—
Deposits for letter of guarantee	20,987,510	26,222,388
Deposits for finance lease	—	15,000,000
Other cash and bank balances with restrictions	7,064,483	18,932,348
	<b>487,617,987</b>	<b>285,964,244</b>

As at 31 December 2022, the Group's cash and bank balances deposited overseas amounted to RMB1,152,053,351(31 December 2021: RMB1,136,709,797).

Interest income is generated from current savings as determined by the interest rate for the savings in banks. Short-term time deposits with durations from 7 days to 3 months are made in accordance with the Group's need for cash, with interest income generated according to the respective time deposit interest rates.

Note: As at 31 December 2022, cash transfers from the overseas to domestic subsidiary within the Group is in transit, the domestic subsidiary has received it on 11 January 2023.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Held for trading financial assets

RMB

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
Monetary fund	—	706,243,178
Derivative financial asset — Interest rate swap	<u>41,711,538</u>	<u>5,721,145</u>
	<u><u>41,711,538</u></u>	<u><u>711,964,323</u></u>

### 3. Notes receivable

RMB

	31 December 2022	31 December 2021
Bank Acceptance Bill	<u>545,960,470</u>	145,430,152
Less: Provision for bad debts of notes receivable	<u>—</u>	<u>—</u>
	<u><u>545,960,470</u></u>	<u><u>145,430,152</u></u>

The Group considers that there is no material credit risk in the bankers' acceptances held by the Group and will not incur significant losses due to default by banks or other drawers.

Among them, pledged notes receivable are as follows:

RMB

	31 December 2022	31 December 2021
Bank Acceptance Bill	<u><u>2,720,000</u></u>	<u><u>23,000,000</u></u>

Bills endorsed or discounted but not yet due at the balance sheet date are as follows:

RMB

	31 December 2022		31 December 2021	
	Derecognised	Not Derecognised	Derecognised	Not Derecognised
Bank Acceptance Bill	<u>—</u>	<u>479,119,683</u>	<u>—</u>	<u>85,507,152</u>
	<u><u>—</u></u>	<u><u>479,119,683</u></u>	<u><u>—</u></u>	<u><u>85,507,152</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Accounts receivable

The credit periods of accounts receivable are generally 1 to 6 months. Accounts receivable are non-interest bearing.

An aging analysis of accounts receivable is as follows:

	31 December 2022	31 December 2021
		RMB
Within 6 months	1,130,096,842	778,062,044
6 to 12 months	164,377,772	115,293,052
1 to 2 years	129,150,787	87,456,302
2 to 3 years	34,853,374	29,814,904
Over 3 years	102,009,512	110,183,790
	<b>1,560,488,287</b>	1,120,810,092
Less: Provision for bad debts of accounts receivable	<b>177,857,087</b>	164,229,940
	<b>1,382,631,200</b>	956,580,152

The aging of accounts receivable is calculated from the date of delivery of goods or provision of services to the customers.

Movements in provision for bad debts of accounts receivable are as follows:

	31 December 2022	31 December 2021
		RMB
Opening balance	164,229,940	148,363,317
Provision for the year	32,215,778	63,056,599
Reversal for the year	(15,619,947)	(36,523,855)
Write-off for the year	(2,968,684)	(10,666,121)
	<b>177,857,087</b>	164,229,940
Closing balance	<b>177,857,087</b>	164,229,940

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable (continued)

RMB

	31 December 2022				Carrying value
	Balance of carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables for which bad debt provision is assessed on an individual basis	98,103,130	6	95,999,329	98	2,103,801
Receivables for which bad debt provision is assessed on a portfolio basis	1,462,385,157	94	81,857,758	6	1,380,527,399
	<u>1,560,488,287</u>		<u>177,857,087</u>		<u>1,382,631,200</u>

RMB

	31 December 2021				Carrying value
	Balance of carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables for which bad debt provision is assessed on an individual basis	81,626,344	7	70,549,889	86	11,076,455
Receivables for which bad debt provision is assessed on a portfolio basis	1,039,183,748	93	93,680,051	9	945,503,697
	<u>1,120,810,092</u>		<u>164,229,940</u>		<u>956,580,152</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Accounts receivable *(continued)*

As at 31 December 2022, receivables for which bad debt provision is assessed on an individual basis are as follows:

RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons for provision
Customer F	14,860,792	14,860,792	100	All uncollectible
Customer A	11,133,541	11,133,541	100	All uncollectible
Customer B	9,028,779	9,028,779	100	All uncollectible
Customer G	7,177,326	7,177,326	100	All uncollectible
Customer C	6,047,509	6,047,509	100	All uncollectible
Other customers	49,855,183	47,751,382	96	Partly uncollectible
	<u>98,103,130</u>	<u>95,999,329</u>		

As at 31 December 2021, receivables for which bad debt provision is assessed on an individual basis are as follows:

RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate (%)	Reasons for provision
Customer A	10,192,131	10,192,131	100	All uncollectible
Customer B	9,028,779	9,028,779	100	All uncollectible
Customer C	6,047,509	6,047,509	100	All uncollectible
Customer D	5,254,652	5,254,652	100	All uncollectible
Customer E	4,756,441	4,756,441	100	All uncollectible
Other customers	46,346,832	35,270,377	76	Partly uncollectible
	<u>81,626,344</u>	<u>70,549,889</u>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Accounts receivable *(continued)*

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

Category of cement receivable:

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	159,390,322	10	15,779,642
6 to 12 months	15,821,440	22	3,433,252
1 to 2 years	3,427,081	39	1,326,281
2 to 3 years	558,200	51	286,915
Over 3 years	4,250,072	87	3,704,599
Total	<u>183,447,115</u>		<u>24,530,689</u>

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	189,453,476	5	9,935,675
6 to 12 months	7,867,491	12	982,483
1 to 2 years	3,710,932	34	1,254,295
2 to 3 years	5,119,910	53	2,687,953
Over 3 years	3,044,556	93	2,827,237
Total	<u>209,196,365</u>		<u>17,687,643</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Accounts receivable *(continued)*

Category of concrete receivable:

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	715,028,831	3	20,020,807
6 to 12 months	96,428,358	4	4,242,848
1 to 2 years	69,378,032	14	9,782,303
2 to 3 years	10,204,160	41	4,214,318
Over 3 years	12,002,098	70	8,379,872
Total	<u>903,041,479</u>		<u>46,640,148</u>

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	342,087,880	6	20,607,166
6 to 12 months	73,909,837	8	5,910,241
1 to 2 years	69,110,442	25	17,352,610
2 to 3 years	12,716,789	43	5,513,756
Over 3 years	19,688,229	75	14,746,636
Total	<u>517,513,177</u>		<u>64,130,409</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Accounts receivable *(continued)*

Category of other business receivables

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	255,677,689	—	1,022,711
6 to 12 months	52,127,974	1	521,280
1 to 2 years	49,753,780	3	1,542,367
2 to 3 years	11,155,002	10	1,126,655
Over 3 years	7,182,118	90	6,473,908
Total	<u>375,896,563</u>		<u>10,686,921</u>

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	246,600,903	—	246,601
6 to 12 months	33,071,724	—	66,143
1 to 2 years	14,720,105	6	839,046
2 to 3 years	7,376,174	27	1,995,805
Over 3 years	10,705,300	81	8,714,404
Total	<u>312,474,206</u>		<u>11,861,999</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 4. Accounts receivable *(continued)*

Amounts due from top 5 customers are summarized as below:

As at 31 December 2022, the top 5 of the balance of accounts receivable were as follows:

RMB

	31 December 2022			
	Balance	Proportion in total accounts receivable (%)	Provision for bad debts	Net amount
First	37,452,352	2	437,516	37,014,836
Second	35,070,799	2	3,472,009	31,598,790
Third	30,475,151	2	854,011	29,621,140
Fourth	25,516,210	2	3,483,680	22,032,530
Fifth	25,375,792	2	710,522	24,665,270
Total	<u>153,890,304</u>		<u>8,957,738</u>	<u>144,932,566</u>

As at 31 December 2021, the top 5 of the balance of accounts receivable were as follows:

RMB

	31 December 2021			
	Balance	Proportion in total accounts receivable (%)	Provision for bad debts	Net amount
First	22,229,831	2	4,969,942	17,259,889
Second	19,316,527	2	1,158,992	18,157,535
Third	15,999,285	1	1,614,930	14,384,355
Fourth	15,394,268	1	880,524	14,513,744
Fifth	13,984,328	1	938,599	13,045,729
Total	<u>86,924,239</u>		<u>9,562,987</u>	<u>77,361,252</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Receivables financing

RMB

	31 December 2022	31 December 2021
Bank acceptance bills	<u>527,248,935</u>	<u>761,050,910</u>

Among them, the pledged receivables financing of the Group is as follows:

RMB

	31 December 2022	31 December 2021
Bank acceptance bills	<u>26,413,178</u>	<u>236,214,382</u>

Due to the needs of daily fund management, the subsidiaries of the Group endorsed or discounted bank acceptance bills. The business model for managing the above notes is aimed both at collecting contractual cash flows and at selling them. The Group therefore classified bank acceptance bills as financial assets at fair value through other comprehensive income.

As at 31 December 2022, the pledged but not yet expired bank acceptance bills amounted to RMB26,413,178 (31 December 2021: RMB236,214,382). For details of discounting and pledge of bank acceptance bills, please refer to Note V. 60.

Bills endorsed or discounted but not yet due are as follows:

RMB

	31 December 2022		31 December 2021	
	Derecognized	Not Derecognized	Derecognized	Not Derecognized
Bank acceptance bills	<u>1,931,042,708</u>	—	<u>1,956,535,855</u>	—
	<u>1,931,042,708</u>	—	<u>1,956,535,855</u>	—

As at 31 December 2022, the Group endorsed the undue bill receivable to its suppliers to settle trade payables or discounted to banks for cash. The Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred and therefore derecognized these bill receivable and amounts due to suppliers in full. The Group's continuous involvement in these derecognized undue bill receivable is limited to the extent that the issuance banks of these undue bills are unable to settle the amounts due to the bill holders. As at 31 December 2022, the maximum exposure to loss from its continuous involvement represents the amounts of undue bill receivable endorsed by the Group to its suppliers or discounted to banks, which amounted to RMB1,931,042,708 (31 December 2021: RMB1,956,535,855).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Prepayments

An aging analysis of prepayments is as follows:

RMB

	31 December 2022		31 December 2021	
	Balance of carrying amount	Proportion (%)	Balance of carrying amount	Proportion (%)
Within 1 year	327,897,519	93	310,032,064	91
1 to 2 years	10,180,466	3	17,752,017	5
2 to 3 years	7,317,320	2	5,710,334	2
Over 3 years	8,475,493	2	5,821,504	2
	<b>353,870,798</b>	<b>100</b>	<b>339,315,919</b>	<b>100</b>

As at 31 December 2022, there was no significant prepayments aging over 1 year.(31 December 2021: Nil).

Top five entities with the largest balance of prepayment:

RMB

	31 December 2022		31 December 2021	
	Balance	Percentage of total amount (%)	Balance	Percentage of total amount (%)
First	53,645,950	15	38,934,941	11
Second	21,592,718	6	22,761,948	7
Third	7,758,176	2	22,571,316	7
Fourth	7,515,255	2	11,958,879	4
Fifth	6,683,433	2	10,431,340	3
	<b>97,195,532</b>	<b>27</b>	<b>106,658,424</b>	<b>32</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 7. Other receivables

RMB

	31 December 2022	31 December 2021
Interests receivable	356,508	89,797
Other receivables	<u>477,600,383</u>	<u>355,923,554</u>
	<u><b>477,956,891</b></u>	<u><b>356,013,351</b></u>

#### *Other receivables*

An aging analysis of other receivables is as follows:

RMB

	31 December 2022	31 December 2021
Within 1 year	287,787,935	216,367,313
1 to 2 years	86,909,680	66,978,428
2 to 3 years	36,579,929	24,177,479
Over 3 years	<u>168,565,924</u>	<u>151,676,991</u>
Less: Provision for bad debts of other receivables	<u>102,243,085</u>	<u>103,276,657</u>
	<u><b>477,600,383</b></u>	<u><b>355,923,554</b></u>

Other receivables are classified by nature as follows:

RMB

	31 December 2022	31 December 2021
Loans and out-of-pocket expenses	254,794,390	156,304,682
Margin and deposits	215,043,690	242,244,482
Earnest money to be returned	47,500,000	—
Petty cash	8,829,589	5,246,136
Other	<u>53,675,799</u>	<u>55,404,911</u>
Total	<u><b>579,843,468</b></u>	<u><b>459,200,211</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Other receivables (continued)

#### Other receivables (continued)

The movements in provision for bad debts of other receivables measured based on 12-month expected credit losses and lifetime expected credit loss are as follows:

#### 31 December 2022:

RMB

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired financial assets (lifetime expected credit loss)	Total
Opening balance	—	9,222,749	94,053,908	103,276,657
Provision for the year	—	8,051,085	—	8,051,085
Reversal for the year	—	(3,091,219)	—	(3,091,219)
Write-off for the year	—	(5,993,438)	—	(5,993,438)
Closing balance	—	8,189,177	94,053,908	102,243,085

#### 31 December 2021:

RMB

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired financial assets (lifetime expected credit loss)	Total
Opening balance	—	6,271,462	94,053,908	100,325,370
Provision for the year	—	6,923,323	—	6,923,323
Reversal for the year	—	(3,670,246)	—	(3,670,246)
Write-off for the year	—	(301,790)	—	(301,790)
Closing balance	—	9,222,749	94,053,908	103,276,657

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Other receivables (continued)

#### Other receivables (continued)

As at 31 December 2022, the top 5 of other receivables were as follows:

RMB

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	45,000,000	8%	Loans and out-of-pocket expenses	Within 1 year	—
Second	42,500,000	7%	Margin and deposits	Within 1 year, 1–2 years, 2–3 years	—
Third	38,927,223	7%	Loans and out-of-pocket expenses	Over 3 years	38,927,223
Fourth	30,000,000	5%	Loans and out-of-pocket expenses	Within 1 year	—
Fifth	29,000,000	5%	Earnest money to be returned	Within 1 year	—
	<u>185,427,223</u>	<u>32%</u>			<u>38,927,223</u>

As at 31 December 2021, the top 5 of other receivables were as follows:

RMB

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	66,892,000	15%	Margin and deposits	Within 1 year	—
Second	38,927,223	8%	Loans and out-of-pocket expenses	Over 3 years	38,927,223
Third	27,027,341	6%	Loans and out-of-pocket expenses	Over 3 years	27,027,341
Fourth	19,958,618	4%	Margin and deposits	Over 3 years	—
Fifth	16,000,000	3%	Margin and deposits	Within 1 year, 1–2 years	—
	<u>168,805,182</u>	<u>36%</u>			<u>65,954,564</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Inventories

RMB

	31 December 2022			31 December 2021		
	Balance of carrying amount	Provision for decline in value/impairment	Carrying value	Balance of carrying amount	Provision for decline in value/impairment	Carrying value
Raw materials	1,079,394,528	248,377	1,079,146,151	1,432,137,430	993,556	1,431,143,874
Work in progress	813,687,931	165,122	813,522,809	686,837,591	165,122	686,672,469
Finished goods	1,049,131,023	—	1,049,131,023	848,804,135	—	848,804,135
Spare parts	575,607,905	112,285,876	463,322,029	668,625,712	93,291,516	575,334,196
<b>Total</b>	<b>3,517,821,387</b>	<b>112,699,375</b>	<b>3,405,122,012</b>	<b>3,636,404,868</b>	<b>94,450,194</b>	<b>3,541,954,674</b>

The movements in provision for decline in value of inventories measured as follows:

#### 31 December 2022

RMB

	Opening balance	Provision for the year	Decrease during the year		Closing balance
			Reversal	Write-off and others	
Raw materials	993,556	4,628	(749,807)	—	248,377
Work in progress	165,122	—	—	—	165,122
Spare parts	93,291,516	19,318,287	(2,493,602)	2,169,675	112,285,876
<b>Total</b>	<b>94,450,194</b>	<b>19,322,915</b>	<b>(3,243,409)</b>	<b>2,169,675</b>	<b>112,699,375</b>

#### 31 December 2021

RMB

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Other current assets

RMB

	31 December 2022	31 December 2021
Retained input VAT and prepaid income tax	642,158,558	452,509,058
Payments related to equity merger and acquisition	—	16,897,795
Others	35,295,971	8,560,858
Total	<u>677,454,529</u>	<u>477,967,711</u>

### 10. Long-term receivables

RMB

	31 December 2022			31 December 2021		
	Balance of carrying amount	Provision for bad debts	Carrying value	Balance of carrying amount	Provision for bad debts	Carrying value
Loans	129,450,000	—	129,450,000	29,010,050	—	29,010,050
Others	2,144,447	—	2,144,447	6,924,216	—	6,924,216
	<u>131,594,447</u>	<u>—</u>	<u>131,594,447</u>	<u>35,934,266</u>	<u>—</u>	<u>35,934,266</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Long-term equity investments

31 December 2022

RMB

	Changes for the period				Closing balance
	Opening balance	Investment income or loss recognized under the equity method	Other equity changes	Other decreases (Note)	
Joint venture					
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	72,779,017	(2,937,060)	—	(69,841,957)	—
Associates					
Tibet High-tech Building Materials Group Co., Ltd.	356,957,328	(12,287,232)	698,089	—	345,368,185
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,158,921	(1,372,868)	—	—	90,786,053
Zhangjiajie Tianzi Concrete Co., Ltd.	1,672,605	1,014,804	—	—	2,687,409
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	—	—	—	45,000
	<u>523,612,871</u>	<u>(15,582,356)</u>	<u>698,089</u>	<u>(69,841,957)</u>	<u>438,886,647</u>

31 December 2021

RMB

	Changes for the period				Closing balance
	Opening balance	Investment income or loss recognized under the equity method	Other equity changes		
Joint venture					
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	60,791,825	11,987,192	—	—	72,779,017
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
	<u>512,281,201</u>	<u>10,506,995</u>	<u>824,675</u>	<u>—</u>	<u>523,612,871</u>

Note: Other decreases in long-term equity investments, please refer to Note VI. 1.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Investment in other equity instruments

31 December 2022

RMB

	Initial investment cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments held of dividend income for the year
Equity investment in unlisted companies 1	11,724,666	45,447,873	57,172,539	917,726
Equity investment in unlisted companies 2	1,000,000,000	(44,322,216)	955,677,784	—
	<u>1,011,724,666</u>	<u>1,125,657</u>	<u>1,012,850,323</u>	<u>917,726</u>

31 December 2021

RMB

	Initial investment cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments held of dividend income for the year
Equity investment in unlisted companies 1	11,724,666	44,142,400	55,867,066	—

The voting rights of the Group in equity investment projects 1 and 2 of unlisted companies are 1.4988% and 5.2173%, respectively, and the Group does not participate in or influence their financial and operational decisions in any way, so the Group does not have a significant influence on the above-mentioned companies, and it is accounted for as other equity instruments for strategic investment considerations.

### 13. Fixed assets

RMB

	31 December 2022	31 December 2021
Fixed assets	22,713,408,318	21,326,030,410
Disposal of fixed assets	7,396,657	—
	<u>22,720,804,975</u>	<u>21,326,030,410</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

#### Fixed assets

31 December 2022

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
Original price					
Opening balance	16,548,660,053	20,769,239,142	315,616,646	482,425,363	38,115,941,204
Purchase	67,445,927	71,448,148	21,548,525	47,665,102	208,107,702
Transferred from construction in progress	1,193,905,732	1,451,000,997	—	—	2,644,906,729
Business combinations not under common control	113,876,342	77,583,778	1,134,492	1,831,053	194,425,665
Disposal or retirement	(31,973,620)	(149,331,897)	(23,751,590)	(45,802,105)	(250,859,212)
Translation differences of financial statements denominated in foreign currencies	140,743,822	260,025,677	786,591	6,778,409	408,334,499
Closing balance	<u>18,032,658,256</u>	<u>22,479,965,845</u>	<u>315,334,664</u>	<u>492,897,822</u>	<u>41,320,856,587</u>
Accumulated depreciation					
Opening balance	4,578,862,529	11,169,905,685	230,146,597	338,001,193	16,316,916,004
Provision	656,432,646	1,146,762,318	20,481,220	55,986,524	1,879,662,708
Disposal or retirement	(12,007,012)	(124,904,485)	(19,475,780)	(44,833,505)	(201,220,782)
Translation differences of financial statements denominated in foreign currencies	20,594,491	90,950,404	118,760	79,978	111,743,633
Closing balance	<u>5,243,882,654</u>	<u>12,282,713,922</u>	<u>231,270,797</u>	<u>349,234,190</u>	<u>18,107,101,563</u>
Provision for impairment losses					
Opening balance	282,613,594	189,851,200	270,867	259,129	472,994,790
Provision	8,760,564	23,089,955	15,496	5,529	31,871,544
Disposal or retirement	(24,999)	(4,408,600)	(86,029)	—	(4,519,628)
Closing balance	<u>291,349,159</u>	<u>208,532,555</u>	<u>200,334</u>	<u>264,658</u>	<u>500,346,706</u>
Carrying value					
At the end of the year	<u>12,497,426,443</u>	<u>9,988,719,368</u>	<u>83,863,533</u>	<u>143,398,974</u>	<u>22,713,408,318</u>
At the beginning of the year	<u>11,687,183,930</u>	<u>9,409,482,257</u>	<u>85,199,182</u>	<u>144,165,041</u>	<u>21,326,030,410</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

#### Fixed assets (continued)

31 December 2021

	RMB				
	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
Original price					
Opening balance	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
Purchase	53,051,583	73,069,091	28,390,499	60,521,877	215,033,050
Transferred from construction in progress	1,267,832,927	1,979,848,088	—	—	3,247,681,015
Business combinations not under common control	91,836,470	514,785,077	12,724,384	16,615,751	635,961,682
Disposal or retirement	(26,664,165)	(169,902,535)	(11,778,607)	(79,390,477)	(287,735,784)
Disposal of subsidiaries	(1,690,902)	(205,332)	(147,905)	—	(2,044,139)
Translation differences of financial statements denominated in foreign currencies	(42,601,031)	(71,130,322)	(412,938)	(2,004,802)	(116,149,093)
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>
Accumulated depreciation					
Opening balance	4,068,881,305	10,155,129,191	208,320,679	368,652,941	14,800,984,116
Provision	528,287,347	1,178,096,382	33,651,160	43,849,498	1,783,884,387
Disposal or retirement	(10,042,547)	(140,330,212)	(11,281,038)	(72,820,922)	(234,474,719)
Disposal of subsidiaries	(1,220,529)	(144,482)	(131,866)	—	(1,496,877)
Translation differences of financial statements denominated in foreign currencies	(7,043,047)	(22,845,194)	(412,338)	(1,680,324)	(31,980,903)
Closing balance	<u>4,578,862,529</u>	<u>11,169,905,685</u>	<u>230,146,597</u>	<u>338,001,193</u>	<u>16,316,916,004</u>
Provision for impairment losses					
Opening balance	263,419,885	183,778,033	129,918	170,664	447,498,500
Provision	19,242,088	7,445,451	288,659	88,465	27,064,663
Disposal or retirement	(48,379)	(1,372,284)	(147,710)	—	(1,568,373)
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>
Carrying value					
At the end of the year	<u>11,687,183,930</u>	<u>9,409,482,257</u>	<u>85,199,182</u>	<u>144,165,041</u>	<u>21,326,030,410</u>
At the beginning of the year	<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>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

#### Fixed assets (continued)

Fixed assets that are temporarily idle are as follows:

#### 31 December 2022

RMB

	Original price	Accumulated depreciation	Provision for impairment losses	Carrying value
Buildings	657,798,289	411,140,354	110,581,197	136,076,738
Machinery and equipment	950,772,880	827,994,754	60,612,595	62,165,531
Office equipment	8,096,163	7,651,248	106,031	338,884
Transportation equipment	23,663,318	23,663,318	—	—
	<u>1,640,330,650</u>	<u>1,270,449,674</u>	<u>171,299,823</u>	<u>198,581,153</u>

#### 31 December 2021

RMB

	Original price	Accumulated depreciation	Provision for impairment losses	Carrying value
Buildings	657,798,289	381,044,683	110,581,197	166,172,409
Machinery and equipment	1,043,102,456	865,231,112	61,158,379	116,712,965
Office equipment	9,038,484	8,341,221	106,031	591,232
Transportation equipment	24,131,352	22,745,959	4,668	1,380,725
	<u>1,734,070,581</u>	<u>1,277,362,975</u>	<u>171,850,275</u>	<u>284,857,331</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets (continued)

#### Fixed assets (continued)

Fixed assets leased under operating leases are as follows:

#### 31 December 2022

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
Original price					
Opening balance	28,739,452	19,381,683	1,736,766	1,748,384	51,606,285
Lease back	(7,125,780)	(3,404,559)	(596,045)	(672,463)	(11,798,847)
Closing balance	<u>21,613,672</u>	<u>15,977,124</u>	<u>1,140,721</u>	<u>1,075,921</u>	<u>39,807,438</u>
Accumulated depreciation					
Opening balance	15,009,932	17,822,574	1,665,563	1,678,449	36,176,518
Provision	1,472,063	713,936	867	—	2,186,866
Lease back	(4,718,540)	(3,266,252)	(565,486)	(645,564)	(9,195,842)
Closing balance	<u>11,763,455</u>	<u>15,270,258</u>	<u>1,100,944</u>	<u>1,032,885</u>	<u>29,167,542</u>
Carrying value					
At the end of the year	<u>9,850,217</u>	<u>706,866</u>	<u>39,777</u>	<u>43,036</u>	<u>10,639,896</u>
At the beginning of the year	<u>13,729,520</u>	<u>1,559,109</u>	<u>71,203</u>	<u>69,935</u>	<u>15,429,767</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 13. Fixed assets *(continued)*

#### *Fixed assets (continued)*

31 December 2021

	RMB				
	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
Original price					
Opening balance	28,739,452	20,018,688	1,736,766	1,856,931	52,351,837
Disposal or retirement	—	(637,005)	—	(108,547)	(745,552)
Closing balance	<u>28,739,452</u>	<u>19,381,683</u>	<u>1,736,766</u>	<u>1,748,384</u>	<u>51,606,285</u>
Accumulated depreciation					
Opening balance	13,537,869	17,658,042	1,658,279	1,782,654	34,636,844
Provision	1,472,063	776,057	7,284	—	2,255,404
Disposal or retirement	—	(611,525)	—	(104,205)	(715,730)
Closing balance	<u>15,009,932</u>	<u>17,822,574</u>	<u>1,665,563</u>	<u>1,678,449</u>	<u>36,176,518</u>
Carrying value					
At the end of the year	<u>13,729,520</u>	<u>1,559,109</u>	<u>71,203</u>	<u>69,935</u>	<u>15,429,767</u>
At the beginning of the year	<u>15,201,583</u>	<u>2,360,646</u>	<u>78,487</u>	<u>74,277</u>	<u>17,714,993</u>

### 14. Construction in progress

	RMB	
	31 December 2022	31 December 2021
Construction in progress	<u>6,457,406,302</u>	4,105,013,692
Materials for construction of fixed assets	<u>118,059,329</u>	94,127,350
	<u>6,575,465,631</u>	<u>4,199,141,042</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### Construction in progress

RMB

	31 December 2022			31 December 2021		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	2,333,601,120	—	2,333,601,120	442,275,269	—	442,275,269
Wuxue Industrial Park has an annual output of 30 million tons of mechanical sand and gravel project	450,095,359	—	450,095,359	10,494,852	—	10,494,852
Fuchi Terminal Project	438,975,207	—	438,975,207	201,924,785	—	201,924,785
Huaxin Integrated Series Project	320,927,576	—	320,927,576	331,401,489	—	331,401,489
Huaxin Environmental Engineering Series Project	273,965,578	—	273,965,578	224,306,573	—	224,306,573
Huangshi Cement Supporting Project	253,654,853	—	253,654,853	66,645,129	—	66,645,129
Huaxin Aggregate Series Project	168,685,149	—	168,685,149	273,695,791	—	273,695,791
Huaxin Packaging Series Project	112,696,862	—	112,696,862	185,514,315	—	185,514,315
Maweni Clinker Phase II Project	102,756,141	—	102,756,141	—	—	—
Series Project of Huaxin Industrial Park	54,936,600	—	54,936,600	257,438,184	—	257,438,184
Nepal Cement Clinker Production Line	32,707,076	—	32,707,076	938,758,357	—	938,758,357
Others	1,924,674,311	10,269,530	1,914,404,781	1,181,931,313	9,372,365	1,172,558,948
<b>Total</b>	<b>6,467,675,832</b>	<b>10,269,530</b>	<b>6,457,406,302</b>	<b>4,114,386,057</b>	<b>9,372,365</b>	<b>4,105,013,692</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### Construction in progress (continued)

Changes of major construction in progress in 2022 are as below:

RMB

	Budget	Opening balance	Increase during the year	Transferred to fixed assets in the year	Other decrease	closing balance	Source of funding	Percentage of project investment in budget (%)
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	9,957,000,000	442,275,269	1,891,325,851	—	—	2,333,601,120	Self-owned funds and bank borrowings	87
Wuxue Industrial Park has an annual output of 30 million tons of mechanical sand and gravel project	974,452,400	10,494,852	439,600,507	—	—	450,095,359	Self-owned funds	46
Fuchi Terminal Project	539,140,000	201,924,785	237,050,422	—	—	438,975,207	Self-owned funds	81
Huaxin Integrated Series Project	1,500,341,300	331,401,489	180,168,017	(189,949,902)	(692,028)	320,927,576	Self-owned funds	N/A
Huaxin Environmental Engineering Series Project	826,811,342	224,306,573	141,018,745	(80,824,023)	(10,535,717)	273,965,578	Self-owned funds and bank borrowings	N/A
Huangshi Cement Supporting Project	2,208,039,800	66,645,129	259,260,359	(72,250,635)	—	253,654,853	Self-owned funds	100
Huaxin Aggregate Series Project	4,388,719,238	273,695,791	312,298,334	(220,758,100)	(196,550,876)	168,685,149	Self-owned funds and bank borrowings	N/A
Huaxin Packaging Series Project	384,347,000	185,514,315	37,330,827	(110,148,280)	—	112,696,862	Self-owned funds	N/A
Maweni Clinker Phase II Project	673,484,160	—	110,105,596	(7,349,455)	—	102,756,141	Self-owned funds	16
Series Project of Huaxin Industrial Park	562,572,500	257,438,184	13,636,386	(142,001,970)	(74,136,000)	54,936,600	Self-owned funds	N/A
Nepal Cement Clinker Production Line	967,073,697	938,758,357	28,315,340	(891,028,330)	(43,338,291)	32,707,076	Self-owned funds and bank borrowings	100
Others	N/A	1,172,558,948	1,874,265,358	(930,596,034)	(201,823,491)	1,914,404,781	Self-owned funds and bank borrowings	N/A
		<u>4,105,013,692</u>	<u>5,524,375,742</u>	<u>(2,644,906,729)</u>	<u>(527,076,403)</u>	<u>6,457,406,302</u>		



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### Construction in progress (continued)

Changes of major construction in progress in 2021 are as below:

	Budget	Opening balance	Increase during the year	Transferred to fixed assets in the year	Other decrease	closing balance	Source of funding	RMB	Percentage of project investment in budget (%)
Nepal Cement Clinker Production Line	953,353,800	562,494,489	376,263,868	—	—	938,758,357	Self-owned funds and bank borrowings		98
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	9,957,000,000	—	442,941,747	(666,478)	—	442,275,269	Self-owned funds and bank borrowings		4
Huaxin Integrated Series Project	1,531,673,300	144,239,265	797,185,603	(603,900,482)	(6,122,897)	331,401,489	Self-owned funds		N/A
Huaxin Aggregate Series Project	2,671,352,800	308,210,988	681,686,253	(526,859,248)	(189,342,202)	273,695,791	Self-owned funds and bank borrowings		N/A
Series Project of Huaxin Industrial Park	537,292,200	327,767,990	178,516,170	(248,845,976)	—	257,438,184	Self-owned funds		N/A
Huaxin Environmental Engineering Series Project	1,530,196,542	308,876,320	294,395,356	(345,606,246)	(33,358,857)	224,306,573	Self-owned funds		N/A
Fuchi Terminal Project	404,497,350	—	201,924,785	—	—	201,924,785	Self-owned funds		50
Huaxin Packaging Series Project	404,034,700	83,433,469	125,870,249	(23,355,928)	(433,475)	185,514,315	Self-owned funds		N/A
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	Self-owned funds		90
Huaxin Vertical Mill Renovation Project	309,373,940	118,677,090	15,297,946	(41,342,769)	(27,618,489)	65,013,778	Self-owned funds		N/A
Huaxin Concrete Series Project	323,142,567	5,992,597	174,580,456	(166,451,958)	(1,201,877)	12,919,218	Self-owned funds		N/A
Maweni 1# Production Line Transformation	244,314,000	12,187,915	213,873,456	(215,254,621)	(765,801)	10,040,949	Self-owned funds		93
1000T/D Lime Production Line of Huaxin (Lijiang)	155,011,387	112,088,905	51,811,323	(152,293,744)	(10,449,033)	1,157,451	Self-owned funds		100
Others	N/A	978,858,874	1,088,047,496	(801,308,913)	(171,675,053)	1,093,922,404	Self-owned funds and bank borrowings		N/A
		<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>			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 14. Construction in progress *(continued)*

#### *Construction in progress (continued)*

The analysis of capitalized amount and capitalization rate of borrowing costs included in balances for construction in progress is set out below:

**31 December 2022**

RMB

	Progress of works (%)	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Capitalization rate of interest for the year (%)
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	87	71,459,782	65,379,651	3.06
Huaxin Environmental Engineering Series Project	N/A	483,889	483,889	3.95
Huaxin Aggregate Series Project	N/A	10,850,319	3,700,389	3.99
		<u>82,793,990</u>	<u>69,563,929</u>	

**31 December 2021**

RMB

	Progress of works (%)	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Capitalization rate of interest for the year (%)
Nepal Cement Clinker Production Line	98	20,196,596	17,387,107	4.30
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	4	6,080,131	6,080,131	3.70
Huaxin Aggregate Series Project	N/A	10,968,986	6,037,049	3.40
Others	N/A	11,537,902	—	—
		<u>48,783,615</u>	<u>29,504,287</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### Construction in progress (continued)

Provision for impairment of construction in progress:

**31 December 2022**

RMB

	Opening balance	Increase during the year	Decrease during the year	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
Hainan Xinhongda Project	—	897,165	—	897,165	Performance not meeting expectations
	<b>9,372,365</b>	<b>897,165</b>	<b>—</b>	<b>10,269,530</b>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress (continued)

#### Construction in progress (continued)

31 December 2021

RMB

	Opening balance	Increase during the year	Decrease during the year	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
	<u>9,372,365</u>	<u>—</u>	<u>—</u>	<u>9,372,365</u>	

#### Materials for construction of fixed assets

RMB

	31 December 2022			31 December 2021		
	Account balance	Impairment provision	Carrying value	Account balance	Impairment provision	Carrying value
Special equipment	118,059,329	—	118,059,329	94,127,350	—	94,127,350
	<u>118,059,329</u>	<u>—</u>	<u>118,059,329</u>	<u>94,127,350</u>	<u>—</u>	<u>94,127,350</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 15. Right-of-use assets

**31 December 2022**

RMB

	Land use right and mine use right	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	Total
Original price					
Opening balance	125,116,788	106,996,215	75,671,463	231,522	308,015,988
Addition	242,445,844	267,910,469	296,972,679	125,261	807,454,253
Closing balance	<u>367,562,632</u>	<u>374,906,684</u>	<u>372,644,142</u>	<u>356,783</u>	<u>1,115,470,241</u>
Accumulated depreciation					
Opening balance	17,610,936	14,946,789	2,143,673	123,328	34,824,726
Provision	39,222,904	31,507,954	30,578,888	24,699	101,334,445
Closing balance	<u>56,833,840</u>	<u>46,454,743</u>	<u>32,722,561</u>	<u>148,027</u>	<u>136,159,171</u>
Carrying value					
At the end of the year	<u>310,728,792</u>	<u>328,451,941</u>	<u>339,921,581</u>	<u>208,756</u>	<u>979,311,070</u>
At the beginning of the year	<u>107,505,852</u>	<u>92,049,426</u>	<u>73,527,790</u>	<u>108,194</u>	<u>273,191,262</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 15. Right-of-use assets *(continued)*

31 December 2021

	Land use right and mine use right	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	RMB Total
Original price					
Opening balance	78,272,699	80,855,915	6,704,145	—	165,832,759
Addition	46,844,089	26,140,300	68,967,318	231,522	142,183,229
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>
Accumulated depreciation					
Opening balance	—	—	—	—	—
Provision	17,610,936	14,946,789	2,143,673	123,328	34,824,726
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>
Carrying value					
At the end of the year	<u>107,505,852</u>	<u>92,049,426</u>	<u>73,527,790</u>	<u>108,194</u>	<u>273,191,262</u>
At the beginning of the year	<u>78,272,699</u>	<u>80,855,915</u>	<u>6,704,145</u>	<u>—</u>	<u>165,832,759</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Intangible assets

31 December 2022

RMB

	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
Original price						
Opening balance	3,234,870,985	4,690,994,523	440,017,995	168,200,597	290,143,622	8,824,227,722
Purchase	144,633,449	7,673,005,831	125,385,608	—	3,914,702	7,946,939,590
Transferred from construction in progress	84,741,567	312,732,866	—	—	17,152,166	414,626,599
Business combinations not under common control	35,017,328	—	—	—	—	35,017,328
Disposals	—	—	—	—	(21,675,766)	(21,675,766)
Translation differences of financial statements denominated in foreign currencies	1,153,997	17,314,107	23,190	—	5,099,668	23,590,962
Closing balance	<u>3,500,417,326</u>	<u>12,694,047,327</u>	<u>565,426,793</u>	<u>168,200,597</u>	<u>294,634,392</u>	<u>17,222,726,435</u>
Accumulated amortization						
Opening balance	533,900,252	520,022,949	101,435,289	48,867,111	218,512,707	1,422,738,308
Provision	80,083,979	416,511,394	48,032,326	14,910,953	26,273,410	585,812,062
Disposals	—	—	—	—	(21,497,920)	(21,497,920)
Translation differences of financial statements denominated in foreign currencies	(135,316)	893,514	—	—	2,921,529	3,679,727
Closing balance	<u>613,848,915</u>	<u>937,427,857</u>	<u>149,467,615</u>	<u>63,778,064</u>	<u>226,209,726</u>	<u>1,990,732,177</u>
Provision for impairment losses						
Opening balance	—	23,524,969	—	—	—	23,524,969
Provision	6,102,538	—	—	—	19,615,238	25,717,776
Closing balance	<u>6,102,538</u>	<u>23,524,969</u>	<u>—</u>	<u>—</u>	<u>19,615,238</u>	<u>49,242,745</u>
Carrying value						
At the end of the year	<u>2,880,465,873</u>	<u>11,733,094,501</u>	<u>415,959,178</u>	<u>104,422,533</u>	<u>48,809,428</u>	<u>15,182,751,513</u>
At the beginning of the year	<u>2,700,970,733</u>	<u>4,147,446,605</u>	<u>338,582,706</u>	<u>119,333,486</u>	<u>71,630,915</u>	<u>7,377,964,445</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Intangible assets (continued)

31 December 2021

RMB

	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
Original price						
Opening balance	2,767,588,560	1,922,911,508	314,133,148	168,200,597	215,056,226	5,387,890,039
Purchase	256,614,645	2,355,106,612	125,887,799	—	821,039	2,738,430,095
Transferred from construction in progress	5,465,435	102,036,838	—	—	8,191,714	115,693,987
Business combinations not under common control	210,414,357	322,695,450	—	—	69,165,332	602,275,139
Disposal of subsidiaries	(235,771)	—	—	—	(125,191)	(360,962)
Disposals	(4,883,667)	—	—	—	(1,629,450)	(6,513,117)
Translation differences of financial statements denominated in foreign currencies	(92,574)	(11,755,885)	(2,952)	—	(1,336,048)	(13,187,459)
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>
Accumulated amortization						
Opening balance	466,407,889	310,936,427	84,075,882	34,234,743	201,701,948	1,097,356,889
Provision	68,550,340	209,144,471	17,359,407	14,632,368	18,568,166	328,254,752
Disposal of subsidiaries	(72,309)	—	—	—	(125,191)	(197,500)
Disposals	(976,754)	—	—	—	(1,497,861)	(2,474,615)
Translation differences of financial statements denominated in foreign currencies	(8,914)	(57,949)	—	—	(134,355)	(201,218)
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>
Provision for impairment losses						
Opening balance and closing balance	<u>—</u>	<u>23,524,969</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,524,969</u>
Carrying value						
At the end of the year	<u>2,700,970,733</u>	<u>4,147,446,605</u>	<u>338,582,706</u>	<u>119,333,486</u>	<u>71,630,915</u>	<u>7,377,964,445</u>
At the beginning of the year	<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>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Goodwill

	31 December 2022	31 December 2021
		RMB
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
CHILANGA Cement PLC	87,794,908	87,794,908
Hainan Xinhongda Building Materials Co., Ltd.	79,313,263	79,313,263
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	69,557,768
NETNIX LIMITED	59,573,587	59,573,587
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	21,492,135
Yueyang Yonggu Concrete Co., Ltd	8,119,042	—
Hainan Huaxin Ronghui Concrete Co., Ltd	5,809,669	—
	<b>748,171,583</b>	734,242,872
Less: Provision for impairment of goodwill	<b>129,628,172</b>	91,049,903
	<b>618,543,411</b>	643,192,969

The movements in provision for impairment losses of goodwill measured as follows:

#### 31 December 2022

	Opening balance	Provision	Reversal	Closing balance
				RMB
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
Hainan Xinhongda Building Materials Co., Ltd. (Note)	—	38,578,269	—	38,578,269
	<b>91,049,903</b>	<b>38,578,269</b>	—	<b>129,628,172</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Goodwill (continued)

31 December 2021

	Opening balance	Provision	Reversal	RMB 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
	<u>91,049,903</u>	<u>—</u>	<u>—</u>	<u>91,049,903</u>

The Group acquired Yueyang Yonggu Concrete Co., Ltd. in June 2022, resulting in goodwill of RMB8,119,042. Please refer to Note VI.1 for the calculation process.

The Group acquired Hainan Huaxin Ronghui Concrete Co., Ltd. in April 2022, resulting in goodwill of RMB5,809,669. Please refer to Note VI.1 for the calculation process.

For the purpose of impairment testing, the goodwill arising from the business combination has been allocated to a group of assets (being subsidiaries acquired in each acquisition). Such assets group represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Measurement basis and major assumptions for determining the recoverable amount of the above assets groups are as follows:

The recoverable amount was determined based on the higher of the net amount of fair value of the assets group less costs to sell and the present value of the estimated future cash flow of the assets group.

The goodwill formed by the acquisition of equity interests of the listed companies by the Company was determined as the net amount of fair value less costs to sell based on the market value of the interests held by the Group in the RMB denominated ordinary shares of the listed companies issued by way of public issuance as at 31 December 2022 after adjustments.

The estimated future cash flows of the asset group are based on the five-year financial budget approved by the management at a discount rate of 11%–19% before tax (2021: 12%–18%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 0% (2021: 0%) per annum. Other key assumptions adopted during the evaluation include estimated production capacity, future selling price, growth rate, expected gross profit margin and relevant expenditures of the asset product portfolio, and the above assumptions are based on the previous performance of these assets groups, industry standard and the management's expectations on market development.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Goodwill (continued)

Note: The assets group of Hainan Xinhongda Building Materials Co., Ltd. mainly comprises long-term assets, the carrying amount of the assets group is RMB146,748,975 as at 31 December 2022 (goodwill exclusive) (31 December 2021: RMB174, 801,842), the carrying amount of goodwill allocated to the assets group is RMB79,313,263, the recoverable amount was determined by the present value of estimated future cash flow of the assets group, the estimated future cash flow is based on the profit forecasts for the next 5 years approved by the management.

### 18. Long-term deferred expenditures

#### 31 December 2022

RMB

	Opening balance	Addition	Increase due to business combination	Amortization	impairment	Closing balance
Mine development cost	151,825,622	100,587,330	—	(30,204,771)	—	222,208,181
Relocation expenses	379,876,305	201,226,585	—	(37,082,080)	—	544,020,810
Others	50,370,741	13,519,139	519,297	(12,526,529)	(694,336)	51,188,312
	<u>582,072,668</u>	<u>315,333,054</u>	<u>519,297</u>	<u>(79,813,380)</u>	<u>(694,336)</u>	<u>817,417,303</u>

#### 31 December 2021

RMB

	Opening balance	Addition	Increase due to business combination	Amortization	impairment	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
	<u>363,760,774</u>	<u>269,445,826</u>	<u>16,806,756</u>	<u>(67,940,688)</u>	<u>—</u>	<u>582,072,668</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 19. Deferred tax assets/Deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities not eliminated:

RMB

	31 December 2022		31 December 2021	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets				
Provision for impairment of assets	298,079,144	53,269,637	285,744,541	56,807,159
Difference between the fair value and the tax cost of identifiable assets of business combination	619,381,463	183,907,098	674,478,253	198,170,844
Temporary differences arising from expense recognition	327,305,181	79,764,585	337,565,031	72,492,287
Unrealized profit arising from elimination of intra-group transactions	270,407,424	67,601,856	241,873,428	60,468,357
Deductible tax losses	262,968,180	59,998,535	58,883,882	14,720,970
Provision for staff welfare	97,268,792	21,282,715	106,232,320	23,754,973
Changes in fair value of other equity instruments	44,322,216	11,080,554	—	—
Others	30,865,510	7,716,379	14,856,758	3,714,191
	<u>1,950,597,910</u>	<u>484,621,359</u>	<u>1,719,634,213</u>	<u>430,128,781</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. Deferred tax assets/Deferred tax liabilities (continued)

RMB

	31 December 2022		31 December 2021	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities				
Capitalization of interest on general borrowings	129,092,745	32,273,186	67,452,481	16,863,120
Changes in fair value of other equity instrument investments	45,447,873	11,361,968	44,142,400	11,035,600
Changes in fair value of other non-current assets	21,205,538	5,301,385	22,481,535	5,620,384
Valuation appreciation on assets in business combination not involving enterprises under common control	1,315,571,953	328,892,988	1,329,087,206	338,602,693
Depreciation difference of fixed assets between accounting and tax basis	1,125,940,448	260,008,875	841,082,137	200,064,065
Others	250,360,656	45,922,402	153,553,771	20,273,943
	<u>2,887,619,213</u>	<u>683,760,804</u>	<u>2,457,799,530</u>	<u>592,459,805</u>

Deferred income tax assets and deferred income tax liabilities are presented at the net amount after eliminated:

RMB

	31 December 2022		31 December 2021	
	Offset Amount	Balance after offset	Offset Amount	Balance after offset
Deferred income tax assets	<u>97,191,959</u>	<u>387,429,400</u>	<u>19,594,463</u>	<u>410,534,318</u>
Deferred income tax liabilities	<u>97,191,959</u>	<u>586,568,845</u>	<u>19,594,463</u>	<u>572,865,342</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 19. Deferred tax assets/Deferred tax liabilities *(continued)*

Deductible losses and temporary differences of unrecognised deferred income tax assets are as follows:

	31 December 2022	RMB 31 December 2021
Deductible temporary differences	2,043,187,879	1,902,744,324
Deductible losses	889,771,714	734,751,915
	<u>2,932,959,593</u>	<u>2,637,496,239</u>

The deductible losses that are not recognised as deferred income tax assets will expire in the following years:

	31 December 2022	RMB 31 December 2021
2022	—	92,749,520
2023	56,428,025	82,173,463
2024	90,288,507	102,730,946
2025	43,711,507	140,122,291
2026	90,335,363	297,033,457
2027	570,202,790	—
2029	8,364,466	8,523,591
2030	11,273,465	11,418,647
2032	19,167,591	—
	<u>889,771,714</u>	<u>734,751,915</u>

The Group's subsidiaries with deductible losses prepare the profit forecasts for the next 5 years based on the approved budget to assess the taxable income to be generated from the subsidiaries enjoying the deductible loss before the expiration of the deductible loss, and to recognize the deferred income tax assets for the deductible loss based on the assessment result.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. Short-term borrowings

	RMB	
	31 December 2022	31 December 2021
Mortgaged borrowings (note 1)	31,000,000	13,000,000
Credit borrowings	114,258,701	—
Guaranteed borrowings (note 2)	448,156,960	629,946,608
	<u>593,415,661</u>	<u>642,946,608</u>

Note 1 : As at 31 December 2022 and 31 December 2021, details and value of collaterals corresponding to mortgaged borrowings of the Group are set out in Note V. 60.

Note 2 : As at 31 December 2022 and 31 December 2021, the guaranteed borrowings were guaranteed by entities within the Group.

As at 31 December 2022, the interest rates of the above borrowings were 1.65%–3.85% per annum (31 December 2021: 1.80%–4.35%).

As at the balance sheet date, the Group had no outstanding borrowings that were due.

### 21. Notes payable

	RMB	
	31 December 2022	31 December 2021
Commercial acceptance bills	68,794,307	54,778,080
Bank acceptance bills	660,433,480	616,215,002
	<u>729,227,787</u>	<u>670,993,082</u>

As at 31 December 2022, there were no outstanding notes payable (31 December 2021: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 22. Accounts payable

Accounts payable are non-interest bearing and shall generally be paid within 30 to 360 days.

RMB

	<b>31 December 2022</b>	31 December 2021
Within 1 year (inclusive of 1 year)	<b>7,234,349,975</b>	6,238,836,617
1 to 2 years (inclusive of 2 years)	<b>631,936,804</b>	503,909,807
2 to 3 years (inclusive of 3 years)	<b>238,643,172</b>	214,470,142
Over 3 years	<b>261,353,365</b>	155,085,789
	<b><u>8,366,283,316</u></b>	<u>7,112,302,355</u>

The aging of accounts payable is calculated from the date of receipt of goods delivered by the suppliers or rendering of services from the suppliers.

As at 31 December 2022, there were no significant accounts payable aged over one year (31 December 2021: Nil).

### 23. Contract liabilities

RMB

	<b>31 December 2022</b>	31 December 2021
Advance on sales of goods	<b><u>681,610,930</u></b>	<u>847,443,693</u>
	<b><u>681,610,930</u></b>	<u>847,443,693</u>

As at 31 December 2022, there were no significant contract liabilities aged over one year (31 December 2021: Nil).

Generally, the Group will perform the obligations and recognize revenue within three months after receiving the advance on sales of goods will.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. Employee benefits payable

**31 December 2022**

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term remunerations	279,930,965	2,149,573,761	2,314,811,986	114,692,740
Post-employment benefits (defined contribution plan)	6,775,843	262,490,735	265,258,204	4,008,374
Other benefits due within 1 year	122,385,197	12,380,605	122,385,197	12,380,605
	<u>409,092,005</u>	<u>2,424,445,101</u>	<u>2,702,455,387</u>	<u>131,081,719</u>

**31 December 2021**

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term remunerations	412,881,300	2,268,135,059	2,401,085,394	279,930,965
Post-employment benefits (defined contribution plan)	11,692,136	264,394,729	269,311,022	6,775,843
Other benefits due within 1 year	105,304,485	132,769,322	115,688,610	122,385,197
	<u>529,877,921</u>	<u>2,665,299,110</u>	<u>2,786,085,026</u>	<u>409,092,005</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. Employee benefits payable (continued)

Short-term remunerations are as follows :

#### 31 December 2022

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses, allowances and subsidies	241,706,346	1,546,981,359	1,705,967,077	82,720,628
Staff welfare	7,354,011	232,432,501	239,432,294	354,218
Social insurance	4,238,003	162,816,915	164,068,863	2,986,055
Including: Medical insurance	3,735,936	146,717,528	148,004,500	2,448,964
Work injury insurance	417,089	15,949,839	15,898,316	468,612
Maternity insurance	84,978	149,548	166,047	68,479
Housing funds	1,321,347	162,371,196	161,780,635	1,911,908
Union fund and employee education fund	25,311,258	44,971,790	43,563,117	26,719,931
	<u>279,930,965</u>	<u>2,149,573,761</u>	<u>2,314,811,986</u>	<u>114,692,740</u>

#### 31 December 2021

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses, allowances and subsidies	386,054,058	1,631,346,315	1,775,694,027	241,706,346
Staff welfare	117,585	250,610,342	243,373,916	7,354,011
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
Work injury insurance	428,842	15,807,989	15,819,742	417,089
Maternity insurance	55,791	1,710,648	1,681,461	84,978
Housing funds	1,303,664	161,366,879	161,349,196	1,321,347
Union fund and employee education fund	21,592,330	48,984,195	45,265,267	25,311,258
	<u>412,881,300</u>	<u>2,268,135,059</u>	<u>2,401,085,394</u>	<u>279,930,965</u>

As at the balance sheet date, there was no employee benefits payable in arrears.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. Employee benefits payable (continued)

Defined contribution plan are as follows:

#### 31 December 2022

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension	6,397,076	252,408,861	255,303,929	3,502,008
Unemployment insurance	378,767	10,081,874	9,954,275	506,366
	<u>6,775,843</u>	<u>262,490,735</u>	<u>265,258,204</u>	<u>4,008,374</u>

#### 31 December 2021

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension	10,920,195	254,380,159	258,903,278	6,397,076
Unemployment insurance	771,941	10,014,570	10,407,744	378,767
	<u>11,692,136</u>	<u>264,394,729</u>	<u>269,311,022</u>	<u>6,775,843</u>

The Group participated in the pension insurance and unemployment insurance managed by local government, to which the Group and employees made contributions based on 12%–19% and 0.5–0.7% of the total wages in the previous year respectively. In addition to the monthly deposit fees mentioned above, the Group has no any further payment obligations. The corresponding expenses are included in the current profit or loss or the cost of related assets when incurred.

### 25. Taxes payable

RMB

	31 December 2022	31 December 2021
VAT	192,343,209	208,921,084
Corporate income tax	240,537,438	561,530,002
Individual income tax	7,369,590	7,211,063
Resource tax	40,688,021	27,475,802
Environmental protection tax	21,147,193	25,061,630
Others	190,424,628	230,716,886
	<u>692,510,079</u>	<u>1,060,916,467</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 26. Other payables

	31 December 2022	31 December 2021
		RMB
Interests payable		
Interests of corporate bonds	36,436,171	21,730,154
Interests on borrowings	3,642,862	13,088,944
	<u>40,079,033</u>	<u>34,819,098</u>
Dividends payable		
Dividends on common stock	35,235,662	42,566,956
Dividends on non-controlling shareholders		
— CHILANGA Cement PLC non-controlling shareholders	14,013,841	15,587,558
	<u>49,249,503</u>	<u>58,154,514</u>
Other payables		
Deposits	319,848,785	221,364,624
Non-controlling shareholders' borrowings and other payables	179,732,967	177,377,150
Payables for equity acquisition and others	139,785,187	156,569,856
Amounts collected on behalf and temporary receipts	74,882,462	6,489,388
Government borrowings	5,000,000	5,000,000
Others	106,518,109	96,420,040
	<u>825,767,510</u>	<u>663,221,058</u>
Total	<u>915,096,046</u>	<u>756,194,670</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Other payables (continued)

As at 31 December 2022, significant other payables aging more than one year of the Group are as follows:

RMB

	Amount payable	Reasons for un-repayment
Payables to non-controlling shareholders	177,377,150	Undue Payment criteria is not met
Payables for equity acquisition and others	124,312,748	
	<u>301,689,898</u>	

As at 31 December 2021, significant other payables aging more than one year of the Group are as follows:

RMB

	Amount payable	Reasons for un-repayment
Payables to non-controlling shareholders	157,377,150	Undue Payment criteria is not met
Payables for equity acquisition and others	<u>113,985,242</u>	
	<u>271,362,392</u>	

### 27. Non-current liabilities due within one year

RMB

	31 December 2022	31 December 2021
Long-term borrowings due within one year	2,193,087,502	850,880,229
Long-term payables due within one year	2,084,119,248	329,070,334
Lease liabilities due within one year	<u>149,842,591</u>	<u>33,699,621</u>
	<u>4,427,049,341</u>	<u>1,213,650,184</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 28. Long-term borrowings

	31 December 2022	31 December 2021
Guaranteed borrowings (note 1)	6,995,926,978	4,304,806,827
Credit borrowings	2,224,500,000	1,220,000,001
Pledged borrowings (note 2)	250,420,000	403,280,000
Mortgaged borrowings (note 3)	4,329,348	4,717,907
Less : Long-term borrowings due within one year		
Guaranteed borrowings	1,197,898,154	695,020,229
Credit borrowings	898,000,000	33,000,000
Pledged borrowings	92,860,000	122,860,000
Mortgaged borrowings	4,329,348	—
	<b>7,282,088,824</b>	<b>5,081,924,506</b>

As at 31 December 2022, the annual interest rates of the above borrowings were 2.65%–7.15% (31 December 2021: 1.10%–5.10%).

Note 1 : As at 31 December 2022 and 31 December 2021, the guaranteed borrowings of the Group were guaranteed by entities within the Group.

Note 2 : As at 31 December 2022 and 31 December 2021, details and value of collaterals corresponding to pledged borrowings of the Group are set out in Note V. 60.

Note 3 : As at 31 December 2022 and 31 December 2021, details and value of collaterals corresponding to mortgaged borrowings of the Group are set out in Note V. 60.

As at the balance sheet date, an analysis on maturity of long — term borrowings (including the portion due within one year) is as follows:

	31 December 2022	31 December 2021
Within 1 year	2,193,087,502	850,880,229
1–2 years	2,421,597,318	1,899,342,560
2–5 years	4,206,408,619	3,074,885,639
Over 5 years	654,082,887	107,696,307
	<b>9,475,176,326</b>	<b>5,932,804,735</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 29. Bonds payable

#### (1) Bonds payable

	31 December 2022	31 December 2021
Overseas bond issued in 2020 (Note 1)	2,080,547,640	1,901,938,824
Bonds issued to professional investors in 2021 (Phase I) (Note 2)	1,298,627,200	1,297,795,200
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) (Note 3)	898,168,591	—
Preference shares of subsidiary (Note 4)	148,943,421	128,126,596
	<b>4,426,286,852</b>	<b>3,327,860,620</b>

RMB

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 corporate bonds totalling USD300 million on the Singapore Exchange (SGX) on 19 November 2020 at a coupon rate of 2.25%. The corporate bonds are calculated with 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 the China Securities Regulatory Commission, the Company issued corporate bonds with a total amount not exceeding USD1300 million on 25 August 2021 at a coupon rate of 3.26%. The corporate bonds are calculated with simple monthly interest which is paid on a half-year basis and with a period of three years.

Note 3: According to CSRC Permit [2628], on 19 July 2022, the Company issued RMB500 million corporate bonds, Low-carbon Transition-linked Bond Type 1, with a maturity of 3 years, with a coupon rate of 2.99% at a fixed rate of 2.99% for the first two years, and a coupon rate for the third year determined based on the assessment results of low-carbon transition goals, which is linked to the Company's preset key performance indicators and the completion of low-carbon transition performance targets; on the same day, RMB400 million corporate bonds were issued with a low-carbon transition-linked bond type 2, with a maturity of 5 years, with a coupon rate of 3.39% at a fixed rate for the first four years, and a coupon rate of 3.39% for the fifth year, which is determined according to the assessment results of low-carbon transition goals, which are linked to the enterprise's preset key performance indicators and the completion of low-carbon transition performance targets.

Note 4: 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 USD19.25 million. These preference shares were issued and paid up in August 2021. The Company's management accounts for preferred shares in financial liabilities and measures them at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 29. Bonds payable (continued)

#### (2) Changes in bonds payable

As of 31 December 2022, the balance of bonds payable is listed as follows :

RMB

Name of bond	Par value	Issue date	Term of bond	Issue amount	Opening balance	Issuance for the period	Amortization of premium or discount	Repayment	Exchange gain or loss	Closing balance	Balance of accrued interest
Overseas bond issued in 2020	100	19 November 2020	5 years	1,973,460,000	1,901,938,824	—	2,941,587	—	175,667,229	2,080,547,640	5,484,623
Bonds issued to professional investors in 2021 (Phase I)	100	25 August 2021	3 years	1,300,000,000	1,297,795,200	—	832,000	—	—	1,298,627,200	14,833,000
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) Type I	100	19 July 2022	3 years	500,000,000	—	498,804,303	178,247	—	—	498,982,550	6,685,972
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) Type II	100	19 July 2022	5 years	400,000,000	—	399,043,443	142,598	—	—	399,186,041	6,064,333
				<u>4,173,460,000</u>	<u>3,199,734,024</u>	<u>897,847,746</u>	<u>4,094,432</u>	<u>—</u>	<u>175,667,229</u>	<u>4,277,343,431</u>	<u>33,067,928</u>

As of 31 December 2021, the balance of bonds payable is listed as follows :

RMB

Name of bond	Par value	Issue date	Term of bond	Issue amount	Opening balance	Issuance for the period	Amortization of premium or discount	Repayment	Exchange gain or loss	Closing balance	Balance of accrued interest
Phase-I corporate bonds issued in 2016	100	19 August 2016	5 years	1,200,000,000	1,199,284,590	—	613,209	1,199,897,799	—	—	—
Overseas bond issued in 2020	100	19 November 2020	5 years	1,973,460,000	1,943,763,447	—	2,652,637	—	(44,477,260)	1,901,938,824	5,020,864
Bonds issued to professional investors in 2021 (Phase I)	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	—	—	—
				<u>4,473,460,000</u>	<u>1,943,763,447</u>	<u>1,297,504,000</u>	<u>2,943,837</u>	<u>—</u>	<u>(44,477,260)</u>	<u>3,199,734,024</u>	<u>19,853,864</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 29. Bonds payable (continued)

#### (3) Movements in preference shares outstanding at the end of the period

As at 31 December 2022, the closing balance of preference shares is listed as below:

RMB

Outstanding financial instruments	Opening balance		Exchange gains or losses	Gains or losses on changes in fair value	Closing balance		Balance of accrued interest
	Shares	Carrying amount			Carrying amount	Carrying amount	
Preference shares of the subsidiary	19,250,000	128,126,596	11,336,325	9,480,500	19,250,000	148,943,421	3,368,243
Total	19,250,000	128,126,596	11,336,325	9,480,500	19,250,000	148,943,421	3,368,243

As at 31 December 2021, the closing balance of preference shares is listed as below:

RMB

Outstanding financial instruments	Opening balance		Exchange gains or losses	Gains or losses on changes in fair value	Closing balance		Balance of accrued interest
	Shares	Carrying amount			Carrying amount	Carrying amount	
Preference shares of the subsidiary	19,250,000	124,507,075	(1,774,850)	5,394,371	19,250,000	128,126,596	1,876,290
Total	19,250,000	124,507,075	(1,774,850)	5,394,371	19,250,000	128,126,596	1,876,290

#### (4) Maturity analysis of bonds payable due over one year

RMB

Items	Closing balance	Opening balance
1 to 2 years	1,298,627,200	—
2 to 5 years	2,978,716,231	3,199,734,024
Over 5 years	148,943,421	128,126,596
Total	4,426,286,852	3,327,860,620

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 30. Lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	909,748,345	257,279,739
Less : lease liabilities due within one year	149,842,591	33,699,621
	<u>759,905,754</u>	<u>223,580,118</u>

RMB

### 31. Long-term payables

	31 December 2022	31 December 2021
Long-term payables	<u>2,837,076,467</u>	<u>463,257,160</u>

RMB

#### *Long-term payables*

	31 December 2022	31 December 2021
Transaction fees of mining rights paid in installments	4,921,195,715	769,068,821
Finance lease payable	—	23,258,673
Less: Transaction fees of mining rights paid by installments due within one year	2,084,119,248	305,811,661
Finance lease payable due within 1 year	—	23,258,673
	<u>2,837,076,467</u>	<u>463,257,160</u>

RMB

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 31. Long-term payables (continued)

#### Long-term payables (continued)

Analysis of maturity of long-term payables:

	31 December 2022	31 December 2021
Within 1 year (inclusive of 1 year)	2,084,119,248	329,070,334
1 to 2 years (inclusive of 2 years)	2,639,230,325	305,956,131
2 to 5 years (over 2 years and inclusive of 5 years)	181,460,518	152,682,199
Over 5 years	16,385,624	4,618,830
	<b>4,921,195,715</b>	<b>792,327,494</b>

RMB

### 32. Long-term employee benefits payable

	31 December 2022	31 December 2021
Net liabilities of defined benefit plan (Note 1)	59,987,287	65,081,588
Long-term employee incentives (Note 2)	—	111,762,003
Less: To be paid within one year	12,380,605	122,385,197
	<b>47,606,682</b>	<b>54,458,394</b>

RMB

Note 1: The Group's defined benefit plans are various supplementary benefit plans targeting those employees retiring before the designated dates, and the plans are subject to impacts from interest rate risk and changes in the life expectancy of pension beneficiaries.

Note 2: 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 a certain number of virtual shares of the Company. At the end of the third year after the 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 the 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 the share price at the grant date. As of 31 December 2022, the cash-settled share-based payment has been fully exercised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 33. Provisions

31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Provisions for Mine restoration (Note 1)	345,951,659	136,958,305	(41,649,338)	441,260,626
Provision for Others (Note 2)	1,521,803	—	(521,803)	1,000,000
	<u>347,473,462</u>	<u>136,958,305</u>	<u>(42,171,141)</u>	<u>442,260,626</u>

31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Provisions for Mine restoration (Note 1)	230,271,485	150,989,950	(35,309,776)	345,951,659
Provision for Others (Note 2)	3,121,801	—	(1,599,998)	1,521,803
	<u>233,393,286</u>	<u>150,989,950</u>	<u>(36,909,774)</u>	<u>347,473,462</u>

Note 1: Accrued restoration cost was recognized based on the expenditure on restoration of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.

Note 2: Other items include the expected compensation for pending litigation by subsidiaries of the Group.

### 34. Deferred income

31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Government grants	<u>292,376,076</u>	<u>28,755,100</u>	<u>(29,253,722)</u>	<u>291,877,454</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 34. Deferred income (continued)

31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Government grants	<u>301,399,766</u>	<u>21,895,200</u>	<u>(30,918,890)</u>	<u>292,376,076</u>

As at 31 December 2022, the major items related to government grants were as follows:

RMB

	Opening balance	Subsidies increased for the period	Amortization recognized in other income	Closing balance	Related to assets/ income
Cement kiln line infrastructure	239,633,939	21,090,000	(19,242,132)	241,481,807	Related to assets
Energy saving technological transformation	52,742,137	7,665,100	(10,011,590)	50,395,647	Related to assets
	<u>292,376,076</u>	<u>28,755,100</u>	<u>(29,253,722)</u>	<u>291,877,454</u>	

As at 31 December 2021, the major items related to government grants were as follows:

RMB

	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
	<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 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 35. Other non-current liabilities

	RMB	
	31 December 2022	31 December 2021
Advances on sales	104,940,000	94,446,000
	<u>104,940,000</u>	<u>94,446,000</u>

### 36. Share capital

#### 31 December 2022

	RMB	
	31 December 2022	31 December 2021
Listed shares without restriction of trading		
RMB ordinary shares	1,361,879,855	1,361,879,855
Domestic listed foreign shares	—	734,720,000
Overseas listed ordinary shares	734,720,000	—
Total share capital	<u>2,096,599,855</u>	<u>2,096,599,855</u>

#### 31 December 2021

	RMB	
	31 December 2021	31 December 2020
Listed shares without restriction of trading		
RMB ordinary shares	1,361,879,855	1,361,879,855
Domestic listed foreign shares	734,720,000	734,720,000
Total share capital	<u>2,096,599,855</u>	<u>2,096,599,855</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 37. Capital reserve

#### 31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Share premium	1,811,326,903	268,622	7,496,006	1,804,099,519
Equity incentive	120,162,971	—	48,733,276	71,429,695
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	3,911,852	698,089	—	4,609,941
	<u>2,031,151,748</u>	<u>966,711</u>	<u>56,229,282</u>	<u>1,975,889,177</u>

#### 31 December 2021

RMB

	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
	<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 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 38. Treasury shares

31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Treasury share for equity incentive plan	<u>610,051,971</u>	<u>—</u>	<u>—</u>	<u>610,051,971</u>

31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Treasury share for equity incentive plan	<u>610,051,971</u>	<u>—</u>	<u>—</u>	<u>610,051,971</u>

### 39. Other comprehensive income

Accumulated balance of other comprehensive income attributable to shareholders of the parent company in the consolidated balance sheet:

31 December 2022

RMB

	1 January 2022	Increase/ (decrease)	31 December 2022
Changes in fair value of investment in other equity instruments	30,331,199	(32,262,556)	(1,931,357)
Exchange differences on foreign currency translation	<u>(335,681,331)</u>	<u>162,355,204</u>	<u>(173,326,127)</u>
	<u>(305,350,132)</u>	<u>130,092,648</u>	<u>(175,257,484)</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Other comprehensive income (continued)

#### 31 December 2021

RMB

	1 January 2021	Increase/ (decrease)	31 December 2021
Changes in fair value of investment in other equity instruments	13,762,146	16,569,053	30,331,199
Exchange differences on foreign currency translation	<u>(289,054,909)</u>	<u>(46,626,422)</u>	<u>(335,681,331)</u>
	<u>(275,292,763)</u>	<u>(30,057,369)</u>	<u>(305,350,132)</u>

Changes in other comprehensive income:

#### 31 December 2022

RMB

	Amount before tax	Less: Income tax	Attributable to the shareholders of the parent company	Attributable to non-controlling shareholders
Other comprehensive income not allowed to be reclassified to profit or loss				
Changes in fair value of investment in other equity instruments	(43,016,743)	(10,754,187)	(32,262,556)	—
Other comprehensive income to be reclassified into profit or loss				
Exchange differences on foreign currency translation	<u>271,709,227</u>	<u>—</u>	<u>162,355,204</u>	<u>109,354,023</u>
	<u>228,692,484</u>	<u>(10,754,187)</u>	<u>130,092,648</u>	<u>109,354,023</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Other comprehensive income (continued)

31 December 2021

	Amount before tax	Less: Income tax	Attributable to the shareholders of the parent company	Attributable to non-controlling shareholders
Other comprehensive income not allowed to be reclassified to profit or loss				
Changes in fair value of investment in other equity instruments	22,092,071	5,523,018	16,569,053	—
Other comprehensive income to be reclassified into profit or loss				
Exchange differences on foreign currency translation	(53,719,862)	—	(46,626,422)	(7,093,440)
	<u>(31,627,791)</u>	<u>5,523,018</u>	<u>(30,057,369)</u>	<u>(7,093,440)</u>

### 40. Specific reserve

31 December 2022

	Opening balance	Addition	Reduction	Closing balance
Production safety cost	—	205,683,364	168,038,513	37,644,851

31 December 2021

	Opening balance	Addition	Reduction	Closing balance
Production safety cost	—	154,522,455	154,522,455	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 41. Surplus reserve

#### 31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Statutory surplus reserve	1,048,299,928	—	—	1,048,299,928
Discretionary surplus reserve	63,580,329	—	—	63,580,329
	<u>1,111,880,257</u>	<u>—</u>	<u>—</u>	<u>1,111,880,257</u>

#### 31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Statutory surplus reserve	1,048,299,928	—	—	1,048,299,928
Discretionary surplus reserve	63,580,329	—	—	63,580,329
	<u>1,111,880,257</u>	<u>—</u>	<u>—</u>	<u>1,111,880,257</u>

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed. After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserve. Upon approval, discretionary surplus reserve can be used to make up for losses from previous years or to increase the share capital.

The cumulative amount of the Company's statutory surplus reserve has exceeded 50% of the registered capital, and no statutory surplus reserve was withdrawn in 2022 (2021: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 42. Retained earnings

	31 December 2022	31 December 2021
Retained earnings as at the beginning of the year	22,405,681,711	19,304,701,887
Net profit attributable to the shareholders of the parent company	2,698,868,510	5,363,525,692
Less: Ordinary share dividends payable	2,094,949,878	2,262,545,868
Retained earnings at the end of the year	<u>23,009,600,343</u>	<u>22,405,681,711</u>

Upon the consideration and approval at the 2021 annual general meeting of the Company convened on 20 May 2022, the profit distribution for the year 2021 was calculated based on 2,094,949,878 shares (the total share capital of the Company of 2,096,599,855 shares minus the number of shares repurchased on the special account for repurchase on the record date of dividend-payment of 1,649,977 shares), with the distribution of a cash dividend of RMB1.00 per share (tax inclusive).

### 43. Operating income and costs

	2022		2021	
	Revenue	Cost	Revenue	Cost
Principal operations	30,168,692,817	22,332,075,543	32,237,328,449	21,297,150,550
Other operations	301,689,546	149,826,064	226,754,930	95,343,915
	<u>30,470,382,363</u>	<u>22,481,901,607</u>	<u>32,464,083,379</u>	<u>21,392,494,465</u>

Operating income are as follows:

	2022	2021
Revenue from contracts with customers	30,449,370,612	32,441,173,584
Rental income	21,011,751	22,909,795
	<u>30,470,382,363</u>	<u>32,464,083,379</u>

In 2022 and 2021, there is no revenue from a single customer exceeding 10% of the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 43. Operating income and costs (continued)

Disaggregated operating revenue from contracts with customers is as follows:

	RMB	
	2022	2021
Revenue recognition time		
Revenue recognized at a point in time		
Sale of products	29,775,628,777	31,701,260,838
Revenue recognized over a period of time		
Rendering of services	694,753,586	762,822,541
	<u>30,470,382,363</u>	<u>32,464,083,379</u>
Main product types		
Sales of cement	18,829,682,529	24,067,650,740
Sales of concrete	5,132,828,829	3,175,398,379
Sales of aggregate	3,064,928,809	2,053,535,770
Sales of clinker	1,758,355,585	1,606,353,621
Others	1,684,586,611	1,561,144,869
	<u>30,470,382,363</u>	<u>32,464,083,379</u>
Main business areas		
China	26,279,374,714	29,881,187,845
Asia outside of China	2,644,864,060	2,192,986,502
Africa Region	1,546,143,589	389,909,032
	<u>30,470,382,363</u>	<u>32,464,083,379</u>

The revenue recognized in the current year and included in the carrying amount of contract liabilities at the beginning of the year is as follow:

	RMB	
	2022	2021
Sale of products	740,633,501	734,948,709
	<u>740,633,501</u>	<u>734,948,709</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 44. Tax and surcharges

	RMB	
	2022	2021
City maintenance and construction tax	52,946,066	72,896,705
Education surcharges	44,063,716	61,234,963
Resource tax	298,586,538	267,536,107
Real estate tax	46,869,207	39,325,230
Land use tax	53,716,910	56,465,694
Green tax	58,010,769	79,400,054
Others	31,598,785	27,751,541
	<b>585,791,991</b>	<b>604,610,294</b>

### 45. Selling expenses

	RMB	
	2022	2021
Consumption of materials	488,188,396	509,729,119
Staff costs	417,878,024	409,717,779
Depreciation and amortization expenses	101,878,562	92,760,671
Electric charge	90,893,770	82,289,636
Repair expenses	30,648,978	38,635,328
Sales expenses	142,583,835	128,829,985
Others	99,749,400	69,246,452
	<b>1,371,820,965</b>	<b>1,331,208,970</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 46. Administrative expenses

	RMB	
	2022	2021
Employee compensation and labor costs	848,373,286	933,190,352
Depreciation and amortization expenses	203,270,529	198,841,666
Intermediary service fees	91,382,948	79,888,235
Office expenses	206,652,399	195,528,654
Environmental protection and greening fees	50,902,306	51,642,450
Property insurance expenses	15,922,586	14,883,522
Rental expenses	2,210,727	208,434
Others	163,824,679	160,514,294
	<u>1,582,539,460</u>	<u>1,634,697,607</u>

### 47. Finance costs

	RMB	
	2022	2021
Interest expenditure on borrowings	446,819,553	302,139,663
Interest expenses on lease liabilities	29,299,022	6,115,643
Less: Interest income	84,844,797	155,781,766
Less: Amount of capitalized interest	69,563,929	29,504,287
Exchange gains	126,424,800	8,633,862
Others	10,353,522	38,656,493
	<u>458,488,171</u>	<u>170,259,608</u>

In 2022, the amount of capitalised borrowing costs has included in construction in progress of RMB69,563,929 (2021: RMB29,504,287)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 48. Other gains

	RMB	
	2022	2021
Tax refunds from comprehensive utilization of resources	75,651,346	109,462,051
Amortization of deferred income	29,253,722	30,918,890
Government subsidies in relation to the ordinary activities	112,412,576	67,132,883
	<u>217,317,644</u>	<u>207,513,824</u>

Other gains recorded in non-recurring profit or loss amounted to RMB141,662,298 in the current period.

### 49. Investment income

	RMB	
	2022	2021
Gains from long-term equity investments under equity method	(15,582,356)	10,506,995
Income(losses) on disposal of long-term equity investments	—	2,499,785
Investment gains from held for trading financial assets during the holding Period	29,529,951	12,069,964
Dividend income from other non-current financial assets during the holding period	1,375,553	1,472,536
Interest income of debt investments during the hold period	900,000	900,000
Dividend income from other equity instrument investments during the holding period	917,726	—
	<u>17,140,874</u>	<u>27,449,280</u>

### 50. Gains (losses) from changes in fair value

	RMB	
	2022	2021
Held-for-trading financial assets	29,747,215	7,382,570
Other non-current financial assets	(1,275,995)	(6,483,994)
Bonds payable	(9,480,500)	(5,394,371)
	<u>18,990,720</u>	<u>(4,495,795)</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 51. Impairment losses on credit

	RMB	
	2022	2021
Losses on bad debts of accounts receivable	16,595,831	24,883,046
Losses on bad debts of other receivables	4,959,866	2,778,396
	<u>21,555,697</u>	<u>27,661,442</u>

### 52. Impairment losses on assets

	RMB	
	2022	2021
Losses on impairment of goodwill	38,578,269	—
Losses on impairment of fixed assets	31,871,544	27,064,663
Losses on impairment of intangible assets	25,717,776	—
Losses on decline in value of inventory	16,079,506	8,036,195
Losses on decline in value of construction work in process	897,165	—
Losses on impairment of long-term deferred expenditures	694,336	—
	<u>113,838,596</u>	<u>35,100,858</u>

### 53. (Losses) gains on disposal of assets

	RMB	
	2022	2021
(Losses)/Gains on disposal of fixed assets	(6,806,205)	15,305,229
(Losses)/Gains on disposal of intangible assets	(355,586)	1,938,956
	<u>(7,161,791)</u>	<u>17,244,185</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 54. Non-operating income

	2022	2021	RMB Recognised in non-recurring profit and loss for 2022
Government subsidies unrelated to the ordinary activities	3,757,954	49,894	3,757,954
Gains on disposal of fixed assets	3,898,065	885,430	3,898,065
Negative goodwill	—	10,392,602	—
Others	33,042,648	11,855,042	33,042,648
	<u>40,698,667</u>	<u>23,182,968</u>	<u>40,698,667</u>

### 55. Non-operating expenses

	2022	2021	RMB Recognised in non-recurring profit and loss for 2022
Losses on disposal of fixed assets	5,852,195	41,631,098	5,852,195
Expenses on charity donation	24,607,769	18,026,701	24,607,769
Expenses on compensation, penalties and fines	373,357	3,613,150	373,357
Other expenses	44,350,290	31,276,345	44,350,290
	<u>75,183,611</u>	<u>94,547,294</u>	<u>75,183,611</u>

### 56. Income tax expense

	2022	2021	RMB
Current income tax expense	905,849,286	1,522,117,310	
Deferred income tax expense	58,681,437	45,941,517	
	<u>964,530,723</u>	<u>1,568,058,827</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 56. Income tax expense (continued)

A reconciliation of income tax expense and total profit is set out as follows:

	2022	2021
Profit before tax	3,988,085,596	7,372,995,844
Income tax expense at 25% rate	997,021,399	1,843,248,961
Effect of different tax rates of some subsidiaries	(161,780,637)	(247,703,732)
Effect of non-taxable income	(2,351,173)	(8,610,524)
Expenses not deductible costs	33,531,186	38,868,707
Effect of additional deductions for research and development expenses	(12,338,653)	(14,574,946)
Effect of use of deductible losses and temporary differences from previous years	(48,468,160)	(104,760,492)
Effect of deductible temporary difference and deductible losses not recognized	136,768,254	76,065,156
Others	22,148,507	(14,474,303)
Income tax expense at the effective tax rate of the Group	<u>964,530,723</u>	<u>1,568,058,827</u>

### 57. Earnings per share

	2022	2021
	RMB/share	RMB/share
Basic earnings per share		
Continuing operations	<u>1.30</u>	<u>2.58</u>
Diluted earnings per share		
Continuing operations	<u>1.28</u>	<u>2.58</u>

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company (after deducting the cash dividends expected to be unlocked by holders of restricted stocks in the future) divided by the weighted average number of outstanding ordinary shares in issue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 57. Earnings per share *(continued)*

The diluted element of earnings per share is determined by current net profit attributable to the Company's ordinary shareholders, adjusted for: (1) earnings or expenses to be incurred upon conversion of dilutive potential ordinary share; and (2) the income tax impact associated with the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average of the parent company's issued ordinary shares in basic earnings per share; and (2) the weighted average number of additional ordinary shares assuming conversion of dilutive potential common shares into common shares.

In calculating the weighted average number of the additional shares of ordinary stock resulting from conversion of dilutive potential ordinary stock into outstanding ordinary stock, dilutive potential ordinary stock issued in prior periods, assuming conversion at the beginning of the current period; Dilutive potential ordinary stock issued in the current period, assuming conversion on the issue date.

Basic and diluted earnings per share are calculated as follows :

	2022	2021
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,698,868,510	5,363,525,692
less : Cash dividends expected to unlock future restricted shareholders	<u>1,874,965</u>	<u>16,587,352</u>
	<u><b>2,696,993,545</b></u>	<u><b>5,346,938,340</b></u>
add: Cash dividends expected to unlock future restricted shareholders	1,874,965	16,587,352
less: The effect of subsidiaries dilutive potential ordinary share	<u>46,923,087</u>	<u>778,290</u>
Adjusted net profit for the period attributable to the Company's ordinary shareholders	<u><b>2,651,945,423</b></u>	<u><b>5,362,747,402</b></u>
Attributed to : continuing operations	<u><b>2,651,945,423</b></u>	<u><b>5,362,747,402</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 57. Earnings per share *(continued)*

	2022	2021
Shares		
Weighted average number of ordinary shares in issue of the Company	2,073,910,517	2,073,910,517
Dilution effect — the weighted average of common shares Restricted shares	2,389,465	1,845,030
The adjusted weighted average of the Company's common shares outstanding	<u>2,076,299,982</u>	<u>2,075,755,547</u>

### 58. Notes to items of statement of cash flows

	RMB	
	2022	2021
Other cash receipts relating operating activities		
Government subsidy	144,925,630	89,077,977
Receipt of security deposit, petty cash	98,484,161	117,954,442
Interest income	84,844,797	155,781,766
Others	38,217,344	1,931,016
	<u>366,471,932</u>	<u>364,745,201</u>
Other cash payments relating to operating activities		
Selling and administrative expenses etc. paid	846,279,918	720,824,655
Deposit and other amounts paid	49,284,541	81,163,871
Other current accounts	130,871,365	174,770,380
	<u>1,026,435,824</u>	<u>976,758,906</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 58. Notes to items of statement of cash flows *(continued)*

	2022	2021
		RMB
Other cash receipts relating to investing activities		
Cash and cash equivalents held by subsidiaries on the date of purchase	111,634,822	—
Equity margin refund received	—	5,602,256
	<u>111,634,822</u>	<u>5,602,256</u>
Cash payments for other investing activities		
Payment of equity-related amounts	208,800,000	—
Offer borrowing	170,439,950	—
Payment of bidding deposit on mining rights auction	100,003,372	—
	<u>479,243,322</u>	<u>—</u>
Other cash receipts relating to financing activities		
Receive after sale finance lease payment and security deposit	15,000,000	—
Sale of non-controlling equity funds	5,024,115	—
Preferred share funds received	—	124,507,075
	<u>20,024,115</u>	<u>124,507,075</u>
Other cash payments relating to financing activities		
Payment the sale and leaseback principal and security deposit	23,258,673	68,973,653
Lease payment	190,532,519	30,289,234
Payment for non-controlling shares	59,079,325	—
	<u>272,870,517</u>	<u>99,262,887</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 59. Supplemental information to statement of cash flows

#### (1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	RMB	
	2022	2021
Net profit	3,023,554,873	5,804,937,017
Add: Impairment losses on assets	113,838,596	35,100,858
Impairment losses on credit	21,555,697	27,661,442
Depreciation of fixed assets	1,879,662,708	1,783,884,387
Depreciation of right-of-use assets	101,334,445	34,824,726
Amortisation of intangible assets	585,812,062	328,254,752
Amortisation of long-term deferred expenses	79,813,380	67,940,688
Amortisation of deferred income	(29,253,722)	(30,918,890)
Gains (losses) from disposal of fixed assets, intangible assets and other long-term assets	7,161,791	(17,244,185)
Losses on retirement of fixed assets	1,954,130	40,745,668
(Gains) losses from changes in fair value	(18,990,720)	4,495,795
Finance costs	412,195,047	278,751,019
Loss from investment	(17,140,874)	(27,449,280)
(Increase) decrease in deferred income tax assets	(40,336,682)	35,507,341
Increase in deferred income tax liabilities	86,176,921	10,434,176
Decrease (increase) in inventories	136,007,261	(1,085,937,588)
Decrease in operating receivables	(1,920,700,440)	(802,012,433)
Increase in operating payables	145,049,747	1,105,981,629
Net cash flows from operating activities	<u>4,567,694,220</u>	<u>7,594,957,122</u>

Major investing and financing activities that do not involve cash :

	RMB	
	2022	2021
Using notes receivable to pay the construction costs	1,138,201,817	1,143,408,322
Using notes payable to pay the construction costs	75,471,752	54,778,080
	<u>1,213,673,569</u>	<u>1,198,186,402</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 59. Supplemental information to statement of cash flows *(continued)*

#### *(1) Supplemental information to statement of cash flows (continued)*

Net change in cash and cash equivalents :

	RMB	
	2022	2021
Balance of cash at the end of the year	6,616,021,778	8,550,475,141
less : Balances of cash equivalents at the beginning of the year	<u>8,550,475,141</u>	<u>8,420,246,369</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,934,453,363)</u>	<u>130,228,772</u>

#### *(2) Obtain or dispose of subsidiaries and other business unit information*

*Obtain information about subsidiaries and other business units*

	RMB	
	2022	2021
Cash paid for acquisition of subsidiaries and other operating units	83,600,000	1,021,912,610
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	136,632,121	103,536,258
Add: Cash or cash equivalents paid in the current period for business mergers that occurred in previous periods	<u>7,762,371</u>	<u>10,000,000</u>
Net cash (received) paid for acquisition of subsidiaries and other business units	(45,269,750)	928,376,352
Include: Cash received relating to other investing activities	(111,634,822)	—
Net cash payments for acquisition of subsidiaries and other business units	<u>66,365,072</u>	<u>928,376,352</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 59. Supplemental information to statement of cash flows *(continued)*

#### *(2) Obtain or dispose of subsidiaries and other business unit information (continued)*

*Information on disposal of subsidiaries and other operating units*

	RMB	
	2022	2021
Cash and cash equivalent received from disposal of subsidiaries and other business entities	—	22,000
less: Obtain cash and cash equivalents held by subsidiaries and other business units	—	—
Net cash received from disposal of subsidiaries and other business units	—	22,000

#### *(3) Cash and cash equivalents*

	RMB	
	2022	2021
Cash	6,616,021,778	8,550,475,141
Including: Cash on hand	1,100,172	604,954
Bank deposits on demand	6,549,623,633	8,549,870,187
Other cash and cash equivalents	65,297,973	—
Balance of cash and cash equivalents at end of the year	6,616,021,778	8,550,475,141

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 60. Assets with restricted titles or right to use

	2022	2021	RMB
Cash and bank balances	422,320,014	285,964,244	Note 1
Notes receivable	2,720,000	23,000,000	
Account receivable Financing	26,413,178	236,214,382	
Fixed assets	5,687,992	5,413,440	Note 2
Intangible assets	27,492,441	11,088,579	Note 3
	<b>484,633,625</b>	<b>561,680,645</b>	

Note 1: Use of restricted monetary funds refer to Note V.1.

Note 2: As at 31 December 2022, the Group obtained short-term borrowings by pledging buildings and structures with a carrying value of RMB5,687,992 (31 December 2021: RMB5,413,440) as collateral, please refer to Note V.20 for the short-term borrowings.

Note 3: As at 31 December 2022, the Group obtained long-term borrowings by pledging mining rights with a carrying value of RMB4,846,864 (31 December 2021: RMB5,006,725) as collateral, please refer to Note V.28 for long-term borrowings; the Group obtained short-term borrowings by pledging land use rights with a carrying value of RMB22,645,577 (31 December 2021: The Group obtained short-term borrowings by pledging land use rights with a carrying value of RMB22,645,577 (31 December 2021: RMB6,081,854) as collateral, please refer to Note V.20 for the short-term borrowings.

Note 4: The equity interests in some of the Group's subsidiaries were pledged to banks to obtain long-term borrowings (Note V.28), and the aggregate balance of net book assets corresponding to these equity interests was approximately RMB4,829,073,769 as at 31 December 2022 (31 December 2021: approximately RMB5,080,267,607).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 61. Foreign currency monetary items

“Foreign currency” means a currency other than the basic accounting currency of each company within the Group.

	31 December 2022			31 December 2021		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
USD	183,655,849	6.9646	1,279,089,528	230,081,444	6.3757	1,466,930,263
CNY	3,342,772	1.0000	3,342,772	5,597,329	1.0000	5,597,329
EUR	573,292	7.4229	4,255,486	2,165,226	7.2197	15,632,282
HKD	69,300	0.8933	61,906	63,678	0.8176	52,063
ZAR	6,043	0.4113	2,485	88,462	0.4007	35,447
ZMW	3,787	0.3853	1,459	—	—	—
KES	5,245	0.0564	296	—	—	—
TZS	69,300	0.0030	209	—	—	—
CHF	11	7.2727	80	11	6.9776	77
RUB	182	0.0934	17	182	0.0855	16
SGD	2	5.0000	10	2	4.7179	9
AUD	—	—	—	206	4.6220	952
Accounts receivable						
USD	1,152,388	6.9646	8,025,920	4,700,885	6.3757	29,971,432
ZAR	—	—	—	54,519	0.4007	21,846
Other receivables						
USD	55,588	6.9646	387,146	93,327	6.3757	595,025
KZT	—	—	—	314,716	0.0147	4,626
RUB	—	—	—	26,154	0.0855	2,236
Accounts payable						
USD	7,260,256	6.9646	50,564,777	8,410,073	6.3757	53,620,102
EUR	585,191	7.4229	4,343,816	105,595	7.2197	762,364
CNY	4,137,044	1.0000	4,137,044	779,663	1.0000	779,663
ZAR	1,303,136	0.4113	536,006	799,786	0.4007	32,474
RUB	—	—	—	12,514,850	0.0855	1,070,020
GBP	—	—	—	541	8.6064	4,656
Other payables						
CNY	3,472,531	1.0000	3,472,531	—	—	—
USD	134,454	6.9646	936,420	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						
USD	608,845	6.9646	4,240,363	1,227,295	6.3757	7,824,865
Bonds payable						
USD	19,250,000	6.9646	134,068,550	20,096,083	6.3757	128,126,596
Non-current Liabilities due within One year						
USD	38,580,000	6.9646	268,694,268	38,390,000	6.3757	244,763,123
Long-term borrowings						
USD	122,940,000	6.9646	856,227,924	161,340,000	6.3757	1,028,655,438

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION

### 1. Business combinations not under common control

#### (1) Identifiable assets and liabilities of acquiree at the acquisition date

On 14 April 2022, Huaxin Cement (Wuxue) Co., LTD., a subsidiary of the Group, signed the Equity Transfer Agreement with Hubei Haokun Concrete Co., LTD. According to the agreement, Huaxin Cement (Wuxue) Co., Ltd. acquired 100% equity of Huaxin Concrete (Huangmei) Co., LTD., in cash of RMB26,000,000. As of 14 April 2022, the effective conditions set forth in the above agreement have been met, and Huaxin Cement (Wuxue) Co., Ltd. has paid most of the money and completed the relevant procedures of equity transfer and the amendment of articles of association. Huaxin Cement (Wuxue) Co., Ltd. has substantial control of Huaxin Concrete (Huangmei) Co., Ltd. since April 14, 2022, holding 100% of its equity.

The fair value and carrying amount of the identifiable assets and liabilities of Huaxin Concrete (Huangmei) Co., Ltd. on the acquisition date are as follows:

	RMB	
	Fair value on 14 April 2022	Carrying amount on 14 April 2022
<b>Huaxin Concrete (Huangmei) Co., Ltd.</b>		
Cash and bank balances	10,098	10,098
Other current assets	1,196,703	1,196,703
Fixed assets	23,574,877	23,574,877
Intangible assets	4,318,420	4,318,420
Accounts payable	3,090,000	3,090,000
Contract liabilities	10,098	10,098
	<u>26,000,000</u>	<u>26,000,000</u>
Goodwill raised from acquisition	—	
	<u>26,000,000</u>	(Note)

Note: Please refer to Note VI.1(2) for details.

Operating results and cash flows of Huaxin Concrete (Huangmei) Co., Ltd. from the date of acquisition to the end of the current year are listed below:

	RMB
	From 14 April 2022 to 31 December 2022
Operating revenue	45,614,949
Net profits	99,423
Net cash flows	(10,098)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

### 1. Business combinations not under common control *(continued)*

#### *(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)*

On 17 June 2022, Huaxin Cement (Yueyang) Co., LTD., a subsidiary of the Group, signed the Equity Transfer Agreement with Manxiang Zhao and Xiaoyu Yang, which stipulated that Huaxin Cement (Yueyang) Co., Ltd. acquired 100% equity of Yueyang County Permanent Concrete Co., LTD., in cash of RMB27,000,000. As at 13 September 2022, the effective conditions set forth in the above agreement have been met, and Huaxin Cement (Yueyang) Co., Ltd. has paid most of the amount and completed the relevant procedures of equity transfer and the amendment of articles of association. Huaxin Cement (Yueyang) Co., Ltd. began to have substantial control of Yueyang County Permanent Concrete Co., Ltd. on September 13, 2022, holding 100% of its equity.

The fair value and carrying amount of the identifiable assets and liabilities of Yueyang County Permanent Concrete Co., Ltd. on the acquisition date are as follows:

	Fair value On 13 September 2022	Carrying amount On 13 September 2022
RMB		
<b>Yueyang County Permanent Concrete Co., Ltd.</b>		
Cash and bank balances	1,967,604	1,967,604
Notes receivable	2,800,000	2,800,000
Accounts receivable	2,450,000	2,450,000
Other receivables	1,160	1,160
Other current assets	19,457	19,457
Fixed assets	20,352,640	33,805,962
Intangible assets	4,848,495	3,696,543
Deferred tax assets	3,075,342	—
Accounts payable	2,847,128	2,847,128
Contract liabilities	1,216,538	1,216,538
Other payables	12,411,924	12,411,925
Non-current Liabilities due within One year	158,150	158,150
	<u>18,880,958</u>	<u>28,106,985</u>
Goodwill raised from acquisition	<u>8,119,042</u>	
	<u>27,000,000</u>	(Note)

Note: Please refer to Note VI.1(2) for details.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

### 1. Business combinations not under common control *(continued)*

#### *(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)*

Operating results and cash flows of Yueyang County Permanent Concrete Co., Ltd. from the date of acquisition to the end of the current year are listed below:

	RMB
	<b>From 13 September to 31 December 2022</b>
Operating revenue	12,881,554
Net profits	(661,512)
Net cash flows	6,709,791

On 6 April 2022, Huaxin (Hainan) Investment Co., Ltd. and Hainan Ronghui Investment Co., LTD., a subsidiary of the Group, signed the Equity Transfer Agreement, which stipulates that Huaxin (Hainan) Investment Co., Ltd. will acquire 70% of the equity of Hainan Huaxin Ronghui Concrete Co., LTD., in cash of RMB38,500,000. As of December 27, 2022, the effective conditions set forth in the above agreement have been met, and Huaxin (Hainan) Investment Co., Ltd. has paid most of the amount and completed the relevant procedures of equity transfer and the amendment of articles of association. Huaxin (Hainan) Investment Co., Ltd. has substantial control of Hainan Huaxin Ronghui Concrete Co., Ltd. since December 27, 2022, holding 70% of its equity and becoming its controlling shareholder.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

### 1. Business combinations not under common control *(continued)*

#### *(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)*

The fair value and carrying amount of the identifiable assets and liabilities of Hainan Huaxin Ronghui Concrete Co., Ltd. on the acquisition date are as follows:

	Fair value On 27 December 2022	Carrying amount On 27 December 2022
RMB		
<b>Hainan Huaxin Ronghui Concrete Co., Ltd.</b>		
Cash and bank balances	23,019,597	23,019,597
Notes receivable	800,000	800,000
Accounts receivable	21,307,651	21,307,651
Other receivables	9,038,166	9,038,166
Inventories	7,758,996	7,758,996
Other current assets	643,754	643,754
Fixed assets	49,001,384	29,810,548
Long-term deferred expenditures	519,297	519,297
Accounts payable	43,004,258	43,004,258
Employee benefits payable	82,600	82,600
Other payables	17,503,805	17,503,806
Deferred Tax Liabilities	4,797,709	—
	<u>46,700,473</u>	<u>32,307,345</u>
Non-controlling Interests	<u>(14,010,142)</u>	<u>(9,692,204)</u>
	<u>32,690,331</u>	<u>22,615,141</u>
Goodwill raised from acquisition	<u>5,809,669</u>	
	<u>38,500,000</u>	(Note)

Note: Please refer to Note VI.1(2) for details.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

### 1. Business combinations not under common control *(continued)*

#### *(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)*

The operating results and cash flows of Hainan Huaxin Ronghui Concrete Co., Ltd. from the date of acquisition to the end of the current year are listed below:

	RMB
	<b>From 27 December to 31 December 2022</b>
Operating revenue	4,215,007
Net profits	745,423
Net cash flow	5,654,748

On 18 March 2022, the Group strengthened the control and management of Huaxin Trading (Chibi) New Building Materials (hereinafter referred to as “Chibi Trading”) Co., LTD., and amended the articles of association and adjusted the voting rules for substantive protection of rights after deliberation and approval by the shareholders’ meeting after consultation with other shareholders of Chibi Trading. Under the condition that the Group holds 51% of the equity of Chibi Trading, it has obtained the actual control of Chibi Trading and brought it into the scope of the merger.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

### 1. Business combinations not under common control *(continued)*

#### *(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)*

The fair value and carrying amount of identifiable assets and liabilities of Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. on the acquisition date are as follows:

	RMB	
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Fair value On 18 March 2022	Carrying amount On 18 March 2022
Cash and bank balances	111,634,822	111,634,822
Notes receivable	1,717,000	1,717,000
Accounts receivable	1,640,263	1,640,263
Prepayments	3,344,781	3,344,781
Other receivables	321,709	321,709
Inventories	7,495,109	7,495,109
Fixed assets	101,496,764	101,496,764
Construction in progress	32,413,554	32,413,554
Intangible assets	25,850,413	25,850,413
Accounts payable	67,276,139	67,276,139
Contract liabilities	2,554,542	2,554,542
Employee benefits payable	278,077	278,077
Tax payable	4,530,416	4,530,416
Other payables	74,222,688	74,222,688
Long-term payables	107,539	107,539
	<u>136,945,014</u>	<u>136,945,014</u>
Non-controlling Interests	<u>(67,103,057)</u>	<u>(67,103,057)</u>
	<u>69,841,957</u>	<u>69,841,957</u>
Goodwill raised from acquisition	—	
	<u>69,841,957</u>	(Note)

Note: Please refer to Note VI.1(2) for details.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION (continued)

### 1. Business combinations not under common control (continued)

#### (1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)

Operating results and cash flows of Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. from the date of acquisition to the end of the current year are listed below:

RMB

	<b>From 18 March to 31 December 2022</b>
Operating revenue	82,117,059
Net profits	16,859,470
Net cash flows	(103,937,020)

#### (2) Combined costs and goodwill

RMB

	<b>Huaxin Concrete (Huangmei) Co., Ltd.</b>	<b>Yueyang YONGGU Concrete Co., Ltd.</b>	<b>Hainan Huaxin Ronghui Concrete Co., Ltd.</b>	<b>Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.</b>
<b>Combined costs</b>				
— Cash and bank	23,100,000	23,000,000	37,500,000	—
— Unpaid payment	2,900,000	4,000,000	1,000,000	—
— Fair value of equity held prior to the purchase date at the purchase date	—	—	—	69,841,957
Sum of combined cost	<u>26,000,000</u>	<u>27,000,000</u>	<u>38,500,000</u>	<u>69,841,957</u>
Less: The fair value share of identifiable net assets acquired	<u>26,000,000</u>	<u>18,880,958</u>	<u>32,690,331</u>	<u>69,841,957</u>
Goodwill	<u>—</u>	<u>8,119,042</u>	<u>5,809,669</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

### 2. Deregistration of subsidiaries

The Group deregistered 2 subsidiaries during the year. Information of these subsidiaries is as follows :

RMB

	Proportion of shareholding of parent company before deregistration	Reason for not being subsidiary
Jiujiang Rongda Energy Saving and Environmental Protection Building Materials Co., LTD	100%	Deregistration
Huaxin Nanzhang Packaging Co., Ltd.	100%	Deregistration

### 3. Establishment of new subsidiaries

	Acquired method
Huaxin Property Management Huangshi Co. LTD	Establishment
Huaxin New Building Materials (Huangshi) Co., LTD	Establishment
Huaxin Green Building Materials (Wuxue) Co., LTD	Establishment
Huaxin Phosphogypsum (Martial Cave) Co., LTD	Establishment
Zhenjiang Huaxin Jingfa Concrete Co. LTD	Establishment
Taicang Huaxin Xinyang Concrete Co. LTD	Establishment
Nantong Huaxin Shengyuan Concrete Co., LTD	Establishment
Nantong Huaxin Chunfa Concrete Co., LTD	Establishment
Nantong TaiSheng Huaxin Concrete Co., LTD	Establishment
Huaxin Environmental Engineering (Hunan) Co., LTD	Establishment
Huaxin Environmental Engineering (Guangdong) Co., LTD	Establishment
Huaxin New Building Materials (Wuxue) Co., LTD	Establishment
Huaxin New Building Materials (Honghe) Co., LTD	Establishment
Changzhou Huaxin Concrete Compound Concrete Co., LTD	Establishment
Changzhou Huaxin Concrete Co., LTD	Establishment
Huaxin ChunJin Building Materials (Wuxue) Co., LTD	Establishment

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES

### 1. Interests in the subsidiaries

Information of the Company's major subsidiaries is as follows:

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Production and sales of building materials	91,600	80	20
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Production and sales of building materials	50,000	—	100
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Production and sales of building materials	50,000	100	—
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Production and sales of building materials	45,268	97	—
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Production and sales of building materials	39,000	—	100
Kunming Chongde Cement Co., Ltd.	Kunming	Production and sales of building materials	38,200	—	100
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Production and sales of building materials	36,090	—	100
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Production and sales of building materials	34,000	100	—
Huaxin Cement (Daye) Co., Ltd.	Daye	Production and sales of building materials	32,700	70	—
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Production and sales of building materials	30,000	—	100
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Production and sales of building materials	30,000	100	—
Huaxin Cement (Enping) Co., Ltd.	Enping	Production and sales of building materials	28,000	0.2	99.80
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Production and sales of building materials	27,000	—	100
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Production and sales of building materials	27,000	100	—
Yunnan Huaxin Dongjun Cement Co., Ltd.	Kunming	Production and sales of building materials	26,000	—	100
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Production and sales of building materials	24,900	100	—
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Production and sales of building materials	24,000	100	—
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Production and sales of building materials	24,000	100	—
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Production and sales of building materials	23,107	—	100
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Production and sales of building materials	22,000	100	—
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Production and sales of building materials	21,000	80	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Production and sales of building materials	20,000	—	70
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Production and sales of building materials	20,000	90	—
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Production and sales of building materials	20,000	100	—
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Production and sales of building materials	20,200	100	—
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Production and sales of building materials	20,000	100	—
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Production and sales of building materials	18,000	100	—
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Production and sales of building materials	17,961	51	—
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Production and sales of building materials	15,000	80	—
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Production and sales of building materials	15,000	100	—
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Production and sales of building materials	14,000	100	—
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Production and sales of building materials	14,000	100	—
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Production and sales of building materials	14,000	100	—
Yunnan State-owned Cement Kunming Co., Ltd.	Kunming	Production and sales of building materials	13,038	—	100
Huaxin Cement Narayani Co., Ltd.	Narayani	Production and sales of building materials	USD2,800	—	100
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Production and sales of building materials	10,000	60	40
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Production and sales of building materials	10,000	—	100
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Production and sales of building materials	9,500	69	—
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Production and sales of building materials	8,080	100	—
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Production and sales of building materials	8,000	70	—
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Production and sales of building materials	8,000	80	—
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Production and sales of building materials	6,500	100	—
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Production and sales of building materials	6,000	67	33
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Production and sales of building materials	6,000	70	30
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Production and sales of building materials	6,000	—	68

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Production and sales of building materials	5,000	70	—
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Production and sales of building materials	5,000	79	—
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Production and sales of building materials	4,764	51	—
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Production and sales of building materials	4,100	60	—
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Production and sales of building materials	4,000	100	—
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Production and sales of building materials	3,260	—	100
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Production and sales of concrete	19,830	100	—
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Production and sales of concrete	19,500	84	—
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Production and sales of concrete	5,107	100	—
Nanjing Huaxin Concrete Co., Ltd.	Nanjing	Production and sales of concrete	5,000	—	100
Huaxin Concrete (Xianning) Co., Ltd.	Xianning	Production and sales of concrete	4,200	—	100
Tibet Huaxin Building Materials Co., Ltd.	Tibet	Production and sales of concrete	3,500	—	71.43
Yueyang County Permanent Concrete Co., Ltd	Yueyang	Production and sales of concrete	3,350	—	100
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Production and sales of concrete	3,250	100	—
Huaxin Green Building Materials(Wuxue) Co., Ltd.	Wuxue	Production and sales of aggregate	50,000	—	59
Huaxin Cement Dzizak Co., Ltd.	Uzbekistan	Production and sales of building materials	USD3,000	—	100
Huaxin Cement (Songming) Co., Ltd.	Kunming	Production and sales of building materials	30,000	—	100
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Production and sales of building materials	25,000	—	80
Huangshi Huaxin Green Building Materials Co., Ltd.	Huangshi	Production and sales of aggregate	430,000	58	—
Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd.	Huangshi	Production and sales of aggregate	20,000	—	51
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Production and sales of aggregate	14,000	—	100
Huaxin Aggregate (Zhuzhou) Co., Ltd.	Zhuzhou	Production and sales of aggregate	10,000	—	70
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Chibi	Production and sales of aggregate	10,000	—	51
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Production and sales of aggregate	9,250	—	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in the subsidiaries (continued)

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB'0'000	Percentage of shareholding (%)	
				Direct	Indirect
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Production and sales of new materials	21,300	—	100
Fumin Park New Building Materials Co., Ltd.	Fuming	Production and sales of new materials	10,000	—	70
Huaxin New Building Materials (Zigui) Co., Ltd.	Zigui	Production and sales of new materials	10,000	—	100
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd	Lijiang	Production and sales of new materials	6,000	—	70
Huaxin New Building Materials (Huangshi) Co., LTD	Huangshi	Production and sales of new materials	5,000	100	—
Huaxin ChunJin Building Materials (Wuxue) Co., LTD	Wuxue	Production and sales of new materials	5,000	—	55
Huaxin New Building Materials Co., Ltd.	Wuhan	Production and sales of new materials	5,000	100	—
Huaxin New Building Materials (Kunming) Co., Ltd.	Kunming	Production and sales of new materials	5,000	—	100
Huaxin New Building Materials (Luonan) Co., Ltd.	Luonan	Production and sales of new materials	5,000	—	55
Huaxin New Building Materials (Enshi) Co., Ltd.	Enshi	Production and sales of new materials	4,000	—	100
Huaxin New Building Materials (Zhuzhou) Co., Ltd.	Zhuzhou	Production and sales of new materials	3,500	—	100
Huaxin Environment Engineering Co., Ltd.	Wuhan	Environmental design and construction and waste disposal	100,000	100	—
Wuhan Changshankou Huaxin Environmental Engineering	Wuhan	Environmental design and construction and waste disposal	10,000	—	100
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Environmental design and construction and waste disposal	6,000	—	100
Huaxin Environment Engineering (Zhuhai) Co., Ltd.	Zhuhai	Environmental design and construction and waste disposal	6,000	—	80
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Environmental design and construction and waste disposal	5,000	—	100
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Environmental design and construction and waste disposal	5,000	—	100
Huaxin Environment Engineering (Chongqing) Co., Ltd.	Chongqing	Environmental design and construction and waste disposal	4,100	—	100
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Environmental design and construction and waste disposal	4,000	—	100
Hubei Dailing future Environmental Packaging Technology Co., Ltd.	Huangshi	Production and sales of cement packaging bags	6,000	100	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
				Direct	Indirect
Huaxin Packaging (E'zhou) Co., Ltd	Ezhou	Production and sales of cement packaging bags	3,400	—	100
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	19,000	100	—
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	13,000	—	100
Yangxin County Fuhua Handling Co., Ltd.	Yangxin	Loading and unloading, warehousing and other services	30,000	—	100
Yidu Honghua Xintong Logistics Co., Ltd	Yidu	Loading and unloading, warehousing and other services	4,500	—	100
Huaxin (Hainan) Investment Co., Ltd.	Haikou	Investment	USD25,000	60	40
Yunnan Huaxin Building Materials Investment Co., Ltd.	Kunming	Investment	305,883	100	—
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Investment	40,000	100	—
Huaxin Concrete Co., Ltd.	Wuhan	Investment	13,500	100	—
Huaxin Aggregate Co., Ltd.	Wuhan	Investment	5,000	100	—

Note: Due to the large number of subsidiaries of the Group, the above tables only list the subsidiaries that have a significant impact on the Group's consolidated financial statements, and do not list all subsidiaries one by one.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in the subsidiaries (continued)

**31 December 2022**

RMB

	Percentage of non-controlling shareholding	Profit or loss attributable to non-controlling shareholders	Dividend payment to non-controlling shareholders	Accumulated equity attributable to non-controlling shareholders at the end of the year
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49%	196,346,472	156,247,784	521,964,901
Huangshi Huaxin Green Building Materials Co., Ltd.	42%	(2,758,896)	—	464,590,633
Huaxin Green Building Materials (Wuxue) Co., Ltd.	41%	18,568,440	—	246,068,440
Huaxin Cement (Daye) Co., Ltd.	30%	(2,507,142)	—	216,658,259
Cambodian Cement Chakrey Ting Factory Co., Ltd.	32%	9,984,811	34,449,120	215,545,005
Huaxin Cement (Tibet) Co., Ltd.	21%	1,438,023	21,000,000	213,396,798
CHILANGA Cement PLC	19%	31,059,623	—	198,573,956

**31 December 2021**

RMB

	Percentage of non-controlling shareholding	Profit or loss attributable to non-controlling shareholders	Dividend payment to non-controlling shareholders	Accumulated equity attributable to non-controlling shareholders at the end of the year
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49%	158,400,364	67,817,819	411,627,322
Huangshi Huaxin Green Building Materials Co., Ltd.	42%	—	—	248,599,529
Huaxin Green Building Materials (Wuxue) Co., Ltd.	—	—	—	—
Huaxin Cement (Daye) Co., Ltd.	30%	31,605,696	24,000,000	219,165,401
Cambodian Cement Chakrey Ting Factory Co., Ltd.	32%	37,810,417	92,026,080	218,646,527
Huaxin Cement (Tibet) Co., Ltd.	21%	25,167,413	—	232,958,775
CHILANGA Cement PLC	25%	3,235,852	—	223,168,036

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 1. Interests in the subsidiaries *(continued)*

The following table sets forth the major financial information of the above-mentioned subsidiaries. Relevant figures represent amounts before intragroup offsetting:

**31 December 2022**

RMB

	Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	Huangshi Huaxin Green Building Materials Co., Ltd.	Huaxin Green Building Materials (Wuxue) Co., Ltd.	Huaxin Cement (Daye) Co., Ltd.	Cambodian Cement Chakrey Ting Factory Co., Ltd.	Huaxin Cement (Tibet) Co., Ltd.	CHILANGA Cement PLC
Current assets	228,735,436	786,063,431	443,823,978	279,118,993	335,544,141	420,788,879	473,686,822
Non-current assets	773,294,774	9,022,213,963	489,399,382	761,238,289	613,028,636	1,077,251,023	1,004,675,384
<b>Total assets</b>	<b>1,002,030,210</b>	<b>9,808,277,394</b>	<b>933,223,360</b>	<b>1,040,357,282</b>	<b>948,572,777</b>	<b>1,498,039,902</b>	<b>1,478,362,206</b>
Current liabilities	100,992,117	1,688,063,057	288,731,653	211,793,085	205,459,841	315,620,129	184,938,969
Non-current liabilities	46,550,886	6,424,683,839	81,460,729	106,369,999	69,534,797	206,040,706	255,919,351
<b>Total liabilities</b>	<b>147,543,003</b>	<b>8,112,746,896</b>	<b>370,192,382</b>	<b>318,163,084</b>	<b>274,994,638</b>	<b>521,660,835</b>	<b>440,858,320</b>
Operating revenue	846,700,890	49,265,313	164,243,481	590,060,029	609,933,165	469,114,124	719,918,610
Net profit/(loss)	239,730,466	(6,609,043)	40,530,978	(8,357,140)	31,202,533	5,263,989	151,225,712
Total comprehensive income	386,852,150	(6,609,043)	40,530,978	(8,357,140)	97,961,244	5,263,989	142,934,775
Net cash flows from operating activities	316,558,589	5,341,899	63,397,884	81,167,556	51,494,089	68,764,827	118,719,467

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 1. Interests in the subsidiaries *(continued)*

**31 December 2021**

RMB

	Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	Huangshi Huaxin Green Building Materials Co., Ltd.	Huaxin Green Building Materials (Wuxue) Co., Ltd.	Huaxin Cement (Daye) Co., Ltd.	Cambodian Cement Chakrey Ting Factory Co., Ltd.	Huaxin Cement (Tibet) Co., Ltd.	CHILANGA Cement PLC
Current assets	203,187,463	809,202,531	—	227,161,721	293,087,154	613,682,124	195,099,432
Non-current assets	674,019,648	1,088,596,910	—	822,350,189	610,535,411	1,112,217,312	1,025,027,001
<b>Total assets</b>	<b>877,207,111</b>	<b>1,897,799,441</b>	<b>—</b>	<b>1,049,511,910</b>	<b>903,622,565</b>	<b>1,725,899,436</b>	<b>1,220,126,433</b>
Current liabilities	143,050,778	243,669,433	—	216,187,575	144,181,874	401,545,816	61,378,917
Non-current liabilities	45,434,007	805,740,469	—	102,772,998	76,170,295	253,238,543	266,075,372
<b>Total liabilities</b>	<b>188,484,785</b>	<b>1,049,409,902</b>	<b>—</b>	<b>318,960,573</b>	<b>220,352,169</b>	<b>654,784,359</b>	<b>327,454,289</b>
Operating revenue	785,010,331	450,982	—	750,591,000	568,332,182	893,177,126	68,787,591
Net profit/(loss)	256,381,322	—	—	105,352,320	118,157,553	121,053,478	12,943,409
Total comprehensive income	240,236,344	—	—	105,352,320	96,444,172	121,053,478	12,943,409
Net cash flows from operating activities	305,543,407	—	—	60,471,055	136,057,705	198,607,387	6,219,336

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VII. INTERESTS IN OTHER ENTITIES *(continued)*

### 2. Interests in joint ventures and associates

#### *Basic information of important joint ventures and associates*

RMB

	Place of principal business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%)		Accounting treatment
					Direct	Indirect	
<b>Joint ventures</b>							
Xizang High-tech Building Materials Group Co., Ltd.	Tibet	Tibet	Production and sales of building materials	272,760,000	43%	—	equity method
Shanghai Wan An Hua Xin Cement Co., Ltd.	Shanghai	Shanghai	Production and sales of building materials	100,000,000	49%	—	equity method
Zhangjiajie Tianzi Concrete Co., Ltd.	Sangzhi	Sangzhi	Production and sales of concrete	10,000,000	30%	—	equity method
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	10,000,000	45%	—	equity method

#### *Consolidated financial information on joint ventures and associates which are not individually significant to the Group*

The following table sets forth the consolidated financial information of joint ventures and associates which are not individually significant to the Group:

RMB

	2022	2021
<b>Joint ventures</b>		
Total carrying amount of investments	—	72,779,017
Total amount calculated based on shareholding		
Net profit	(2,937,060)	11,987,192
Total comprehensive income	<u>(2,937,060)</u>	<u>11,987,192</u>
<b>Associates</b>		
Total carrying amount of investments	438,886,647	450,833,854
Total amount calculated based on shareholding		
Net loss	(12,645,296)	(1,480,197)
Total comprehensive income	<u>(11,947,207)</u>	<u>(655,522)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

### 1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

**31 December 2022**

*Financial assets*

RMB

	Financial assets at fair value through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Held for trading financial assets	41,711,538	—	—	41,711,538
Other non-current financial assets	25,067,265	—	—	25,067,265
Financing receivables	—	—	527,248,935	527,248,935
Investment in other equity instruments	—	—	1,012,850,323	1,012,850,323
Cash and bank balances	—	7,038,341,792	—	7,038,341,792
Notes receivable	—	545,960,470	—	545,960,470
Accounts receivable	—	1,382,631,200	—	1,382,631,200
Other receivables	—	477,956,891	—	477,956,891
Debt investments	—	7,500,000	—	7,500,000
Long-term receivables	—	131,594,447	—	131,594,447
	<u>66,778,803</u>	<u>9,583,984,800</u>	<u>1,540,099,258</u>	<u>11,190,862,861</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 1. Financial instruments by category *(continued)*

#### *Financial liabilities*

RMB

	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Total
Bonds payable (preferred shares)	148,943,421	—	148,943,421
Short-term borrowings	—	593,415,661	593,415,661
Notes payable	—	729,227,787	729,227,787
Accounts payable	—	8,366,283,316	8,366,283,316
Other payables	—	915,096,046	915,096,046
Non-current liabilities due within one year	—	4,427,049,341	4,427,049,341
lease liabilities	—	759,905,754	759,905,754
Long-term borrowings	—	7,282,088,824	7,282,088,824
Bonds payable (excluding preferred shares)	—	4,277,343,431	4,277,343,431
Long-term payables	—	2,837,076,467	2,837,076,467
	<u>148,943,421</u>	<u>30,187,486,627</u>	<u>30,336,430,048</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 1. Financial instruments by category *(continued)*

**31 December 2021**

*Financial assets*

RMB

	Financial assets at fair value through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Held for trading financial assets	711,964,323	—	—	711,964,323
Other non-current financial assets	26,343,260	—	—	26,343,260
Receivables financing	—	—	761,050,910	761,050,910
Investment in other equity instruments	—	—	55,867,066	55,867,066
Cash and bank balances	—	8,836,439,385	—	8,836,439,385
Notes receivable	—	145,430,152	—	145,430,152
Accounts receivable	—	956,580,152	—	956,580,152
Other receivables	—	356,013,351	—	356,013,351
Debt investments	—	7,500,000	—	7,500,000
Long-term receivables	—	35,934,266	—	35,934,266
	<u>738,307,583</u>	<u>10,337,897,306</u>	<u>816,917,976</u>	<u>11,893,122,865</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 1. Financial instruments by category *(continued)*

#### *Financial liabilities*

			RMB
	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Total
Bonds payable (preferred shares)	128,126,596	—	128,126,596
Short-term borrowings	—	642,946,608	642,946,608
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
Non-current liabilities due within one year lease liabilities	—	1,213,650,184	1,213,650,184
Long-term borrowings	—	5,081,924,506	5,081,924,506
Bonds payable (excluding preferred shares)	—	3,199,734,024	3,199,734,024
Long-term payables	—	463,257,160	463,257,160
	<u>128,126,596</u>	<u>19,364,582,707</u>	<u>19,492,709,303</u>

### 2. Transfers of financial assets

#### *Financial assets transferred but not yet fully derecognized*

As at 31 December 2022, the Group endorsed undue bank acceptance bills with a carrying amount of RMB479,119,683 (31 December 2021: RMB85,507,152) to its suppliers for settlement of accounts payable. The Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognize them in full and the settled accounts payable or short-term borrowings associated there with. After the endorsement, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 31 December 2022, the carrying amount of accounts payable settled or short-term borrowings secured by the Group through these financial assets amounted to RMB479,119,683 (31 December 2021: RMB85,507,152).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 2. Transfers of financial assets *(continued)*

#### *Transferred financial assets fully derecognized but with continuing involvement*

As at 31 December 2022, the carrying amount of undue bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB1,931,042,708 (31 December 2021: RMB1,956,535,855). As at 31 December 2022, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. The Group considers that they have transferred substantially all their risks and rewards, thus derecognized them and the settled carrying amount of accounts payable. The maximum exposure to loss from the Continuing involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

As at 31 December 2022, no gains or losses were recognized on their dates of transfer by the Group. No income or expenses were recognized for the current year or on an accumulative basis as a result of the Group’s Continuing Involvement in derecognized financial assets. Endorsements were incurred basically evenly during the year.

### 3. Financial Instruments Risks

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group is mainly comprised of cash and bank balances, held for trading financial assets, notes receivable, financing receivables, accounts receivable, other receivables, investing of credit, long-term receivables. Investment in other equity instruments, Other non-current financial assets, borrowings, notes payable, accounts payable, other payables, lease liabilities, bonds payable and long-term payables, etc. Risks related to these financial instruments and the Group’s risk management policies adopted to reduce such risks are described as follows.

The Board of Directors is responsible for planning and establishing the Group’s risk management structure, formulating the Group’s risk management policies and relevant guidelines and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyse the risks to which the Group is exposed. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to determine whether to update the risk management policies and systems. The risk management of the Group is conducted by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids risks through close cooperation with other business units of the Group. The Group’s internal audit department conducts periodic reviews on risk management controls and procedures and reports the results to the Audit Committee of the Group.

The Group diversifies its financial instrument risk through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by developing appropriate risk management policies.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 3. Financial Instruments Risks *(continued)*

#### *Credit risk*

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who request to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control of the Group.

As the counterparties of cash and bank balances and bank acceptance notes receivable are banks with good reputations and higher credit ratings, these financial instruments have lower credit risk.

The credit risk of the Group's other financial assets, which comprise other receivables, long-term receivables and other non-current financial assets, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

The maximum credit risk exposure of the Group on each balance sheet date is the total amount charged to customers less the amount after deducing impairment provision.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over the balances of accounts receivable.

#### *Criteria for judging significant increase in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 3. Financial Instruments Risks *(continued)*

#### *Credit risk (continued)*

##### *Criteria for judging significant increase in credit risk (continued)*

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- (1) Quantitative criteria mainly comprise of the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition;
- (2) Qualitative criteria mainly comprise of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.

##### *Definition of credit-impaired asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) The debtor is bankrupt or insolvent.
- (2) The debtor's cash flow is seriously insufficient.
- (3) The debtor is unable to pay its debts within a short period of time due to the suspension of production caused by serious natural disasters, etc.
- (4) Major adverse changes have taken place in the technological, market, economic and legal environment in which the debtor does business.
- (5) Other evidence sufficient to prove the possible loss of the receivables.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 3. Financial Instruments Risks *(continued)*

#### *Liquidity risk*

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various financing means, such as bank borrowings, bonds payable and short-term financing bonds payable.

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure.

The table below summarises the maturity analysis of financial liabilities based on the undiscounted contractual cash flows:

#### 31 December 2022

RMB

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Short-term borrowings	601,516,481	—	—	—	601,516,481
Notes payable	729,227,787	—	—	—	729,227,787
Accounts payable	8,366,283,316	—	—	—	8,366,283,316
Other payables	915,096,046	—	—	—	915,096,046
Long-term borrowings	2,533,708,373	2,673,622,162	4,482,882,817	679,593,126	10,369,806,478
Bonds payable	126,536,159	1,410,317,026	3,083,246,020	161,797,442	4,781,896,647
Long-term payables	2,084,119,248	2,675,013,176	288,809,073	52,168,476	5,100,109,973
Lease liabilities	149,842,591	124,918,977	374,756,932	434,991,751	1,084,510,251
	<u>15,506,330,001</u>	<u>6,883,871,341</u>	<u>8,229,694,842</u>	<u>1,328,550,795</u>	<u>31,948,446,979</u>

#### 31 December 2021

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
	<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>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Financial Instruments Risks (continued)

#### Market risk

##### Interest rate risk

The Group's exposure to the changes in market interest rates is mainly related to the floating-rate long-term liabilities of the Group.

The Group manages its interest cost by maintaining an appropriate mix of fixed- and floating-rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

#### 31 December 2022

RMB

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
CNY	100	(71,570,650)	—	(71,570,650)
CNY	(100)	71,570,650	—	71,570,650

#### 31 December 2021

RMB

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
CNY	100	(43,577,286)	—	(43,577,286)
CNY	(100)	43,577,286	—	43,577,286

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 3. Financial Instruments Risks *(continued)*

#### *Market risk (continued)*

##### *Foreign exchange risk*

Exchange rate risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in foreign exchange rates. The foreign exchange risks faced by the Group are mainly related to the USD. With the exception of several subsidiaries of the Group which conduct purchases and sales in USD, other major business activities of the Group are denominated and settled in CNY. The balance of other foreign currencies is small, mainly TZS, ZMK, MWK, etc., which has no significant impact on the Group's foreign exchange risk.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of USD against CNY, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

#### **31 December 2022**

RMB

	Increase/ (decrease) in exchange rate%	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB depreciated against USD	5	(1,361,485)	(3,361,152)	(1,538,921)
RMB appreciated against USD	(5)	1,361,485	3,361,152	1,538,921

#### **31 December 2021**

RMB

	Increase/ (decrease) in exchange rate%	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB depreciated against USD	5	(1,154,191)	(1,081,112)	(2,235,303)
RMB appreciated against USD	(5)	1,154,191	1,081,112	2,235,303

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. As at 31 December 2022 and 31 December 2021, there was no change in the capital management objectives, policies or procedures.

The Group controls its capital using debt ratio, which is calculated by dividing total liabilities by total assets. As at the balance sheet date, the debt ratio of the Group was as follows:

		RMB
	<b>31 December 2022</b>	31 December 2021
Total liabilities	<b>33,403,495,804</b>	23,171,780,742
Total assets	<b>64,241,676,265</b>	52,549,618,050
Debt ratio	<b>52%</b>	44%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IX. DISCLOSURE OF FAIR VALUE

### 1. Assets and liabilities measured at fair value

#### *Hierarchies of fair value*

31 December 2022

RMB

	Input used for the measurement of fair value			Total
	Quoted price in active market value (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	
Hierarchies of fair value				
Financial assets at fair value through profit or loss	25,067,265	41,711,538	—	66,778,803
1. Held for trading financial assets	—	41,711,538	—	41,711,538
2. Other non-current financial assets	25,067,265	—	—	25,067,265
Financing receivables	—	527,248,935	—	527,248,935
Investment in other equity instruments	—	—	1,012,850,323	1,012,850,323
	<u>25,067,265</u>	<u>568,960,473</u>	<u>1,012,850,323</u>	<u>1,606,878,061</u>

RMB

	Input used for the measurement of fair value			Total
	Quoted price in active market value (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	
Hierarchies of fair value				
Bonds Payable-Preferred shares	—	—	148,943,421	148,943,421
	<u>—</u>	<u>—</u>	<u>148,943,421</u>	<u>148,943,421</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IX. DISCLOSURE OF FAIR VALUE (continued)

### 1. Assets and liabilities measured at fair value (continued)

#### Hierarchies of fair value (continued)

31 December 2021

RMB

	Input used for the measurement of fair value			Total
	Quoted price in active market value (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	
Hierarchies of fair value				
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
2. Other non-current financial assets	26,343,260	—	—	26,343,260
Financing receivables	—	761,050,910	—	761,050,910
Investment in other equity instruments	—	—	55,867,066	55,867,066
	<u>26,343,260</u>	<u>1,473,015,233</u>	<u>55,867,066</u>	<u>1,555,225,559</u>

RMB

	Input used for the measurement of fair value			Total
	Quoted price in active market value (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	
Hierarchies of fair value				
Bonds Payable-Preferred shares	—	—	128,126,596	128,126,596
	<u>—</u>	<u>—</u>	<u>128,126,596</u>	<u>128,126,596</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IX. DISCLOSURE OF FAIR VALUE (continued)

### 2. Assets and liabilities disclosed at fair value

31 December 2022

RMB

	Input used for the measurement of fair value			Total
	Quoted price in active market value (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	
Debt investments	—	—	7,500,000	7,500,000
Long-term receivables	—	—	131,594,447	131,594,447
Non-current liabilities due within one year	—	—	4,427,049,341	4,427,049,341
Long-term borrowings	—	—	7,282,088,824	7,282,088,824
Bonds payable	—	—	4,277,343,431	4,277,343,431
Long-term payables	—	—	2,837,076,467	2,837,076,467
	—	—	<u>18,962,652,510</u>	<u>18,962,652,510</u>

31 December 2021

RMB

	Input used for the measurement of fair value			Total
	Quoted price in active market value (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	
Debt investments	—	—	7,500,000	7,500,000
Long-term receivables	—	—	35,934,266	35,934,266
Non-current liabilities due within one year	—	—	1,213,650,184	1,213,650,184
Long-term borrowings	—	—	5,081,924,506	5,081,924,506
Bonds payable	—	—	3,199,734,024	3,199,734,024
Long-term payables	—	—	463,257,160	463,257,160
	—	—	<u>10,002,000,140</u>	<u>10,002,000,140</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IX. DISCLOSURE OF FAIR VALUE *(continued)*

### 3. Valuation of fair value

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, notes receivable, accounts receivable, financing receivables, other receivables, short-term borrowings, notes payable, accounts payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The Group's finance department is led by the manager of the finance and capital department, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the values of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief accountant. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value:

The fair value of bond investments, long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables was determined using the discounted future cash flow method, using the market rate of return for other financial instruments with similar contractual terms, credit risk and remaining maturity as the discount rate. As of 31 December 2022, the risk of their own non-performance was assessed to be insignificant for bond investments, long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables.

The fair values of listed equity instruments are determined on the basis of market prices. The fair values of investments in unlisted available-for-sale equity instruments have been estimated using a market multiple approach. The comparable listed companies were determined by industry, size, leverage and strategy. Then the appropriate market multipliers, such as enterprise value multipliers and price-to-earnings multipliers, are calculated for each comparable listed company identified.

For the fair value of investments in unlisted equity instruments, the Group estimates the potential impact of using alternative reasonable and probable assumptions as inputs to the valuation model.

The Group has entered into derivative financial instrument contracts with various counterparties, mainly financial institutions with high credit ratings. Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models and present value methodologies. The models cover multiple market observable inputs, including the credit quality of counterparties, spot and forward exchange rates and interest rate curves. The carrying value of the interest rate swap, which is the same as the fair value. At 31 December 2022, the mark-to-market value of derivative financial assets is the net value after offsetting credit valuation adjustments attributable to the default risk of the derivative counterparty. Changes in counterparty credit risk have no significant impact on any other financial instruments measured at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IX. DISCLOSURE OF FAIR VALUE *(continued)*

### 4. Unobservable inputs

The following is a summary of significant unobservable inputs for Level 3 fair value measurements:

	Fair value at year-end	Method	Unobservable inputs	Weighted Average
Other equity instrument investment – Investment 1	2022: 57,172,539 2021: 55,867,066	Compared to listed company	Liquidity discount	2022: 0.8 2021: 0.8
Other equity instrument investment – Investment 3	2022: 955,677,784 2021: –			
Include:				
(1) Mining rights		Discounted cash flows	Weighted average cost of capital Long-term growth rate of revenue Long-term gross profit rate before tax	2022: 8% 2022: 0%–3.26% 2022: 70.6%–82.8%
(2) Long-term equity investment and other equity instrument investment		Compared to listed company	Liquidity discount	2022: 0.6–0.9
(3) Inventory		Cost plus method	Execution rate	2022: 3%, 10%, 15%
(4) Investment properties		Discounted cash flows	Weighted average cost of capital Long-term growth rate of revenue Long-term gross profit rate before tax	2022: 5.8%–6.3% 2022: 3% 2022: 65.4%–84.9%
Bonds payable – preferred shares	2022: 148,943,421 2021: 128,126,596	Discounted cash flows	Discount rate of bonds Stock price volatility Dividend yields	2022: 6.3% 2021: 6.1% 2022: 32.9% 2021: 33.6% 2022: 0.00% 2021: 0.00%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## IX. DISCLOSURE OF FAIR VALUE (continued)

### 5. Adjustment on fair values measurement

Information on adjustment of persistent measurement of level-3 fair value is as follows:

#### 31 December 2022

RMB

	Opening Balance	Total profit or loss for the current period		Purchase	Payment	Closing Balance	Assets held at the year-end Change of unrealized gains in profit or loss
		Included in other profit and loss	Included in comprehensive income				
Equity instrument investment	55,867,066	—	(43,016,743)	1,000,000,000	—	1,012,850,323	—
Bonds payable — preferred shares	128,126,596	20,816,825	—	—	—	148,943,421	—

#### 31 December 2021

RMB

	Opening Balance	Total profit or loss for the current period		Purchase	Payment	Closing Balance	Assets held at the year-end Change of unrealized gains in profit or loss
		Included in other profit and loss	Included in comprehensive income				
Equity instrument investment	33,774,995	—	22,092,071	—	—	55,867,066	—
Bonds payable — preferred shares	—	3,619,521	—	124,507,075	—	128,126,596	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Information of major shareholders of the Company

Name of major shareholders	Place of registration	Nature of business	Registered capital	Proportion of ownership interest of the major shareholders in the Company (%)	Proportion of voting rights of major shareholders in the Company (%)
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	EUR100,000	39.85	39.85
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 1.61% of equity in the Company. Therefore, Holcim Ltd. maintains 41.46% voting rights of the company.

### 2. Subsidiaries

See Note VII.1. for details of the Company's subsidiaries.

### 3. Joint associates

See Note VII.2. for details of the Company's significant joint ventures and associates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 4. Other related parties

	<b>Relationship with the Company</b>
LAFARGE ASIA SDN BHD	Controlled by Holcim Ltd.
Mbeya Cement Company	Controlled by Holcim Ltd.
Lafarge Cement Zimbabwe Limited	Controlled by Holcim Ltd.
Holcim Trading Ltd	Controlled by Holcim Ltd.
Bamburi Cement Limited	Controlled by Holcim Ltd.
LAFARGE SA	Controlled by Holcim Ltd.
Hima Cement Ltd.	Controlled by Holcim Ltd.
Holcim Technology Ltd	Controlled by Holcim Ltd.
Lafarge Industries South Africa (Pty) Ltd	Controlled by Holcim Ltd.
LafargeHolcim España S.A.U.	Controlled by Holcim Ltd.
Holcim Group Services	Controlled by Holcim Ltd.
LAFARGEHOLCIM IT EMEA, S.L	Controlled by Holcim Ltd.
LafargeHolcim distribution	Controlled by Holcim Ltd.
Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
Dujiangyan Lafarge Cement Co., Ltd.	Controlled by Holcim Ltd.
Lafarge (Beijing) Building Materials Technical Service Co., Ltd	Controlled by Holcim Ltd.
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
Hubei Huaxin Real Estate Co., Ltd.	Related party of associated natural person
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. (Note 1)	Associate of the Group
Hubei Shuyuxuan Culture Communication Co., Ltd. (Note 2)	Related party of associated natural person
Huangshi State-owned Assets Management Co., Ltd.	Parent company of Huaxin Group Co., Ltd.

Note 1: Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. was included in consolidated scope of the group since 18 March 2022(Please ref to Note VI.1), while the entity was associate of the group before 18 March 2022.

Note 2: Hubei Shuyuxuan Culture Communication Co., Ltd. has no relationship with the Group since 10 September 2021 and was a related party of a connected natural person prior to 10 September 2021.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Major transactions between the group and related parties

#### *(1) Transactions concerning goods and services with related parties*

*Purchases of goods and receipts of services from related parties*

		RMB	
	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
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Purchase of materials	1,415,929	—
LafargeHolcim España S.A.U.	Receipts of IT services	883,004	—
Dujiangyan Lafarge Cement Co., Ltd.	Purchase of materials	584,071	—
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Purchase of materials	—	7,988,910
LafargeHolcim distribution	Purchase of materials	—	3,515,429
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	—	188,679
		<u>9,109,419</u>	<u>17,919,433</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Major transactions between the group and related parties *(continued)*

#### (1) *Transactions concerning goods and services with related parties (continued)*

*Sales of goods/provision of services*

		RMB	
	Nature of transaction	2022	2021
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of spare parts	12,415,828	29,392,091
Dujiangyan Lafarge Cement Co., Ltd.	Sales of spare parts/goods	5,434,564	—
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Service fees, etc.	2,185,631	2,840,019
Huaxin Group Co., Ltd.	Provision of IT services	124,060	47,170
Mbeya Cement Company Limited	Sales of cement clinker	—	26,299,026
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
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Sales of spare parts/goods	—	30,874
Hubei Shuyuxuan Culture Communication Co., Ltd.	Service fees, etc.	—	30,000
		<b>20,160,083</b>	<b>61,135,462</b>

Purchase/sale of goods and receipt/rendering of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Major transactions between the group and related parties *(continued)*

#### *(2) Leases with related parties*

*As lessee*

		RMB	
Name of the lessor	Category of leased assets	2022 Leasing expenses	2021 Leasing expenses
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	<u>14,396,041</u>	<u>13,989,672</u>

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

#### *(3) Equity investments with related parties*

		RMB	
Related parties	Nature of transaction	2022	2021
Huangshi State-owned Assets Management Co., Ltd.	Acquired equity	<u>1,000,000,000</u>	—

On December 7, 2022, the Group acquired 5.2173% equity of Huangshi State-owned Assets Management Co., Ltd. for a consideration of RMB1,000,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Balances of receivables from related parties

#### (1) *Account Receivable*

	31 December 2022	31 December 2021
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	3,869,118	1,974,656
Dujiangyan Lafarge Cement Co., Ltd.	2,042,752	—
Shanghai Wan'an Huaxin Cement Co., Ltd.	1,000,000	1,009,216
Lafarge Cement Zimbabwe Limited	28,039	28,039
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	—	1,892,876
Mbeya Cement Company Limited	—	366,123
	<b>6,939,909</b>	<b>5,270,910</b>

RMB

#### (2) *Accounts Payable*

	31 December 2022	31 December 2021
Hima Cement Ltd.	2,741,556	2,741,556
Bamburi Cement Limited	565,355	565,355
Holcim Group Services	460,052	460,052
LAFARGE SA	426,380	426,380
Chenfeng Intelligent Equipment Hubei Co., Ltd.	160,000	—
LafargeHolcim España S.A.U.	155,202	44,298
Holcim Trading Ltd	24,493	24,493
Holcim Technology Ltd	716	716
Lafarge Industries South Africa (Pty) Ltd	666	666
LafargeHolcim distribution	—	2,401,412
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	—	1,249,254
	<b>4,534,420</b>	<b>7,914,182</b>

RMB

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Balances of receivables from related parties *(continued)*

#### *(3) Other payables*

	31 December 2022	31 December 2021
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	10,534,132	1,643,355
Lafarge Asia Sdn Bhd	409,394	410,394
Lafarge (Beijing) Building Materials Technical Service Co., Ltd	18,248	18,248
Huaxin Group Co., Ltd.	7,491	—
Financière Lafarge SAS.	—	341,501
Pan African Cement	—	24,490
	<u>10,969,265</u>	<u>2,437,988</u>

Account payable due from and due to related parties are interest free, unsecured and have no fixed terms of repayment.

### 7. Remuneration for key management personnel

	31 December 2022	31 December 2021
Remuneration for key management personnel	<u>24,793,126</u>	<u>80,119,866</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XI. SHARE-BASED PAYMENTS

### 1. Summary

	RMB
	2022
	2021
Granted price of restricted shares	—
Number of restricted shares issued during the period	—

	RMB
	2022
	2021
The amount of service paid in shares	—

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.

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 unlocking.

As at 31 December 2022, the Group has completed the grants of 5,038,246 shares for Plan A-0, 1,061,660 shares for Plan A-1.1, 881,955 shares for Plan A-2.1, 99,668 shares for Plan A-1.2, 42,087 shares for Plan A-2.2, and 14,880,609 shares for Plan-B.

The lock-up 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. Shares from Plan A-1.1, A-2.1 and A-3 have a lock-up period of 24 months. Shares of plan A-1.2 are unlocked in 2 batches at 50% and 50%, with the first batch locked for 36 months and the second batch locked for 48 months. Shares from Plan A-2.2 are unlocked in 1 batch at 100%, with a lock-up period of 36 months. Shares from Plan B-0 have a lock-up period of 48 months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XI. SHARE-BASED PAYMENTS *(continued)*

### 1. Summary *(continued)*

The equity-settled share-based payments are shown below:

	2022	2021
The cumulative amounts of equity-settled share-based payments recognized into capital reserves	67,283,130	116,016,407
The total amount of recognized expenses paid by equity-settled shares in the current period	(48,733,276)	86,789,021

The cash-settled share-based payments are shown below:

	2022	2021
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

The method for determining the fair value of the equity instruments on the grant date

Market closing price on grant date

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XII. COMMITMENTS AND CONTINGENCIES

### 1. Commitments

RMB

	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	<u>2,696,890,622</u>	<u>2,825,031,865</u>
	<u>2,696,890,622</u>	<u>2,825,031,865</u>

### 2. Contingencies

- (1) In September 2020, Moncement Building Materials LLC (Moncement) appealed to the International Chamber of Commerce for arbitration, alleging that the Company had breached certain warranties and commitments under the EPC contract regarding the design, execution and delivery of the plant. Accordingly, the Company shall be required to compensate the Company for the damages and all arbitration costs caused by the breach of the warranty obligation and maintenance obligation in the amount of USD35,724,579 and to pay interest at an annual rate of 10% from the date of the application for arbitration to the date of actual payment. Moncement believes that the Company has violated the EPC contract, and the Company's management believes that the Company has executed the contract in accordance with the requirements of the Chinese Building Code or the EPC contract. As at the date of approval of these financial statements, the arbitration case had not yet been heard and the management considered it is difficult to predict the outcome and therefore no provision had been made.
- (2) In July 2021, the Group received a notice of arbitration from the Wuhan Arbitration Commission for the purpose of appealing to the Wuhan Arbitration Commission for arbitration by Wuhan Qingshan State-owned Capital Investment and Operation Holding Group Co., Ltd. (hereinafter referred to as "Tsingshan State-owned Capital Operation Company"), stating that it had advanced the demolition and relocation costs of RMB26,000,000 for the Group to invest in the construction of cement powder and mixing plant projects in Qingshan District, Wuhan in June 2007, and agreed to do so on 31 December 2008. On 31 December 2009 and 31 December 2010, the Group repaid RMB6,000,000, RMB10,000,000 and RMB10,000,000 in instalments, and it required the Group to repay the principal amount of RMB26,000,000 and pay liquidated damages from the date of overdue repayment to the actual payment date at the base date interest rate of 0.021%. As at the date of approval of these financial statements, the arbitration committee has not announced the outcome of the arbitration, the management considered it is difficult to predict the outcome and therefore no provision had been made.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XII. COMMITMENTS AND CONTINGENCIES *(continued)*

### 2. Contingencies *(continued)*

- (3) On 10 October 2022, the People's Government of Fengjie County filed a lawsuit with the People's Court of Fengjie County, Chongqing Municipality, alleging that the Group failed to handle cross-border transportation procedures and could not carry out harmless treatment of domestic waste in accordance with the domestic waste disposal cooperation agreement signed by the two parties in the previous period, resulting in the Fengjie County Government needing to transport and dispose of CMSW (Fuel Materials Pre-treated for Domestic Waste) pre-treated by the Company from September 2018 to July 2020, resulting in a total loss of RMB59,455,935. and require the Company to bear the cost of such loss. The Group has raised jurisdictional objections to the case, arguing that the case should be transferred to the Tieshan District People's Court of Huangshi City for approval, and as of the date of approval of these financial statements, the litigation has not yet been heard, the management considered it is difficult to predict the outcome and therefore no provision had been made.

## XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. On 17 February 2023, the Company's second extraordinary general meeting of shareholders in 2023 deliberated and passed the "Motion on Public Issuance of Corporate Bonds", approving the issuance of corporate bonds by the Company to professional institutional investors with a scale not exceeding RMB3 billion (including RMB3 billion), and as of the date of this report, the issuance of bonds is in progress.
2. On 13 March 2023, the Group (the buyer) entered into an acquisition contract with a third party Investment Authority SPC (the seller) to acquire 59.58% of the equity interest of Oman Cement Company (the target company) located in the capital region of Oman for a purchase consideration of approximately US\$193.1 million (the actual purchase price is re-assessed based on the equity value on the closing date).
3. According to the resolution of the Board of Directors on March 28, 2023, the Board of Directors proposes to distribute cash dividends of 0.51 yuan per share (including tax) to all shareholders based on the total share capital of the Company of 2,096,599,855 shares at the end of 2022, after deducting the number of shares in the special securities account of the Company repurchased by the Japanese company at the time of the implementation of the annual equity distribution in 2022, and the balance will be transferred to the undistributed profit. The above proposal is subject to approval by the General Meeting of Shareholders.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS

### 1. Lease

#### (1) As lessor

##### *Operating leases*

The profit or loss relating to operating leases is as follows:

	2022	2021
Rental income	<u>21,011,751</u>	<u>22,909,795</u>

Please refer to Note V.13 for details of investment properties and fixed assets leased under operating leases.

#### (2) As lessee

	2022	2021
Interest expense of leasing liabilities	29,299,022	6,115,643
Lease expenses relating to low value asset accounted for current profit or loss under the simplified approach	21,796,429	11,692,426
Total cash outflow for leases	<u>212,328,948</u>	<u>41,981,660</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS *(continued)*

### 2. Remuneration for key management personnel

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	RMB	
	2022	2021
Fees	3,215,400	2,556,000
Salaries, allowances and benefits in kind	8,813,036	8,301,643
Pension scheme contributions	1,209,411	1,060,132
	<u>13,237,847</u>	<u>11,917,775</u>

Except for the above remuneration, performance-related bonuses of directors and supervisors was RMB3,848,223 in 2022 (2021: RMB5,548,849), and the directors and supervisors' remuneration were offset by share-based payments (Note XI.) totaling RMB9,101,249 in 2022 (2021: accrual totaling RMB14,794,784). The actual amount paid in the future depend on the completeness of performance.

#### (1) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year are as follows:

	RMB	
	2022	2021
<b>Independent non-executive directors</b>		
Ms. Liu Yan	—	120,000
Mr. Simon MacKinnon	—	120,000
Mr. Wang Liyan	—	120,000
Mr. Wong Kun Kau	360,000	240,000
Mr. Zhang Jiping	360,000	240,000
Mr. Jiang Hong	360,000	240,000
	<u>1,080,000</u>	<u>1,080,000</u>

No other remuneration was payable to independent non-executive directors for the year (2021: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS (continued)

### 2. Remuneration for key management personnel (continued)

#### (2) Executive directors

2022

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<b>Executive directors</b>				
Mr. Li Yeqing	—	3,277,620	317,143	3,594,763
Mr. Liu Fengshan	—	1,513,720	194,540	1,708,260
	—	4,791,340	511,683	5,303,023

2021

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<b>Executive directors</b>				
Mr. Li Yeqing	—	5,729,110	311,190	6,040,300
Mr. Liu Fengshan	—	2,635,500	188,488	2,823,988
	—	8,364,610	499,678	8,864,288

In addition to the above-mentioned remuneration, performance-related bonuses of executive directors were RMB2,377,500 in 2022 (2021: RMB3,566,250), and the executive directors' remuneration amount eliminated due to share-based payments (Note XI.) in 2022 totaled RMB8,130,670 (2021: accrual totaling of RMB11,228,228). The actual amount paid in the future depend on the completeness of performance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS (continued)

### 2. Remuneration for key management personnel (continued)

#### (3) Non-executive directors

The fees paid to non-executive directors during the year are as follows:

	RMB	
	2022	2021
<b>Non-executive directors</b>		
Mr. Xu Yongmo	1,500,000	828,000
Ms. Géraldine Picaud (Note 1)	203,400	216,000
Ms. Tan Then Hwee	216,000	216,000
Mr. Chi Kong Lo	216,000	216,000
	<u>2,135,400</u>	<u>1,476,000</u>

No other remuneration was payable to non-executive directors for the year (2021: Nil).

Note 1: On 9 December 2022, Ms. Géraldine Picaud resigned as a non-executive director of the Group and a member of the Audit Committee of the Board of Directors. The period for the above remuneration is from January to December 2022.

#### (4) Supervisors

2022

	RMB			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<b>Supervisors</b>				
Mr. Ming Jinhua	—	1,411,030	187,678	1,598,708
Mr. Zhang Lin	—	894,081	147,043	1,041,124
Mr. Yang Xiaobing	—	368,487	111,401	479,888
Mr. Zhu Yaping	—	722,711	130,512	853,223
Mr. Liu Weisheng	—	625,387	121,094	746,481
	<u>—</u>	<u>4,021,696</u>	<u>697,728</u>	<u>4,719,424</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS (continued)

### 2. Remuneration for key management personnel (continued)

#### (4) Supervisors (continued)

2021

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<b>Supervisors</b>				
Mr. Ming Jinhua	—	841,030	70,119	911,149
Mr. Zhang Lin	—	1,072,950	121,874	1,194,824
Mr. Yang Xiaobing	—	492,752	106,098	598,850
Mr. Zhu Yaping	—	730,075	96,198	826,273
Mr. Liu Weisheng	—	525,553	85,922	611,475
Mr. Peng Qingyu	—	1,431,867	—	1,431,867
Mr. Fu Guohua	—	188,626	29,010	217,636
Mr. Yu Yousheng	—	203,029	51,233	254,262
	—	5,485,882	560,454	6,046,336

In addition to the above remuneration, performance-related bonuses of supervisors were RMB1,470,723 in 2022 (2021: RMB1,982,599), and supervisors' remuneration was offset by share-based payments (Note XI.) totaling RMB970,579 in 2022 (2021: accrual totaling RMB3,566,557).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS *(continued)*

### 2. Remuneration for key management personnel *(continued)*

#### *(5) Five highest paid employees*

The remuneration details of the five highest paid employees for the year are as follows:

	RMB	
	2022	2021
Salaries, allowances and benefits in kind	9,523,558	9,520,828
Pension scheme contributions	1,105,307	1,076,506
	<u>10,628,865</u>	<u>10,597,334</u>

In addition to the above remuneration, the performance-related bonuses of the five highest paid employees for the year were RMB4,702,494 in 2022 (2021: RMB7,053,750); The total amount of remuneration offset by share-based payments (Note XI.) for the top five employees in 2022 was RMB10,362,924 (2021: accrual totaling of RMB18,115,887).

The remuneration distribution of the non-director highest paid employees was as follows:

Remuneration amount of employees	2022	2021
<b>Amount range</b>		
Hong Kong dollar 2,500,001–3,000,000 (RMB2,147 thousands – 2,576 thousands)	4	—
Hong Kong dollar 6,000,001–6,500,000 (RMB5,153 thousands – 5,582 thousands)	1	3
Hong Kong dollar 6,500,001–7,000,000 (RMB5,582thousands – 6,012 thousands)	—	1
Hong Kong dollar 18,000,001–18,500,000 (RMB15,460 thousands – 15,889 thousands)	—	1
	<u>5</u>	<u>5</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XIV. OTHER SIGNIFICANT MATTERS *(continued)*

### 3. Segment reporting

#### *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.

#### *Financial information of reporting segments*

*Non-current assets organized by the location of assets (Note)*

		RMB
	2022	2021
China	<b>41,521,068,866</b>	29,573,049,988
Asia (China exclusive)	<b>4,745,470,088</b>	4,341,229,956
Africa	<b>1,960,397,711</b>	1,972,442,620
	<b><u>48,226,936,665</u></b>	<b><u>35,886,722,564</u></b>

Note: The non-current assets exclude debt investments, other equity investments, other non-current financial assets, long-term receivables and deferred tax assets °

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts Receivable

The credit periods of accounts receivable are generally 1 to 6 months. Accounts receivable are non-interest bearing.

An aging analysis of accounts receivable is as follows:

	31 December 2022	31 December 2021
Within 6 months	964,564,999	857,465,222
6 to 12 months	56,587,366	18,477,768
1 to 2 years	25,160,286	27,603,660
2 to 3 years	25,093,264	3,599,573
Over 3 years	17,372,129	19,141,880
	<b>1,088,778,044</b>	926,288,103
Less: Provision for bad debts of accounts receivable	<b>24,608,187</b>	22,989,785
	<b>1,064,169,857</b>	903,298,318

The aging of accounts receivable is calculated from the date of delivery of goods or provision of services to the customers and the date when the invoice issued.

Movements in provision for bad debts of account receivables are as follows:

	31 December 2022	31 December 2021
Opening balance	22,989,785	21,437,478
Provision for the year	4,348,402	2,686,999
Reversal for the year	(1,580,000)	(181,146)
Write-off for the year	(1,150,000)	(953,546)
Closing balance	<b>24,608,187</b>	22,989,785



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 1. Accounts Receivable (continued)

RMB

	31 December 2022				Carrying value
	Balance of carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Receivables for which bad debt provision is assessed on an individual basis	1,046,982,098	96	17,378,874	2	1,029,603,224
Receivables for which bad debt provision is assessed on a portfolio basis	41,795,946	4	7,229,313	17	34,566,633
	<u>1,088,778,044</u>		<u>24,608,187</u>		<u>1,064,169,857</u>

RMB

	31 December 2021				Carrying value
	Balance of carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Receivables for which bad debt provision is assessed on an individual basis	895,248,506	97	20,108,874	2	875,139,632
Receivables for which bad debt provision is assessed on a portfolio basis	31,039,597	3	2,880,911	9	28,158,686
	<u>926,288,103</u>		<u>22,989,785</u>		<u>903,298,318</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 1. Accounts Receivable (continued)

As at 31 December 2022, receivables for which bad debt provision is assessed on an individual basis are as follows:

RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss rates (%)	Reasons for provision
Unit A	11,133,541	11,133,541	100	All uncollectible
Unit B	2,940,000	2,940,000	100	All uncollectible
Unit C	2,838,734	2,838,734	100	All uncollectible
Unit D	286,355	286,355	100	All uncollectible
Unit E	136,916	136,916	100	All uncollectible
Other Units	1,029,646,552	43,328	—	Partly uncollectible
	<u>1,046,982,098</u>	<u>17,378,874</u>		

As at 31 December 2021, receivables for which bad debt provision is assessed on an individual basis are as follows:

RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss rates (%)	Reasons for provision
Unit A	10,192,131	10,192,131	100	All uncollectible
Unit B	2,940,000	2,940,000	100	All uncollectible
Unit C	2,838,734	2,838,734	100	All uncollectible
Unit D	286,355	286,355	100	All uncollectible
Unit E	166,916	166,916	100	All uncollectible
Other Units	878,824,370	3,684,738	—	Partly uncollectible
	<u>895,248,506</u>	<u>20,108,874</u>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

### 1. Accounts Receivable *(continued)*

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

Category of cement receivable:

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	24,422,823	10	2,417,859
6 to 12 months	3,499,823	22	759,461
1 to 2 years	8,950,100	39	3,463,689
2 to 3 years	933,867	51	480,008
Over 3 years	18,842	87	16,422
Total	<u>37,825,455</u>		<u>7,137,439</u>

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	17,889,922	5	948,166
6 to 12 months	7,507,247	17	1,306,261
1 to 2 years	1,185,727	34	400,776
2 to 3 years	357,997	52	187,948
Total	<u>26,940,893</u>		<u>2,843,151</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 1. Accounts Receivable (continued)

Category of other business receivables:

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	1,911,021	—	7,644
6 to 12 months	389,296	1	3,893
1 to 2 years	1,262,152	3	39,127
2 to 3 years	408,022	10	41,210
Total	<u>3,970,491</u>		<u>91,874</u>

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	3,167,240	—	3,167
6 to 12 months	336,381	—	673
1 to 2 years	595,083	6	33,920
Total	<u>4,098,704</u>		<u>37,760</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 1. Accounts Receivable (continued)

As at 31 December 2022, the top 5 of the balance of accounts receivable were as follows:

RMB

	31 December 2022			
	Balance	Proportion in total account receivable (%)	Provision for bad debts	Net amount
First	191,080,999	18	—	191,080,999
Second	105,210,189	10	—	105,210,189
Third	81,183,102	7	—	81,183,102
Fourth	55,316,837	5	—	55,316,837
Fifth	50,828,400	5	—	50,828,400
Total	<u>483,619,527</u>		<u>—</u>	<u>483,619,527</u>

As at 31 December 2021, the top 5 of the balance of accounts receivable were as follows:

RMB

	31 December 2021			
	Balance	Proportion in total account receivable (%)	Provision for bad debts	Net amount
First	117,645,841	13	—	117,645,841
Second	97,571,941	11	—	97,571,941
Third	83,650,861	9	—	83,650,861
Fourth	43,358,244	5	—	43,358,244
Fifth	35,525,843	4	—	35,525,843
Total	<u>377,752,730</u>		<u>—</u>	<u>377,752,730</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables

	31 December 2022	31 December 2021
Dividend receivable	—	208,190,000
Other receivables	<u>4,853,948,075</u>	<u>4,108,876,529</u>
	<u>4,853,948,075</u>	<u>4,317,066,529</u>

An aging analysis of other receivables is as follows:

	31 December 2022	31 December 2021
Within 1 year	1,660,386,549	1,326,758,452
1 to 2 years	707,202,560	1,103,184,328
2 to 3 years	976,056,381	736,660,629
Over 3 years	<u>1,557,389,880</u>	<u>989,226,736</u>
Less: Provision for bad debts of other receivables	<u>47,087,295</u>	<u>46,953,616</u>
	<u>4,853,948,075</u>	<u>4,108,876,529</u>

Other receivables categorized by nature:

	31 December 2022	31 December 2021
Amounts due from subsidiaries and related parties	4,839,400,820	4,129,067,980
Margin and deposits	45,095,662	22,797,458
Others	<u>16,538,888</u>	<u>3,964,707</u>
Total	<u>4,901,035,370</u>	<u>4,155,830,145</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables (continued)

Movements in provision for bad debts of other receivable are as follows:

RMB

	31 December 2022	31 December 2021
Opening balance	46,953,616	46,894,669
Provision for the year	144,738	294,858
Reversal for the year	(11,059)	(235,911)
Closing balance	<u>47,087,295</u>	<u>46,953,616</u>

As at 31 December 2022, the top 5 of other receivables were as follows:

RMB

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
First	743,451,371	15	Amounts due from subsidiaries	Within 1 year, 1-2 years, 2-3 years, over 3 years	-
Second	457,020,571	9	Amounts due from subsidiaries	Within 1 year, 1-2 years, 2-3 years, over 3 years	-
Third	451,544,717	9	Amounts due from subsidiaries	Within 1 year, 2-3 years, over 3 years	-
Fourth	309,082,898	6	Amounts due from subsidiaries	2-3 years, over 3 years	-
Fifth	269,261,203	5	Amounts due from subsidiaries	Within 1 year	-
	<u>2,230,360,760</u>	<u>44</u>			<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

### 2. Other receivables *(continued)*

As at 31 December 2021, the top 5 of other receivables were as follows:

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	RMB
					Closing balance of provision for bad debts
First	572,180,683	14	Amounts due from subsidiaries	Within 1 year	—
Second	354,488,779	9	Amounts due from subsidiaries	Within 1 year, 1–2 years, 2–3 years	—
Third	339,864,615	8	Amounts due from subsidiaries	Within 1 year, 1–2 years, 2–3 years, over 3 years	—
Fourth	206,221,748	5	Amounts due from subsidiaries	Within 1 year, 1–2 years, 2–3 years, over 3 years	—
Fifth	197,075,738	5	Amounts due from Subsidiaries	Within 1 year, 1–2 years, 2–3 years, over 3 years	—
	<u>1,669,831,563</u>	<u>41</u>			<u>—</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments

Cost method:

								RMB
	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of Shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Huaxin Equipment Engineering Co., Ltd.	190,000,000	190,000,000	—	190,000,000	—	100	100	—
Huaxin Cement (Yueyang) Co., Ltd.	55,500,000	22,500,000	33,000,000	55,500,000	—	100	100	—
Chongqing Huaxin Cantian Cement Co., Ltd.	253,300,000	253,300,000	—	253,300,000	—	100	100	50,000,000
Huaxin (Hainan) Investment Co., Ltd.	732,000,000	442,000,000	290,000,000	732,000,000	—	100	100	—
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	65,550,000	—	65,550,000	—	69	69	20,700,000
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	40,200,000	—	40,200,000	—	100	100	—
Huaxin Concrete (Wuhan) Co., Ltd.	348,802,159	110,502,159	238,300,000	348,802,159	—	100	100	—
Huaxin Cement (Ezhou) Co., Ltd.	99,437,030	99,437,030	—	99,437,030	—	70	70	—
Huaxin New Building Materials Co., Ltd.	50,000,000	50,000,000	—	50,000,000	—	100	100	—
Huaxin Environmental Engineering (Yichang) Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100	100	—
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	29,000,000	—	29,000,000	—	100	100	—
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	42,000,000	—	42,000,000	(42,000,000)	100	100	—
Huaxin Cement (Hefeng) National Building Materials Co., Ltd.	44,700,483	44,700,483	—	44,700,483	—	51	51	5,100,000
Huaxin Zhongya Investment (Wuhan) Co., Ltd.	388,623,689	388,623,689	—	388,623,689	—	100	100	—
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	505,589,562	—	505,589,562	—	100	100	30,000,000
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	220,000,000	—	220,000,000	—	100	100	30,000,000
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100	100	130,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	300,000,000	—	300,000,000	—	100	100	100,000,000
Huaxin Cement (Zhaotong) Co., Ltd.	60,000,000	60,000,000	—	60,000,000	—	100	100	76,200,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of Shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	50,000,000	—	50,000,000	—	79	79	79,000,000
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	40,000,000	—	40,000,000	—	100	100	20,000,000
Huaxin Cement Scientific Research and Design Co., Ltd.	990,000	990,000	—	990,000	—	99	99	—
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	91,601,080	—	91,601,080	—	51	51	—
Huaxin Cement (Daye) Co., Ltd.	420,100,753	420,100,753	—	420,100,753	—	70	70	—
Huaxin (Hong Kong) International Holdings Co., Ltd.	157,935,219	157,935,219	—	157,935,219	—	100	100	—
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	70,800,000	—	70,800,000	—	100	100	—
Chongqing Huaxin Fenghuang Lake Concrete Co., Ltd.	40,000,000	40,000,000	—	40,000,000	—	100	100	5,000,000
Huaxin (Huangshi) Logistics Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100	100	35,000,000
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100	100	—
Wuhan Ganghua Cement Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	50	50	—
Hubei Dailing Future Environmental Protection Packaging Technology Co., Ltd.	60,229,648	60,229,648	—	60,229,648	—	100	100	10,000,000
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	200,000,000	—	200,000,000	—	100	100	—
Huaxin Aggregate Co., Ltd.	258,100,000	258,100,000	—	258,100,000	—	100	100	319,900,000
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	30,124,664	—	30,124,664	—	70	70	14,000,000
Huaxin Cement (Huangshi) Co., Ltd.	732,800,000	680,000,000	52,800,000	732,800,000	—	94	94	—
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	65,000,000	—	65,000,000	—	100	100	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of Shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	190,000,000	—	190,000,000	—	100	100	50,000,000
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	4,000,000	—	4,000,000	—	80	80	—
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	180,000,000	—	180,000,000	—	90	90	36,900,000
Huaxin Cement (Dao xian) Co., Ltd.	180,000,000	180,000,000	—	180,000,000	—	100	100	30,000,000
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	240,000,000	—	240,000,000	—	100	100	—
Huaxin Concrete Co., Ltd.	195,000,000	130,000,000	65,000,000	195,000,000	—	100	100	—
Huaxin Cement (Xiantao) Co., Ltd.	14,658,136	14,658,136	—	14,658,136	—	80	80	—
Huaxin Cement (Enping) Co., Ltd.	674,058	674,058	—	674,058	—	65	65	—
Huaxin Environmental Engineering Co., Ltd.	1,000,000,000	1,000,000,000	—	1,000,000,000	—	100	100	—
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	363,802,268	—	363,802,268	—	80	80	32,000,000
Yunnan Huaxin Building Materials Investment Co., Ltd.	977,000,000	977,000,000	—	977,000,000	—	100	100	700,000,000
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	120,000,000	—	120,000,000	—	80	80	56,000,000
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	200,000,000	—	200,000,000	—	100	100	90,000,000
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100	100	—
Huangshi Huaxin Green Building Materials Industry Co., Ltd.	1,235,000,000	600,000,000	635,000,000	1,235,000,000	—	58	58	—
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	73,000,000	—	73,000,000	—	97	97	—
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	340,000,000	—	340,000,000	—	100	100	—
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	197,590,806	—	197,590,806	—	100	100	—
Huaxin Cement Suizhou Co., Ltd.	24,600,000	24,600,000	—	24,600,000	—	60	60	1,080,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of Shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	653,713,479	—	653,713,479	—	100	100	230,000,000
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	240,000,000	—	240,000,000	—	100	100	—
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100	100	85,850,000
Mauritius Somerset Investment Co., Ltd.	252,000,000	252,000,000	—	252,000,000	—	100	100	—
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	500,000	—	500,000	—	100	100	—
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100	100	—
Huaxin Property Management Huangshi Co., Ltd.	3,000,000	—	3,000,000	3,000,000	—	100	100	—
Huaxin New Building Materials (Huangshi) Co., LTD.	50,000,000	—	50,000,000	50,000,000	—	100	100	—
<b>Total</b>	<b>12,896,923,034</b>	<b>11,529,823,034</b>	<b>1,367,100,000</b>	<b>12,896,923,034</b>	<b>(42,000,000)</b>			<b>2,236,730,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

Equity method:

RMB

	Opening balance	Movements during the year		Closing balance	Provisions for impairment
		Investment profit or loss under equity method	Other changes in equity		
Joint ventures					
Tibet High-tech Building Materials Group Co., Ltd.	356,957,328	(12,287,232)	698,089	345,368,185	—
Shanghai Wan'an Huaxin Cement Co., Ltd.	<u>92,158,921</u>	<u>(1,372,868)</u>	<u>—</u>	<u>90,786,053</u>	<u>—</u>
	<u>449,116,249</u>	<u>(13,660,100)</u>	<u>698,089</u>	<u>436,154,238</u>	<u>—</u>

### 4. Operating income and cost

RMB

	2022		2021	
	Revenue	Cost	Revenue	Cost
Main Business	547,218,572	450,214,311	833,001,902	736,317,143
Other Business	<u>4,457,338,119</u>	<u>4,280,386,197</u>	<u>4,272,275,261</u>	<u>4,014,357,621</u>
	<u>5,004,556,691</u>	<u>4,730,600,508</u>	<u>5,105,277,163</u>	<u>4,750,674,764</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 5. Investment income

	RMB	
	2022	2021
Gains from long-term equity investments under cost method	2,236,730,000	3,282,892,916
Investment income of held-for-trading financial assets during the hold period	29,529,951	12,069,964
Dividend income of other non-current financial assets during the hold period	1,375,553	1,472,536
Dividend income of other equity instrument investments during the hold period	917,726	—
Gains from long-term equity investments under equity method	(13,660,100)	(401,915)
	<u>2,254,893,130</u>	<u>3,296,033,501</u>

### 6. Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	RMB	
	Amount for the current period	Amount for the prior period
Net profit	2,238,002,243	3,256,784,379
Add: Impairment losses of assets	83,658	1,048,704
Impairment losses of credit	2,902,082	2,564,799
Depreciation of fixed assets	55,135,300	52,736,644
Depreciation of right-of-use assets	10,086,290	10,067,868
Amortization of intangible assets	2,110,916	1,990,085
Amortization of long-term prepaid expenses	2,231,679	2,231,680
Amortization of deferred income	(1,907,667)	(3,302,665)
Losses on disposal of fixed assets, intangible assets and other long-term assets	503,768	(17,691,662)
Losses on retirement of fixed assets	11,417	67,191
(Gains) on changes in fair value	(28,471,220)	(898,576)
Financial expenses	113,423,140	267,742,269
Investment (income)	(2,254,893,130)	(3,296,033,501)
Decrease (increase) in deferred tax assets	32,976,503	(17,984,345)
Decrease (increase) in inventories	409,101,060	(406,361,010)
Increase in operating receivables	(126,181,364)	(1,293,040,471)
(Decrease) increase in operating payables	(85,684,275)	1,008,017,572
<b>Net changes in cash and cash equivalents</b>	<u>369,430,400</u>	<u>(432,061,039)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

### 6. Supplemental information to statement of cash flows *(continued)*

Net change in cash and cash equivalents:

	RMB	
	31 December 2022	31 December 2021
Closing Balance	<b>3,365,759,060</b>	5,151,662,429
Less: Opening Balance	<b>5,151,662,429</b>	4,624,314,323
Net increase in cash and cash equivalents	<b><u>(1,785,903,369)</u></b>	<u>527,348,106</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. Breakdown of Non-recurring Profit and Loss Item

	RMB
	<b>2022</b>
Net income from disposal of non-current assets	(9,115,921)
Government grants recognised through profit or loss for the current period (excluding those closely related to the Company's ordinary business operations, in line with national policies and entitled continuously in accordance with certain standard based on a fixed amount or quantity)	145,424,252
Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business relating to the ordinary business operations of the Company	48,520,672
Reversal of provisions for impairment of receivables that are individually tested for impairment	4,682,180
Other non-operating income and expenses other than the above items	<u>(36,288,768)</u>
Total non-recurring profit and loss	153,222,415
Less: Impact of income tax	27,310,779
Less: Impact of non-controlling interests	<u>5,677,578</u>
	<u><u>120,234,058</u></u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 2. Return on Net Assets and Earnings per Share

2022

RMB

	Weighted average return on net asset (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	10.03	1.30	1.28
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	9.58	1.24	1.22

2021

RMB

	Weighted average return on net asset (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	21.30	2.58	2.58
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	21.07	2.55	2.55

# 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 2022 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 2022 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 2022 Annual Report fairly reflected the operating results and financial positions;
2. *2022 Auditor's Report of Huaxin Cement Co., Ltd.* audited by Ernst & Young Hua Ming 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 2022 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
Martin Kriegner	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

28 March 2023