INTERPRETATION

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

A Shares	means	Ordinary shares listed on the SSE with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in RMB
AFR	means	Alternative fuel raw material
Board	means	the board of directors of the Company
China or PRC	means	The People's Republic of China
CO_2	means	Carbon dioxide
CSRC	means	China Securities Regulatory Commission
Director(s)	means	the director(s) of the Company
EBITDA	means	Earnings before interest, tax, depreciation and amortization
EPC	means	Engineering Procurement Contract
Group	means	The Company and its subsidiaries. "subsidiary(ies)" has the meaning ascribed to it under the Listing Rules
H Shares	means	Foreign shares listed on the SEHK with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in Hong Kong dollars
H Shares Listing Date	means	28 March 2022, the date on which the Company's H Shares were listed on the Main Board of the SEHK
Holcim	means	Holcim Limited
Hong Kong	means	Hong Kong Special Administrative Region of China
Hong Kong Listing Rules	means	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
ICC	means	International Chamber of Commerce
IT	means	Information technology
kgce/t.KK	means	Kilogram standard coal/ton clinker
KPI	means	Key performance indicators
NOx	means	Nitrogen oxide(s)
PRC Accounting Standards	means	Accounting Standards for Business Enterprises of the People's Republic of China
Reporting Period	means	From 1 January to 31 December 2021
RMB or Yuan	means	Renminbi, the lawful currency of the PRC. K Yuan, 10K Yuan, Million Yuan, 100 Million Yuan shall be construed as references to RMB1,000, RMB10,000, RMB1 million, RMB100 million

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Table 2

Unit: RMB

Item	3 December

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

2. MAIN BUSINESS AND OPERATION MODEL OF THE COMPANY

(1) Main business of the Company

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

The Company is one of the Top 500 Chinese Manufacturing Enterprises and Fortune China 500 List. By the end of 2021, the Company owned around 270 subsidiaries across 14 provinces and cities in China including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia and Malawi, with total cement grinding capacity of 116 million tons/year (grinding capacity, including capacity in associates), cement equipment production capacity of 50,000 tons/year, ready-mixed concrete capacity of 43.80 million m^3/year, aggregate capacity of 154 million tons/year, composite eco wall material capacity of 540 million units/year, aerated concrete product (brick, board) capacity of 850,000 m^3/year, mortar capacity of 300,000 tons/year, UHPC capacity of 40,000 m^3/year, civil building curtain wall slab production of 800,000 m^2/year, industrial anti-corrosion tile production of 3 million m^2/year, lime production of 690,000 tons/year, cement packaging bag production of 700 million bags/year, and wastes disposal capacity of 5.53 million tons/year (including CIPs).

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

(2) Operation model of the Company

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

Production:

(3) Advantages in technology innovation

The Company has upheld the concept of "Development Driven by Innovation, Leading at the Front of the Industry". Starting from industry practical application and combining introduction and self-development, the Company has established a complete set of full-fledged technology innovation system and cultivated a strong and professional technology R&D team which maintains its leading place in technology innovation. The Company now has the overall contracting capacity in R&D, design, manufacturing, installation, commissioning and "turkey projects" of cement production facilities. It also has the capacity of exploring technology in cement kiln co-processing of wastes, as well as the capacity of commercially applying the relevant technologies in industrial production practices.

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

As at the end of 2021, the Company has registered 48 patents for invention derived from production practices and 81 patents of utility model.

(4) Advantages in trademark and brand

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

In 2021, the Company was one of "China's 500 Most Valuable Brands" for seven consecutive years, ranking 80th with a brand value of RMB70.269 billion, increased by 17.4% as compared to that of 2020. Meanwhile, the Company had been listed among the Top 500 of Asian Brands for the sixth year in a row, ranking to the 167th in 2021. In addition, the Company was ranked the 306th in the Top 500 Chinese Manufacturing Enterprises and also won Top 100 Chinese Listed Enterprises Award in 2021.

(5) Advantages in product quality

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

(6) Advantages in Strategic plan

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

(7) Advantages in digital innovation

Through the implementation of the development strategy of "traditional industry + digital innovation", the Company focuses on the three intelligent closed loops of "industry, commerce and management". Based on energy management and data center, the Company continuously promotes the optimization of business operations and production management in 272 projects under 5 categories to support business transformation and development, thus enhancing its corporate competitiveness.

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

By the end of 2021, the Company had implemented a total of 272 digital projects in 41 categories in its 33

(5) Major subsidiaries and associated companies

Unit: RMB

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

2. PROFIT DISTRIBUTION POLICY AND ITS IMPLEMENTATION

(1) The formulation and implementation of cash dividend policy

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

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

The profit distribution plan was completed on 29 June 2021.

(2) Profit distribution plan for 2021

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

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

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

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

3. DIVIDENDS

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

4. TAXES

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

5. MAJOR CUSTOMERS AND SUPPLIERS

(1) Customers

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

During the Reporting Period, the Company did not sell more than 50% of the annual total sales to a single client or rely heavily on a few customers. The following table shows the sales to the top 5 customers during the Reporting EMC /Ttc1 0 9 73.4Lang (en-GB)cemberal Top 5

DIRECTORS' REPORT

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

2. MAJOR OPERATING INFORMATION DURING THE REPORTING PERIOD

(1) Principal operations

Changes of Items in the Income Statement and Cash Flow Statement

Unit: RMB

Item	202	2020	Changes (%)
Operating income	**32,464,083,379**	29,356,515,691	10.59
Operating costs	**2 ,392,494,465**	18,035,261,466	18.61
Selling and distribution expenses	**,33 ,208,970**	1,427,678,136	−6.76
General and administrative expenses	**,634,697,607**	1,604,700,517	1.87
Financial expenses	**70,259,608**	305,705,509	−44.31
R&D expenses	**7 ,40 ,459**	55,979,438	27.55
Net cash flow from operating activities	**7,594,957, 22**	8,405,472,760	−9.64
Net cash flow from investing activities	**−6,794,063,625**	−5,008,041,912	−35.66
Net cash flow from financing activities	**−632,252,873**	187,685,399	−436.87

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

(2) Analysis of revenue and cost

Major performance by products

Unit: RMB

Major financial performance by products

Product	Operating income	Operating costs	Gross profit margin (%)	Year-over-year change in operating income (%)	Year-over-year change in operating cost (%)	Year-over-year change in gross profit margin (%)
Cement	24,067,650,740	15,924,573,208	33.83	1.84	10.72	Decreased by 5.31%
Concrete	3,175,398,379	2,578,492,840				

Major financial performance by geographical areas

Unit: RMB

Areas	Operating income	Change over the same period of last year (%)
Hubei	10,937,873,007	23.43
Hunan	2,608,969,488	−7.27
Sichuan	2,098,820,692	3.38
Yunnan	4,982,708,654	−13.16
Tibet	950,722,504	−38.45
Chongqing	1,937,854,607	−19.48
Henan	773,585,456	31.34
Jiangsu	2,111,605,491	149.05
Jiangxi	303,685,930	1.41
Anhui	715,944,446	46.79
Shanghai	533,505,245	78.90
Guangxi	157,822,179	−19.42
Guangdong	1,153,205,610	32.12
Guizhou	331,729,079	−3.23
Overseas	2,582,895,534	36.67
Others	283,155,457	104.81
Total	32,464,083,379	10.59

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

(4) Financial positions

Assets and Liabilities

Unit: RMB

Items	As at 3 December 202	Percentage of amount at the end of current period to the total asset (%)	As at 31 December 2020	Percentage of
				cuompare to tTjETEMC /Span /Lang (en-GB)/MCID 1489 BDC BT7.2 0 0 9 3192.90415
				P
			o1 December	

3. OUTLOOK FOR 2022

(1) Industrial pattern and trend of development

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

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

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

Energy conservation, carbon reduction, industry chain expansion becoming the new battlefield for industry competition. Dual carbon, dual control on consumption and intensity will accelerate the industry development and

(2) Development strategy of the Company

2022 is the turning point for the double performance plan of the Group. The Group will promote the corporate culture of "trust, dedication, pragmatism, innovation," and adhere to the values of "safety first, customer centric, result orientated, act with integrity, ensure sustainable growth and people oriented" to pursue the vision of "Beautiful world starts with us". Following the mission of "Clean our living environment, supply reliable building materials", the Company will strive to implement and deepen four strategies of "integrated transformation, overseas development, expansion to high tech building material, traditional industry + digitization". Leveraging the stable operation of domestic cement business, the Company will accelerate the strategic integration development of aggregate, wall material, concrete and expand the eco business of hazardous wastes treatment, as well as accelerate its overseas business and gain breakthroughs in its new materials business.

(3) Business plan

Completion of the 202 business plan: In 2021, the Company achieved operating income of RMB32.464 billion, achieving 88.73% of the annual budget, among which revenue of cement and clinker achieved 92.59% of the budget; concrete sales revenue achieved 66.11% of the budget; aggregate sales revenue achieved 83.23% of the budget; and the eco business sales revenue achieved 85.07% of the budget. In 2021, the actual budget achievement rate on the overall investment was 49.36%. By the end of 2021, total assets of the Company was RMB52.5 billion, and the asset-liability ratio was 44.1%.

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

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

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

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

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

(5) Unswervingly push for the integrated development of the industry chain. With cement as the core business, promote the integration of the industrial chain of aggregate, concrete, wall materials, eco disposal, packaging, and equipment engineering.

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

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

(4) Potential risks

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

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

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

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

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

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

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

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

During the Reporting Period, Chen Bing, former vice president of the Company, was investigated by the Supervisory Committee of Xisaishan District in Huangshi City, and he was detained since 3:00 p.m. on 9 September 2021.

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

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

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

9. MATERIAL RELATED PARTY TRANSACTIONS

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

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

On 30 November 2021, the Group acquired 75% of equity interest held by Financière Lafarge SAS and Pan African Cement in CHILANGA Cement Plc at a consideration of RMB720,353,664. On 23 December 2021, the Group acquired 100% of equity interest held by Financière Lafarge SAS and Pan African Cement in Portland Cement (MALAWI) Limited at a consideration of RMB68,647,360. For details, see Note VI (1) and Note X (5) of the financial statements prepared in accordance with the PRC Accounting Standards. During the Reporting Period, the Group entered into certain transactions with persons deemed to be "related parties" under applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in Notes XII of the financial statements prepared in accordance with the PRC Accounting Standards. The related party transactions disclosed in Note XII are not considered connected transactions defined in Chapter 14A of Hong Kong Listing Rules or exempt from the reporting, announcement and shareholder approval requirements under the Hong Kong Listing Rules.

10. MATERIAL CONTRACTS

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

(2) Guarantees

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

Unit: RMB

The Company's external guarantees (excluding guarantees for subsidiaries)	
Total guarantee amount during the Reporting Period (excluding guarantee for subsidiaries)	0
Guarantee amount left at the end of the Reporting Period (A) (excluding guarantee for subsidiaries)	0
Guarantee provided by the Company or subsidiaries for its subsidiaries	
Total guarantee amount for subsidiaries occurred during the Reporting Period	1,989,582,141
Guarantee amount left at the end of the Reporting Period (B)	7,036,507,634
Total guarantee amount (including guarantee for subsidiaries)	
Total guarantee amount (A+B)	7,036,507,634
Proportion in net assets of the Company (%)	26.32
Including	
Guarantee amount provided for the Company's shareholders, de facto controller and its related parties (C)	0
Debt guarantee amount provided dirmou0.5lpandiadirmou0.5lpafRepDediadia	

CHANGES IN SHARES AND SHAREHOLDERS

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

No.	Full name of shareholders	Number of shares held	Proportion (%)	Class of shares	Pledged, marked or locked-up		Shareholder type
					Status	Quantity	
1	HOLCHIN B.V.	451,333,201	39.85	A Shares	None	0	Overseas legal entity
		384,210,624		B Shares			
2	Huaxin Group Co., Ltd.	338,060,739	16.12	A Shares	None	0	State-owned legal entity
3	Hong Kong Securities Clearing Company Limited	59,787,210	2.85	A Shares	None	0	Overseas legal entity
4	HOLPAC LIMITED	41,691,843	1.99	B Shares	None	0	Overseas legal entity
5	Huaxin Cement Co., Ltd. — 2020–			A Shares			

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

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

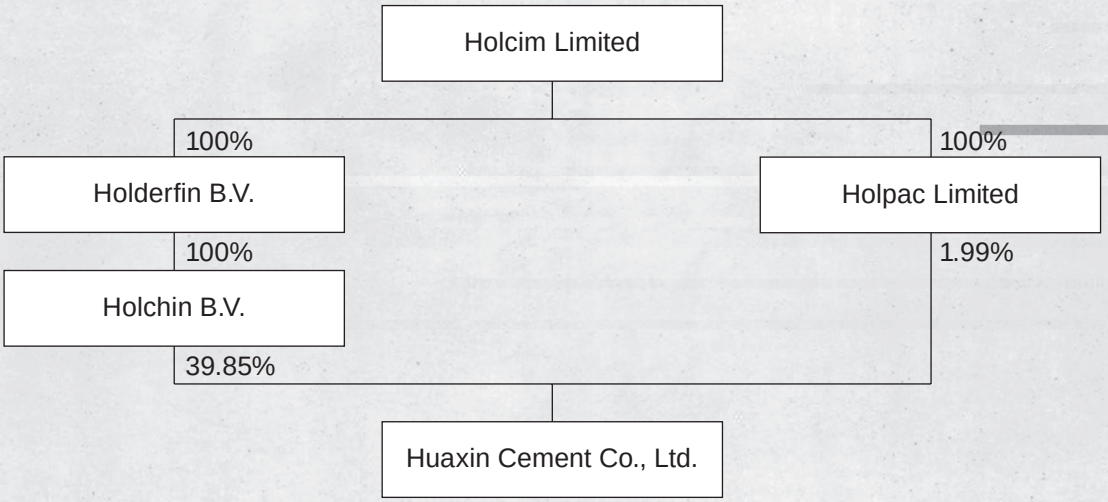
Name	Nature of interest	Class of shares	Number of shares	Approximate% of shares held in the relevant share class	Approximate% of shares held in the total amount of share capital
Mr. Li Yeqing	Beneficial interest	A Shares	364,334	0.0268%	0.0174%
		B Shares	374,696	0.0510%	0.0179%
Mr. Liu Fengshan	Beneficial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

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

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

CHANGES IN SHARES AND SHAREHOLDERS

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: share

Name	Position	Gender	Age	Appointment beginning	Appointment Ending	Shares held at the beginning of the year	Shares held at the end of the year	Change	Reason for change	Payment from the Company (0k RMB) before tax	Remuneration from the Company's related companies
Xu Yongmo	Chairman	M	65	April 2021	April 2024	—	—	—	—	82.8	No
Li Yeqing	Director/CEO	M	57	April 2021	April 2024	649,630	739,030	89,400	purchase shares on secondary market	604.03	No
Liu Fengshan	Director/VP	M	56	April 2021	April 2024	200,700	244,700	44,000	purchase shares on secondary market	282.40	No
Geraldine Picaud	Director	F	51	April 2021	April 2024	—	—	—	—	21.6	Yes
Lo Chi Kong	Director	M	58	April 2021	April 2024	—	—	—	—	21.6	Yes
Tan Then Hwee	Director	F	49	April 2021	April 2024	—	—	—	—	21.6	Yes
Wong Kun Kau	Independent Director	M	61	April 2021	April 2024	—	—	—	—	24	No
Zhang Jiping	Independent Director	M	53	April 2021	April 2024	—	—	—	—	24	No
Jiang Hong	Independent Director	M	51	April 2021	April 2024	—	—	—	—	24	No
Ming Jinhua	Supervisor Chairman	M	49	August 2021	April 2024	—	6,500	6,500	purchase shares on secondary market	91.11	No
Zhang Lin	Supervisor	M	49	April 2021	April 2024	45,300	87,200	41,900	purchase shares on secondary market	119.48	No
Yang Xiaobing	Supervisor	M	51	April 2021	April 2024	—	—	—	—	59.88	No
Zhu Yaping	Supervisor	M	53	April 2021	April 2024	—	—	—	—	82.63	No
Liu Weisheng	Supervisor	M	49	April 2021	April 2024	—	13,700	13,700	purchase shares on secondary market	61.15	No
Ke Youliang	VP	M	56	April 2021	April 2024	289,072	419,061	129,989	purchase shares on		

secondary market BT4.9 0 0 7 403BDC827 362.0081 Tm(—)TjETEMC /Span <3ang

Name	Position	Gender	Age	Appointment beginning	Appointment Ending	Shares held at the beginning of the year	Shares held at the end of the year	Change	Reason for change	Payment from the Company (0k RMB) before tax	Remuneration from the Company's related companies
Peng Qingyu	Chairman to the Board of Supervisor (Resigned)	M	61	April 2021	July 2021	381,932	435,932	54,000	purchase shares on secondary market	143.19	No
Fu Guohua	Supervisor (Resigned)	M	58	April 2018	April 2021	18,200	19,900	1,700	purchase shares on secondary market	21.76	No
Yu Yousheng	Supervisor (Resigned)	M	58	April 2018	April 2021	—	—	—	—	25.43	No
Wang Ximing	Secretary to the Board of Directors (Resigned)	M	62	April 2018	April 2021	377,344	469,844	92,500	purchase shares on secondary market	60.92	No
Kong Lingling	CFO (Resigned)	F	57	April 2018	April 2021	375,853	446,653	70,800	purchase shares on secondary market	69.92	No
Xiong Guangwei	VP (Resigned)	M	58	April 2018	April 2021	35,300	74,900	39,600	purchase shares on secondary market	147.67	No
Chen Bing	VP (Resigned)	M	54	April 2018	September 2021	34,400	34,400	—	—	155.10	No
Total	/	/	/	/	/	2,983,640	3,881,929	898,289	/	4,617.01	/

Note:

ú A total of 20 senior management and supervisors received RMB35.2272 million cashed in by 2018 phantom stock incentive. In addition to the above remuneration, in 2021, the Directors, supervisors and senior management still had a total amount of RMB33.9498 million accrued of share based payment, and the actual payment amount in the future will be subject to the assessment of the performance status.

û No director waived or agreed to waive any remuneration in 2021.

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

Name	Main work experience
Xu Yongmo	Mr. Xu Yongmo, born in April 1956, Master of Engineering, obtained Doctor and Post Doctorate in the United Kingdom. 1982–1983, assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant; 1986–1988, head of RMX laboratory of Concrete and Housing Building Materials Institute of China Building Materials Academy; 1988–1991, vice director of Technical Information Centre of China Building Materials Academy; 1998–2002, vice president of China Building Materials Academy; from April 2002 to April 2017, vice president of China Building Materials Federation; from June 2006 to December 2016, president of China Concrete & Cement Product Association; from December 2016 till now, executive president of China Concrete & Cement Product Association; from March 2007 till now, director-general of China Construction Units Association; from October 2007 to July 2019, VP of China Cement Association; from December 2011 to March 2019, director-general of China Silicate Association; from April 2021, he became an independent director of Jiangsu Sobute New Materials Co., Ltd. He became the Independent Director of the Company from April 2009 to March 2012. He became the Chairman of the Company in April 2012.

Name	Main work experience
Li Yeqing	Mr. Li Yeqing, born in February 1964, Doctor, senior engineer (professor level). He is currently the chief executive officer of the Company, party secretary of both the Company and Huaxin Group Co., Ltd. In July 1984, he graduated from Wuhan Institute of Building Materials with a bachelor's degree in engineering, majoring in silicate, and with a master's degree in engineering majoring in industrial management, and from Huazhong University of Science and Technology with a doctor's degree in management, majoring in management science and engineering. From July 1984 to October 1987, served as a teacher in Wuhan University of Technology Portland Engineering Department, and a deputy secretary of the Youth League Committee of Wuhan Institute of Building Materials. He joined Huaxin Cement Plant (predecessor of the Company) in November 1987, served as a quality control engineer of Central Lab, vice manager of Limestone Quarry, vice director of Extension Office and manager of production technology, and promoted as the vice manager of Huaxin Cement Plant in January 1993, he became Deputy General Manager of the Company in June 1994, General Manager of the Company in December 1999 (renamed as chief executive officer in March 2004). He served as a Director of the Company since 1994. He has also been the Vice Chairman of China Building Materials Federation since March 2009 and Vice Chairman of China Cement Association since May 2000. He also served as the Chairman of Hubei Building Materials Federation since January 2014. Also, he served as the Executive Vice Chairman of the Sixth Council of China Building Materials Federation since October 2020.
Liu Fengshan	Mr. Liu Fengshan, born in November 1965, obtained master's degree in public administrations from Nanyang Technological University in Singapore. Mr. Liu graduated from Kunming Institute of Technology with a bachelor's degree in engineering, majoring in mineral processing in July 1987. From 1987 to August 1998, he served as technician of Chimashan Quarry, workshop manager, deputy quarry manager, quarry manager, and secretary of the party committee of Daye Nonferrous Metals Group. From August 1998 to August 1999, he served as a quarry manager of Tonglushan Quarry and secretary of the party committee of Daye Nonferrous Metals Group. From August 1999 to January 2002, he was the deputy secretary of the party committee and secretary to disciplinary committee of Daye Nonferrous Metals Group. From January 2002 to April 2004, he served as the deputy secretary of Huangshi City. From April 2004 to October 2006, he served as the deputy secretary of the Daye Municipal Party Committee and the mayor of Daye City. From October 2006 to November 2006, he served as the deputy secretary-general of Huangshi Municipal Party Committee. From November 2006 to September 2011, he served as director-general and secretary of Leading Party Group of Bureau of Civil Affairs of Huangshi City. Since September 2011, he served as the Chairman and General Manager of Huaxin Group Co., Ltd., as well as deputy secretary the party committee of both Huaxin Group Co., Ltd. and Huaxin Cement Co., Ltd. He became a Director of the Company in April 2012. He was appointed as the vice president of the Company in June 2012.

Name	Main work experience

Name	Main work experience
Yuan Dezu	Mr. Yuan Dezu, born in September 1963, bachelor. In 1986, he graduated from Central TV University Huaxin Branch Campus, junior college education majored in Industrial Accounting. In 1997, he graduated from Hubei Communist Party School, majored in Enterprise Management, and got a Bachelor's Degree of Management. From 1998 to 2000, he had a correspondence course in the Party School of Central Committee of the Communist Party. In July 1981, He joined Huaxin Cement Plant (predecessor of the Company), and successively took the positions of the planner in the Sales Department, deputy chief of Administration Section of Sales Department, vice manager of Sales Management Department, manager of Logistics Department, DGM of Sales Company, Marketing GM of Hubei East Region, Marketing Director of Hubei East Region. From February 2011, he successively served as GM of Hubei Northwest Cement Business Unit, GM of Hubei West Business Unit, and Head of Marketing. He is now the Executive Vice Chairman and Secretary-General of the Hubei Cement Association. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.
Yang Hongbing	Mr. Yang Hongbing, born in September 1972, Bachelor of Engineering, Master of Administration. In 1995, he graduated from the School of Mechanics of Huazhong University of Science and Technology majoring in Forging and Pressing. From 2015 to 2018, he studied at the School of Management, Huazhong University of Science and Technology. He joined Huaxin Cement Co., Ltd. in 1995. He successively took the positions of the engineer in Mechanics and Power Department, chief engineer in Dry Processing plant, assistant of the General Manager in Yichang Company, Deputy General Manager in Yichang Company and Project Manager for the phase II construction, Executive General Manager of Yichang Company, Executive General Manager of Zigui Company, Regional Production Director in Hubei West, General Manager of Hubei West Region. Since February 2011, he successively served as General Manager of Hubei Southwest Cement Business Unit, Chairman and General Manager of Huaxin Environmental Engineering Co., Ltd., and Director of Cement Business Unit of the Company. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.
Xu Gang	

Name	Main work experience
Chen Bing	Mr. Chen Bing, born in December 1967, MBA. In 1989, he graduated from the School of Water Resources and Hydropower Engineering of Wuhan University, majored in industrial and civil construction, with Bachelor's Degree in Engineering. In 2000, he graduated from Huazhong University of Science and Technology with a Master's Degree in Business Administration. He joined Huaxin Cement Plant (predecessor of the Company) in July 1989. From September 1989 to March 2000, he successively took the positions of civil technician of the Extension and Restructuring Office of the Company, Head of Engineering Department of Huaxin Cement Nantong Co., Ltd., chief engineer of Engineering Department of Huaxin Cement Co., Ltd, manager of Technical Service Department and chief of clinker section of Huaxin Cement Sales Company. From March 2000 to February 2003, he was the manager of Wuhan Market Department of Huaxin Cement Sales Company. From February 2003 to January 2009, he concurrently took the positions of DGM of Huaxin Cement Sales Company, GM of Wugang Huaxin Cement Co., Ltd., and Huaxin Cement Wuhan Company. From January 2009 to October 2011, he concurrently took the positions of Executive DGM of RMC & AGG Business Unit of the Company and GM of Aggregate Company. From October 2011 to February 2014, he successively served as DGM of RMC & AGG Business Unit of the Company and GM of AGG Company. Since March 2014, he successively served as GM of RMC & AGG Business Unit of the Company, GM of Hubei East Business Unit, and GM of West Business Unit. He is vice chairman of the China Concrete and Cement Products Association since 2014. Since 2011, he has serves as vice chairman of Hubei Concrete and Cement Products Association. In 2015, he served as vice-chairman of the China Aggregates Association. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company from January 2016 to September 2021.

2. REMUNERATION FOR THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Decision procedure of the remuneration	The Remuneration and Assessment Committee of the Board of Directors proposes to and the Board of Directors discusses and decides the remuneration for senior management personnel to the Board of Directors for discussion and decision; the annual remuneration involving Directors and Supervisors shall be submitted to the general meeting of shareholders for approval.
Basis of determining the remuneration	The remuneration for directors and supervisors (non-employee supervisors) of the Company shall be determined according to their job responsibilities, work performance, the Company's operating performance and market environment. The remuneration for

3. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

There is no change in the working experience of the other directors, supervisors and senior management of the Company, which is subject to disclosure in accordance with Rule13.51B (1) of the Hong Kong Listing Rules.

4. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

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

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

9. STAFF HOUSING

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

10. TRAINING PLAN

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

11. LABOR OUTSOURCING

Unit: RMB

Total payment for labor outsourcing	58,408,572

12. EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES

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

The employee stock ownership plan includes Plan A and Plan B. Plan A is a long-term incentive plan related to the Company's annual performance assessment, and Plan B is a long-term incentive plan linked to the Company's milestone performance assessment. The total capital of the plan didn't exceed RMB610 million, of which the total capital of Plan A didn't exceed RMB210 million, and the total capital of Plan B didn't exceed RMB400 million. The stocks applicable to this plan are all the A-shares of the Company repurchased with the Company's special account for repurchase. The stock grants under this plan shall, in principle, match with the cycle for determination and

(5) Investor relations and stakeholders: The Company attached great importance to the maintenance of investor relations. The Company designated the secretary to the Board of Directors and the representative of securities affairs to be responsible for information disclosure and investor relations management, and took seriously the visit and consultation of shareholders and investors. The Company fully respected and safeguarded the legitimate rights and interests of creditors, customers, suppliers and other stakeholders, strived for balance of interests among shareholders, employees, society and the other, actively participated in public welfare undertakings, valued its social responsibility, and promoted the steady and sustainable development of the Company.

(6) Registration and management of insiders who have access to inside information: During the Reporting Period, the Company implemented the *Registration System for Insiders Who Have Access to Inside Information* in strict accordance with the requirements of regulators. In accordance with the Registration System, the Company has registered and put on record the information of insiders involved in the disclosure of inside information in the Company's regular reports. During the Reporting Period, there was no illegal insider dealing of the Company's stocks.

(7) Anti-corruption, anti-fraud and reporting system and policies: The Company has formulated anti-bribery and anti-corruption regulations in accordance with the *Basic Internal Control Norms for Enterprises* and other relevant laws and regulations, combined with the actual situation of the Company, to safeguard the legitimate rights and interests of the Company and shareholders and to reduce risks faced by the Company.

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

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

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

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

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

½Applicable √ Not applicable

Meeting	Convening Date	Website where the Resolutions are Published and Available on Display	Publication Date of Resolutions	Resolutions
The Third Extraordinary General Meeting in 2021	12 July 2021	www.sse.com.cn	13 July 2021	Proposal in Respect of Amending Certain Articles of the Articles of Association of the Company
The Fourth Extraordinary General Meeting in 2021	23 August 2021	www.sse.com.cn	24 August 2021	Proposal in Respect of Electing Mr. Ming Jinhua as Shareholder Supervisor of the Tenth Board of Supervisors of the Company
The Fifth Extraordinary General Meeting in 2021	13 September 2021	www.sse.com.cn	14 September 2021	1. The Proposal on Changing Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction 2. The Proposal on Authorizing the Board of Directors and Its Authorized Persons to Handle all Matters Related to the Company's Changing Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction 3. The Proposal on Determining the Authorized Persons of the Board of Directors 4. The Proposal on the Conversion of the Company into a Limited Stock Company that Issues and Lists Its Shares Abroad 5. The Proposal on Reviewing the Articles of Association of Huaxin Cement Co., Ltd. (Draft, applicable after the listing of H Shares) 6. The Proposal on the Validity Period for the Resolution on the Company's Proposed Change in Listing Venue for Domestic Listed Foreign Shares and the Listing and Trading on the Main Board of the SEHK by Way of Introduction
The Sixth Extraordinary General Meeting in 2021	31 December 2021	www.sse.com.cn	1 January 2022	Proposal on Adjusting the Allowance of Non-Executive Chairman

5. RIGHTS OF SHAREHOLDERS

(1) Convening extraordinary general meetings

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

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

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

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

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

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

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

Board meetings within the Reporting Period

Meeting	Time	Resolution
25th Meeting of the Ninth Session of Board of Directors	12 January 2021	Reviewed and Passed: Proposal in Respect of Convening the First Extraordinary General Meeting in 2021
26th Meeting of the Ninth Session of Board of Directors	28 January 2021	Reviewed and Passed: Report on the Organization Structure Adjustment of the Company and Explanation
27th Meeting of the Ninth Session of Board of Directors	24–25 March 2021	Reviewed and Passed: 1. Annual Report 2020 of the Company and its abstract 2. Final Financial Report 2020 and Financial Budget Report 2021 3. 2020 Profit Distribution Proposal of the Company 4. Proposal on the Modification of Corporate Accounting Policy 5. Proposal on Authorizing the Management to Conduct Cash Management 6. Proposal on Requesting for Approval of the *Foreign Exchange Risk Management Rules* and Authorizing the Management to Conduct Interest Rate Swaps of Foreign Exchange 7. Proposal on Reappointing the Accounting Firm for 2021 Financial Audit and Internal Control Audit of the Company 8. Internal Control Assessment Report 2020 of the Company 9. Proposal on Cashing in 2020 Short-term Incentives for the Top Management 10. Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2018 for the Top Management 11. Proposal in Respect of Nominating Mr. Xu Yongmo, Mr. Li Yeqing, Mr. Liu Fengshan, Ms. Geraldine Picaud, Mr. Lo Chi Kong, Ms. Tan Then Hwee as the Director Candidates for the Tenth Board of Directors 12. Proposal in Respect of Nominating Mr. Wong Kun Kau, Mr. Zhang Jiping, Mr. Jiang Hong as the Independent Director Candidates for the Tenth Board of Directors 13. Proposal in Respect of Amending Partial *Articles in the Articles* of Association of the Company 14. Annual Work Report 2020 of the Board of Directors 15. Annual Work Report 2020 of Independent Director Ms. Liu Yan, Mr. Simon MacKinnon, Mr. Wang Liyan
28th Meeting of the Ninth Session of Board of Directors	2 April 2021	Reviewed and Passed: Proposal in Respect of Convening the 2020 Annual General Meeting of the Company

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

Directors' training

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

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

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

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

— Formulating and reviewing corporate governance policies and practices of the Company and giving suggestions.

—

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

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

9. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

10. SPECIAL COMMITTEES TO THE BOARD OF DIRECTORS

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

(1) The Company has set up the Strategy Committee in accordance with the *Code of Corporate Governance for Listed Companies*

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

Time	Agenda	Opinions and suggestions
24 March 2021	1. Deliberate the Company's 2020 Annual Financial Report (draft), the Company's 2020 Internal Control Evaluation Report, the Company's Board of Directors' audit committee's 2020 Performance Report, the proposal on the re-appointment of the Company's 2021 financial audit and internal control audit accounting firm, and the proposal on changes in the Company's Accounting Policies 2. Hear the Company's annual report auditor's report on the 2020 annual audit completion report and the Company's 2020 annual work report on internal audit and internal control	The matters of the meeting were reviewed and approved, and it was agreed that the 2020 Annual Financial Report of the Company, *2020 Annual Internal Control Evaluation Report, Proposal on Renewing the Company's 2021 Annual Financial Audit and Internal Control Audit Accounting Firm, Proposal on the Changes in the Company's Accounting Policy* were submitted to the Board of Directors for deliberation.
25 August 2021	1. Review the Company's 2021 half year financial report. 2. Hear the brief description of the Company's 2021 half-year financial report and the Company's 2021 internal audit & internal control progress report	The meeting matters were reviewed and approved, and it was agreed to submit the Company's 2021 Half-Year Financial Report to the Board of Directors for deliberation.
24 September 2021	Initiate the internal investigation on the outgoing VP Chen Bing	Agreed to initiate the internal investigation
28 September 2021	Understand the Company's internal investigation report on relevant matters during the tenure of former Vice President Chen Bing, and Deloitte's auditors' opinions on the internal investigation report	/
13 December 2021	1. Review the 2021 annual audit plan 2. Hear the Company's 2022 internal audit & internal control work plan	The meeting matters were reviewed and approved.

12. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

13. SPECIAL DESCRIPTION OF CASH DIVIDEND POLICY

Meet the requirements of the *articles of association of the Company* or resolutions of shareholders' general meetings	√ Yes	½No
Dividend distribution standard and ratio are clear and cut	√ Yes	½No
Decision procedure and system are complete	√ Yes	½No
Independent directors performed duties and played their roles	√ Yes	½No
Minority shareholders fully expressed their opinions and requests, and their legitimate rights have been fully protected	√ Yes	½No

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.

④ *Measures for major internal control deficiencies*

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

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

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

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

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

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

(5) Remuneration for independent auditors

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

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

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

(6) Communication with the shareholders

The Company has adopted the Shareholders' Communications Policy with the objective of ensm1ang (en-GBthe)0.5at(th

CORPORATE BONDS

1. CORPORATE BONDS

Unit: RMB100 million

Name	Abbreviation	Code	Issuing date	Value date	Date of expiry	Bond balance

CORPORATE BONDS

3. ADJUSTMENT OF CORPORATE BOND CREDIT RATING

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

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

Unit: RMB

Item	202	2020	Change over the same period of last year (%)
Net profit after extraordinary items	5,304,875,[illegible]	5,553,708,292	−4.48
Liquid ratio	.27	1.30	−2.31
Quick ratio	0.96	1.07	−10.28
Asset-liability ratio (%)	44. %	41.4%	2.7%
EBITDA/total debt	0.42	0.54	−22.22
Interest coverage ratio	24.[illegible]2	33.76	−26.48
Cash interest coverage ratio	3 . 2	44.10	−29.43
EBITDA interest coverage ratio	3 .[illegible]5	41.36	−22.99
Loan repayment ratio (%)	00%	100%	—
Interest repayment ratio (%)	00%	100%	—

5. BOND REDEMPTION & INTEREST PAYMENT DURING THE REPORTING PERIOD

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

FIVE-YEAR FINANCIAL SUMMARY

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

Unit: RMB1 Million Currency: RMB

	For the year ended 3 December				
Item	**202**	2020	2019	2018	2017
Operating income					

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

CONSOLIDATED BALANCE SHEET

RMB

Items	Note	Closing balance	Opening balance
Current Assets			
Cash and bank balances	V(1)	8,836,439,385	8,641,612,847
Held-for-trading financial assets	V(2)	7 ,964,323	1,004,581,752
Notes receivable	V(3)	45,430, 52	79,939,117
Accounts receivable	V(4)	956,580, 52	653,219,779
Financing with receivables	V(5)	76 ,050,9 0	1,020,306,419
Prepayments	V(6)	339,3 5,9 9	378,619,350
Other receivables	V(7)	356,0 3,35	375,253,958
Inventories	V(8)	3,54 ,954,674	2,349,156,189
Other current assets	V(9)	477,967,7	631,922,798
Total Current Assets		6, 26,7 6,577	15,134,612,209
Non-current Assets			
Debt investments		7,500,000	7,500,000
Long-term receivables		35,934,266	29,141,216
Long-term equity investments	V(10)	523,6 2,87	512,281,201
Other equity instrument investments	V(11)	55,867,066	33,774,995
Other non-current financial assets	V(12)	26,343,260	32,827,254
Fixed assets	V(13)	2 ,326,030,4 0	19,185,630,257
Construction in progress	V(14)	4, 99, 4 ,042	3,104,429,340
Right-of-use assets	V(15)	273, 9 ,262	
Intangible assets	V(16)	7,377,964,445	4,267,008,181
Development expenditure		0,392,804	2,050,090
Goodwill	V(17)	643, 92,969	476,084,798
Long-term prepaid expenses	V(18)	582,072,665	363,760,774
Deferred tax assets	V(19)	4 0,534,3 8	437,800,338
Other non-current Assets		95 , 24,092	341,608,498
Total Non-current Assets		36,422,90 ,473	28,793,896,942
TOTAL ASSETS		52,549,6 8,050	43,928,509,151

BALANCE SHEET OF THE COMPANY — *continued*

RMB

Items	Note	Closing balance	Opening balance
Current Liabilities			
Short-term borrowings	XV(12)	–	300,000,000

CONSOLIDATED INCOME STATEMENT

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Total operating income		**32,464,083,379**	29,356,515,691
Including: Operating income	V(41)	**32,464,083,379**	29,356,515,691
Total operating cost		**25,294,672,403**	21,939,755,338
Including: Operating costs	V(41)	**22,392,494,465**	18,035,261,466
Taxes and levies	V(42)	**604,620,294**	510,430,272
Selling and distribution expenses	V(41)	**1,035,261,466**	29,356,515,691

29,355,26 ,4667M444,360, 70Taxes and levies

CONSOLIDATED INCOME STATEMENT — *continued*

RMB

Items	Note	Amount for the current period	Amount for the prior period
IV. Net profit		**5,804,937,0 7**	6,173,593,183
(i) Classified by the continuity of operation			
1. Net profit from continuing operations		**5,804,937,0 7**	6,173,593,183
(ii) Classified by the ownership			
1. Net profit attributable to shareholders of the Company		**5,363,525,692**	5,630,598,812
2. Profit or loss attributable to minority interests		**44 ,4 ,325**	542,994,371
V. Other comprehensive income, net of tax		**(37, 50,809)**	(359,155,714)
Other comprehensive income attributable to owners of the Company, net of tax		**(30,057,369)**	(257,876,551)
(i) Other comprehensive income that cannot be reclassified to profit or loss		**6,569,053**	(3,341,330)
1. Changes in fair value of other equity instrument investments		**6,569,053**	(3,341,330)
(ii) Other comprehensive income that will be reclassified to profit or loss		**(46,626,422)**	(254,535,221)
1. Exchange differences on translation of financial statements denominated in foreign currencies		**(46,626,422)**	(254,535,221)
Other comprehensive income attributable to minority interests, net of tax		**(7,093,440)**	(101,279,163)
VI. Total comprehensive income		**5,767,786,208**	5,814,437,469
Total comprehensive income attributable to owners of the Company		**5,333,468,323**	5,372,722,261
Total comprehensive income attributable to minority interests		**434,3 7,885**	441,715,208
VII. Earnings per share			
(i) Basic earnings per share (RMB/share)		**2.58**	2.69
(ii) Diluted earnings per share (RMB/share)		**2.58**	2.69

INCOME STATEMENT OF THE COMPANY

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Operating income	XV(20)	5, 05,277, 63	4,013,223,622
Less: Operating costs	XV(20)	4,750,674,764	3,394,655,309
Taxes and levies		2,855,972	18,699,210
Selling and distribution expenses		29,228,354	71,300,954
General and administrative expenses	XV(21)	362,8 6,52	401,591,118
Research and development expenses		7,30 ,729	11,635,683
Financial expenses		6,378, 53	166,600,760
Including: Interest expenses		234,762,365	215,006,100
Interest income		25 ,364, 6	139,817,009
Add: Other income		6,876,753	8,046,227
Investment income	XV(22)	3,296,033,50	3,202,604,563
Including: (Losses) Income from investments in associates and joint ventures		(40 ,9 5)	67,717,486
Gains from changes in fair value		898,576	2,405,398
Impairment (losses)/gains on credit		(2,564,799)	398,978
Impairment losses on assets		(,048,704)	(206,466)
Gains on disposal of assets		7,69 ,662	10,798,209
II. Operating profit		3,243,908,659	3,172,787,497
Add: Non-operating income		255,256	8,042,962
Less: Non-operating expenses		5,363,88	14,712,523
III. Profit before tax		3,238,800,034	3,166,117,936
Less: Income tax expenses	XV(23)	(7,984,345)	10,804,199
IV. Net profit		3,256,784,379	3,155,313,737
(i) Net profit from continuing operations		3,256,784,379	3,155,313,737
V. Other comprehensive income, net of tax		6,569,053	(3,341,330)
(i) Other comprehensive income that cannot be reclassified to profit or loss		6,569,053	(3,341,330)
1. Changes in fair value of other equity instrument investments		6,569,053	(3,341,330)
VI. Total comprehensive income			

CONSOLIDATED CASH FLOW STATEMENT — *continued*

RMB

Items	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		**53,333,766**	112,310,000
Cash receipts from borrowings		**3,220, 24,455**	2,914,266,422
Cash receipts from issue of bonds		**,297,504,000**	1,959,330,026
Other cash receipts relating to financing activities	V(55)(3)	**24,507,075**	—
Sub-total of cash inflows from financing activities		**4,795,469,296**	4,985,906,448
Cash repayments of borrowings		**2,499,90[illegible],[illegible]22**	1,115,347,517
Cash payments for distribution of dividends or profits or settlement of interest expenses		**2,[illegible]26,550,460**	2,975,872,170
Other cash payments relating to financing activities	V(55)(4)	**99,262,[illegible]87**	707,001,362
Sub-total of cash outflows from financing activities		**5,427,722, 69**	4,798,221,049
Net Cash Flow from Financing Activities		**(632,252,[illegible]73)**	187,685,399
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**(3[illegible],4 ,[illegible]52)**	(83,166,330)
V. Net Increase in Cash and Cash Equivalents		**30,22[illegible],772**	3,501,949,917

CASH FLOW STATEMENT OF THE COMPANY

RMB

Items	Note	Amount for the

CASH FLOW STATEMENT OF THE COMPANY — *continued*

RMB

Items	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities			
Cash receipts from borrowings		**400,000,000**	1,100,000,000
Cash receipts from issue of bonds		**,297,504,000**	—
Other cash receipts relating to financing activities		**676,0 5,745**	2,146,826,804
Sub-total of cash inflows from financing activities		**2,373,5 9,745**	3,246,826,804
Cash repayments of borrowings		**,650,367,253**	621,365,182
Cash payments for distribution of dividends or profits or settlement of interest expenses		**2,4 6,094,933**	2,609,048,538
Other cash payments relating to financing activities		**0,[illegible]5 ,000**	610,051,971
Sub-total of cash outflows from financing activities		**4,077,3 3, [illegible]6**	3,840,465,691
Net Cash Flow from Financing Activities		**(,703,793,44)**	(593,638,887)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**(3, 75, 5)**	(13,615,201)
V. Net Increase in Cash and Cash Equivalents		**527,34[illegible], 06**	1,482,475,471
Add: Opening balance of cash and cash equivalents		**4,624,3 4,323**	3,141,838,852
VI. Closing Balance of Cash and Cash Equivalents		**5, 5 ,662,429**	4,624,314,323

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

RMB

Items	For the year ended 3 December 202					
	Attributable to owners of the Company					
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits

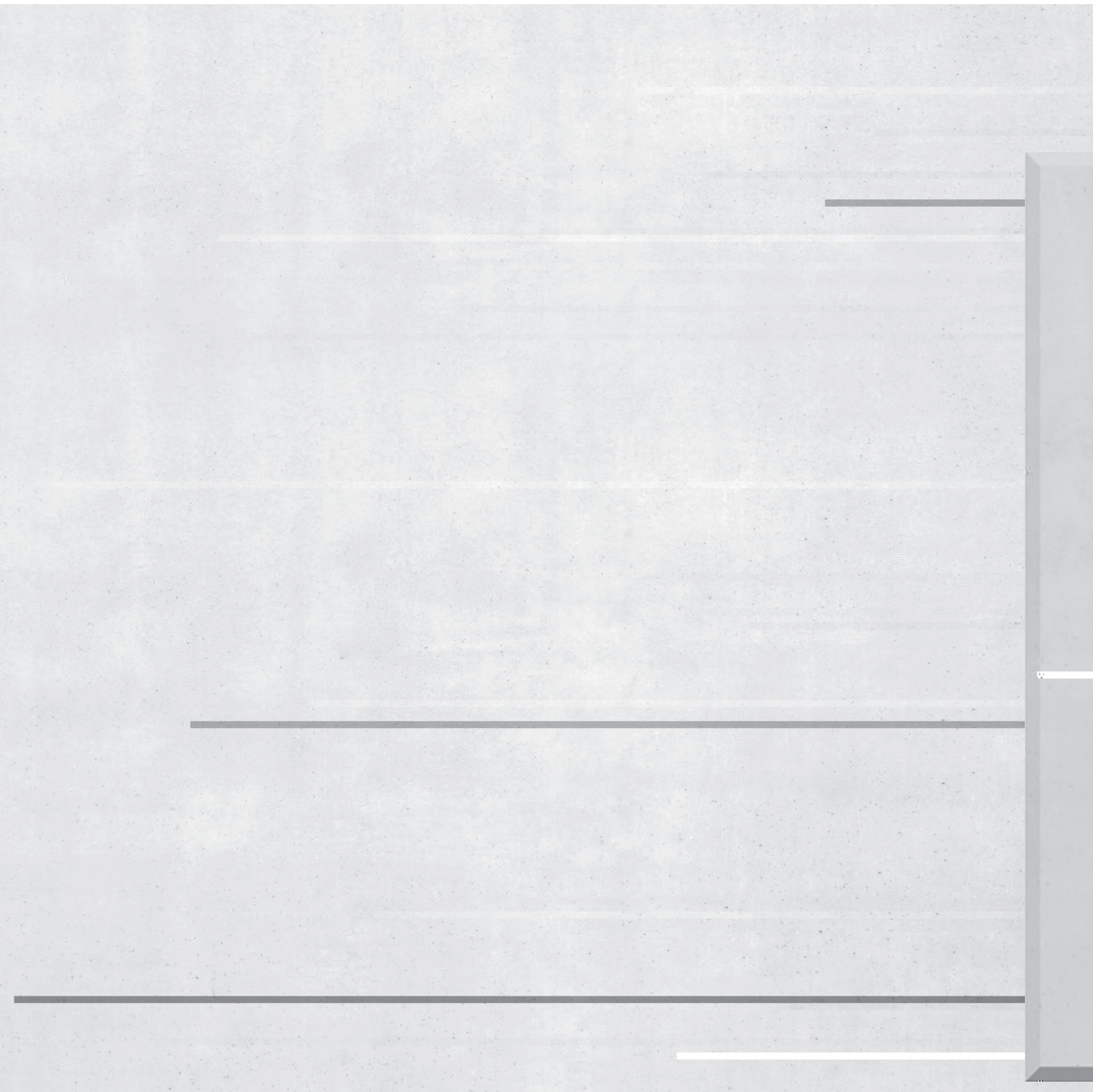
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

RMB

Items	For the year ended 3 December 202 Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 31 December 2020	2,096,599,855	2,34 ,55 ,336	6 0,05 ,97	3,762, 46	, ,580,257	7,370,600,800	2,324,672,423
Balance at 1 January 2021	2,096,599,855	2,34 ,55 ,336	6 0,05 ,97	3,762, 46	, ,580,257	7,370,600,800	2,324,672,423
Changes in the year	–	57,6 3,696	–	6,569,053	–	994,235,5	,095,42 ,260
(i) Total comprehensive income	–	–	–	6,569,053	–	3,256,764,379	3,273,353,432
(ii) Owners' contributions and reduction in capital	–	57,6 3,696	–	–	–	–	57,6 3,696
1. Share-based payments recognized in owners' equity	–	56,769,02	–	–	–	–	56,769,02
2. Others	–	824,675	–	–	–	–	824,675
(iii) Profit distribution	–	–	–	–	–	(2,262,545,568)	(2,262,545,568)
1. Distribution to shareholders	–	–	–	–	–	(2,262,545,568)	(2,262,545,568)
Balance at 31 December 2021	2,096,599,855	2,429,495,032	6 0,05 ,97	30,33 , 99	, ,580,257	8,364,839,3	3,423,093,653

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES



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

6. Preparation of consolidated financial statements

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

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

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

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

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

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

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

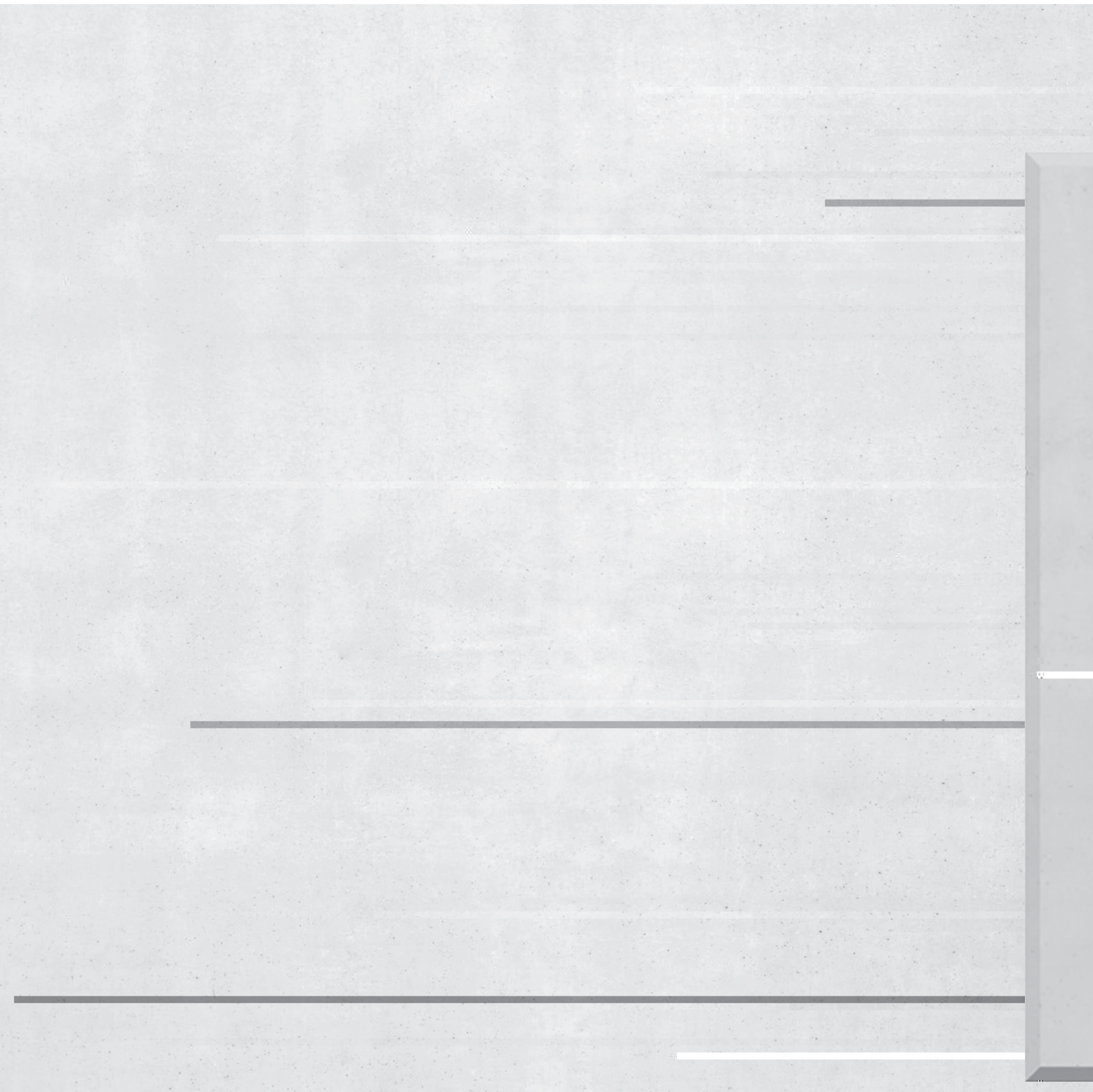
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *continued*

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

9.1 Transactions denominated in foreign currencies

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

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



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

10. Financial instruments — *continued*

10.1 Classification, recognition and measurement of financial assets — continued

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

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

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

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

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

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

10.1.1 Financial assets measured at amortized cost

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

10. Financial instruments — *continued*

10.1 Classification, recognition and measurement of financial assets — continued

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

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

10.2 Impairment of financial instruments

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

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

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

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

10.2.1 Significant increase in credit risk

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

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

10. Financial instruments — *continued*

10.2 Impairment of financial instruments — continued

10.2.1 Significant increase in credit risk— continued

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

10.2.2 Credit-impaired financial assets

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

(1) significant financial difficulty of the issuer or the borrower;

(2) a breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

(3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(4) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

10.2.3 Determination of ECL

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

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

10. Financial instruments — *continued*

10.2 Impairment of financial instruments — continued

10.2.3 Determination of ECL— continued

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

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

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

10.2.4 Write-off of financial assets

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

10.3 Transfer of financial assets

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

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

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

10. Financial instruments — *continued*

10.4 Classification of liabilities and equity — continued

10.4.1 Classification and measurement of financial liabilities — continued

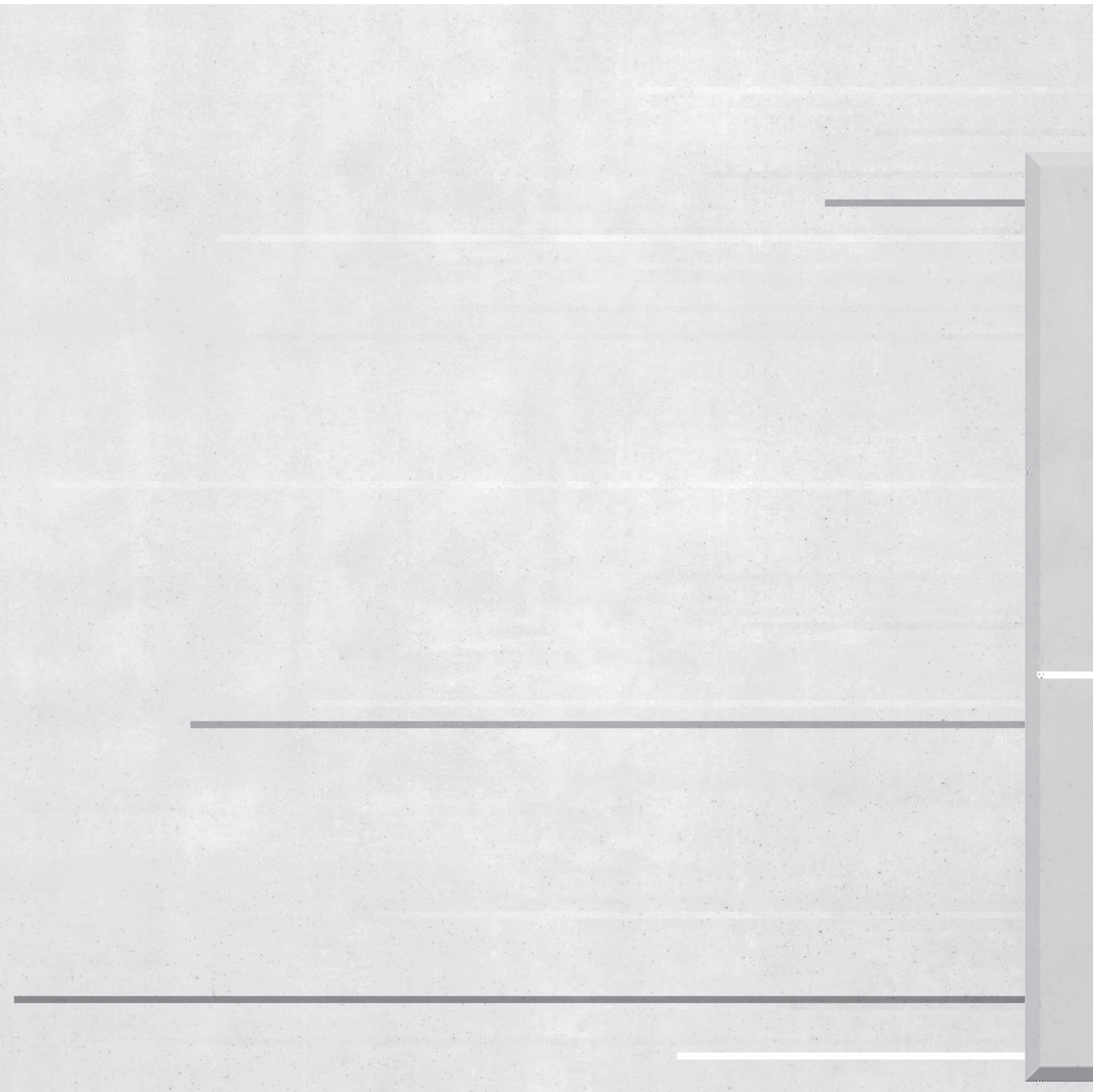
10.4.1.1 Financial liabilities at FVTPL

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

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

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

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (3) The qualified hybr9 0 0 9 176.6Abrnl Tw[illegible]



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

12. Inventories

12.1 Categories of inventories

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

12.2 Valuation method of inventories upon delivery

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

12.3 Basis for determining net realizable value of inventories

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

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

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

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

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization method for spare parts and auxiliary materials

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

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

13. Contract assets

13.1 Methods and standards for the recognition of contract assets

Contract assets are the rights of the Group to receive consideration for goods or services which

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

15. Long-term equity investments — *continued*

15.3 Subsequent measurement and recognition of profit or loss — continued

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

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

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

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

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

16. Fixed assets

(1) Recognition criteria for fixed assets

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

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

(2) Depreciation method

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

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

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

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