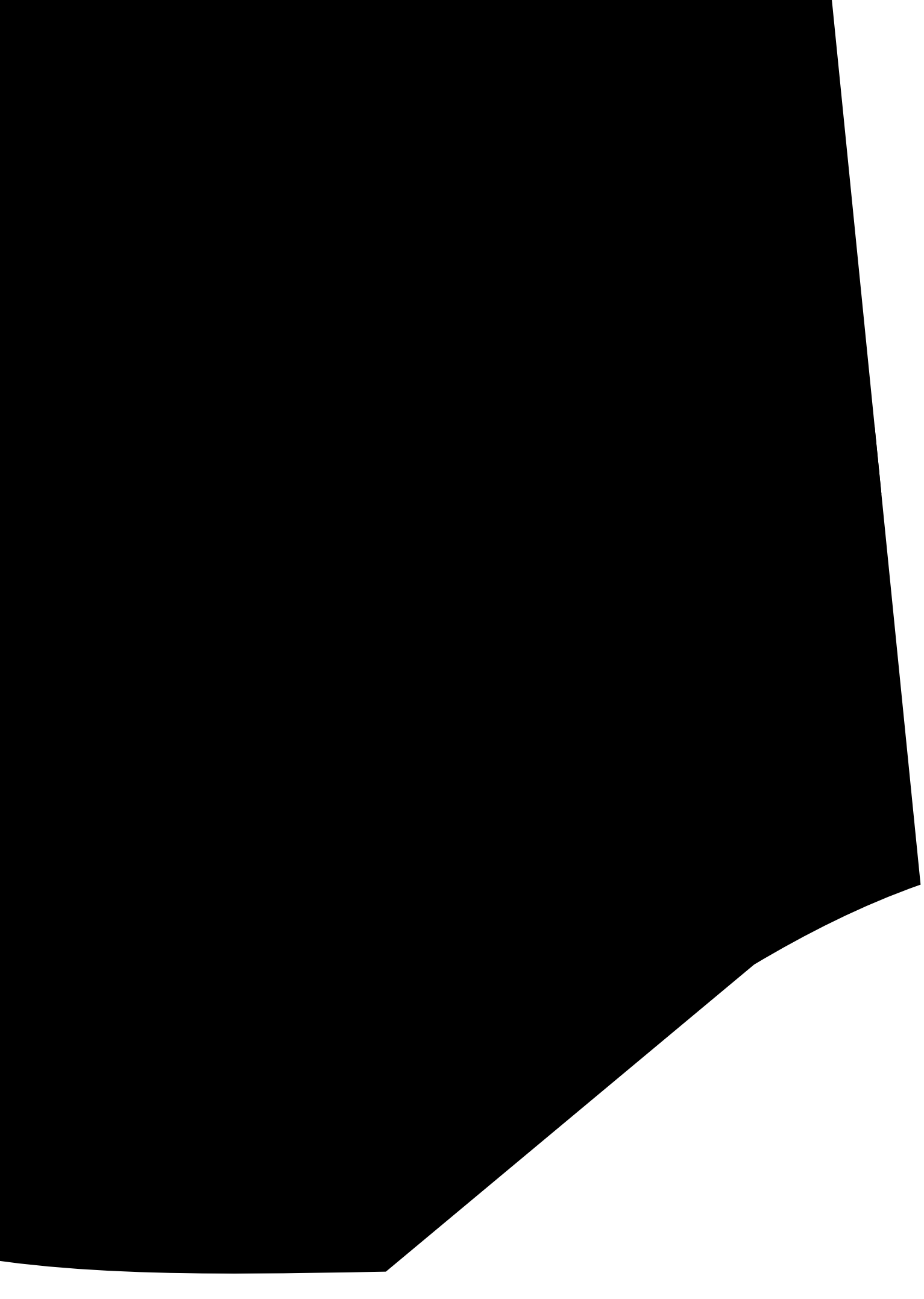


Procurement: The Company initiated the procurement strategy of “Unified Procurement + Online Procurement”. Important raw materials and fuels are centralisedly procured by the headquarters collectively. The Company continues to develop and maintain direct supply of strategic resources. All the office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

The Company was awarded the National Science and Technology Progress Award (Second Prize) (the first batch of units to finish the award) in 2009 and 2016. As of the end of 2022, the Company obtained 54 patents for invention derived from production practice and 108 patents of utility model.

(4) Advantages in trademark and brand

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

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

(5) Advantages in product quality

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

(6) Advantages in strategic plan

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

(7) Advantages in leading intelligent management

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

(2) Suppliers

Procurement amount of the top 5 suppliers amounted to approximately RMB3,185.22 million, representing approximately 15.8% of the annual total purchases. No related-party transaction was included in the total top 5 suppliers' purchases, accounting for 0% of the annual total purchases.

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

Unit: RMB10,000

Item	Suppliers	Purchase amount	Percentage of the annual total purchases (%)
1	Supplier A	172,966	8.6
2	Supplier B	68,748	3.4
3	Supplier C	22,250	1.1
4	Supplier D	22,037	1.1
5	Supplier E	32,521	1.6
	Total	318,522	15.8

None of the Group's directors, supervisors or their respective close associates (as defined in the HKEX Listing Rules) or shareholders of the Company (who or which to the best knowledge of the directors of the Company) holding more than 5% of the Company's issued shares had any interest in the Group's top 5 customers or suppliers as at 31 December 2022.

6. R&D EXPENSES

Unit: RMB

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

7. LAND LEASE, REAL ESTATE, FACTORY AND EQUIPMENT

Changes in land lease, real estate, factory and equipment of the Company for the year ended 31 December 2022 are set out in Note V (13) to the financial statements prepared in accordance with the PRC Accounting Standards.

8. TOTAL ASSETS

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

2. MAJOR OPERATING INFORMATION DURING THE REPORTING PERIOD

(1) Principal operations

Changes of Items in the Income Statement and Cash Flow Statement

Unit: RMB

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

Note:

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

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

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

(2) Analysis of revenue and cost

Major performance by products

Unit: RMB

Major business performance by products

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

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

Unit: RMB

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

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

(3) Profitability

Unit: RMB

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

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

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

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

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

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

(II) Development strategy of the Company

In 2023, the Company will continue to promote the corporate culture of "integrity, dedication, pragmatism, innovation," and adhere to the values of "safety first, customer centric, result orientated, act with integrity, ensure sustainable growth and people oriented" to pursue the corporate vision "Beautiful world starts with us". Following the mission of "Clean our living environment, supply reliable building material" and the concept of whole lifecycle green low carbon building materials, the Company will strive to implement and deepen four strategies of "integrated transformation, overseas development, expansion to new building material, digitization in traditional industry". The Company will accelerate the high-end, green and intelligent transformation, while pioneer in low carbon and sustainable development to catapult Huaxin Cement in becoming a global enterprise.

(III) Business Plan

1. Completion of the 2022 business plan

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

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

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

2. Business Plan for 2023

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

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

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

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

(1) Adhere to the bottom line of “safety and environmental protection”, and establish an industry benchmark for clean and civilized production. It will continue to carry out annual ESG related audits and facilitate our plants to operate in a healthy, safe and eco-friendly manner.

(2) Strengthen compliance supervision to mitigate potential business risks. Organize production in strict accordance with national product quality standards to ensure 100% qualified products; reinforce management of working capital to guard against liquidity risks; enhance management of legal affairs and contract, promote corporate legal construction; further promote the creation of “clean and honest Huaxin” activities, to create a corporate culture with integrity.

(3) Strengthen and refine marketing to accelerate integrated development. Competition and marketing strategy will analyze and focus on core markets and valuable clients to improve intelligent marketing efficiency; coordinate marketing management of aggregates and RMX along Yangtze River to accelerate the market and end users penetration to achieve sales target; continue to develop digitalization and intelligence of marketing to improve efficiency and customer experience.

(4) Step up efforts to source AFR to increase the utilization of alternative fuels. In 2023, the TSR is expected to reach over 20%; focus on the costs of fuels, raw materials, maintenance and third party labor contracts and benchmark and evaluation to reduce costs; practice green procurement and increase the ratio of direct supply cooperation to enhance procurement cost competitiveness.

IMPORTANT MATTERS

1. COMMITMENTS

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

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

During the Reporting Period, the Company's controlling shareholder and its related parties did not appropriate the Company's funds for non-operational purposes. The detailed statement issued by Ernst & Young Hua Ming will be disclosed on the websites of the SSE, SEHK and the Company on the same day as this report is issued.

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

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

4. AUDITORS AND REMUNERATION

Unit: RMB

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

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

Description of the appointment and resignation of auditors

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

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

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

5. INSOLVENCY OR RESTRUCTURING

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

6. MATERIAL LITIGATIONS AND ARBITRATIONS

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

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

Unit: RMB10,000

Plaintiff/Applicant	Defendant/Respondent	Type	Basic information	Amount	Estimated amount of contingent liability	Progress	Consequence and impact	Enforcement

IMPORTANT MATTERS

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

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

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

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

9. MATERIAL RELATED PARTY TRANSACTIONS

(2) Guarantees

During the Reporting Period, all external guarantees provided by the Company complied with the approval procedures of the Board of Directors and/or the general meeting of shareholders. The total amount of guarantees provided by the Company to subsidiaries was RMB2.885 billion. As of the end of the Reporting Period, the balance of the Company's external guarantees was RMB9.922 billion, accounting for 36.15% of the Company's net assets at the end of the Reporting Period. The details are as follows:

Unit: RMB

The Company's external guarantees (excluding guarantees to its subsidiaries)	
Total guarantee amount during the Reporting Period (excluding guarantee for subsidiaries)	0
Guarantee amount left at the end of the Reporting Period (A) (excluding guarantee for subsidiaries)	0
Guarantee provided by the Company or subsidiaries for its subsidiaries	
Total guarantee amount for subsidiaries occurred during the Reporting Period	2,885,140,216
Guarantee amount left at the end of the Reporting Period (B)	9,921,647,850
Total guarantee amount (including guarantee for its subsidiaries)	
Total guarantee amount (A+B)	9,921,647,850
Proportion in net assets of the Company (%)	36.15
Including:	
Guarantee amount provided to the Company's shareholders, de facto controller and its related parties (C)	0
Debt guarantee amount provided directly or indirectly to subjects whose asset-liability ratio is over 70% (D)	6,864,487,777
Guarantee amount in excess of 50% of the net assets (E)	0
Total guarantee amount of the above three (C+D+E)	6,864,487,777

11. FINANCIAL ENTRUSTMENT AND LOAN ENTRUSTMENT

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

Unit: RMB

Investment type	Accumulated amount for the year (buy in)	Accumulated amount for the year (redeemed or due)	Undue amount	Unredeemed amount but due
RMB monetary fund	0	−700,000,000	0	

CHANGES IN SHARES AND SHAREHOLDERS

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

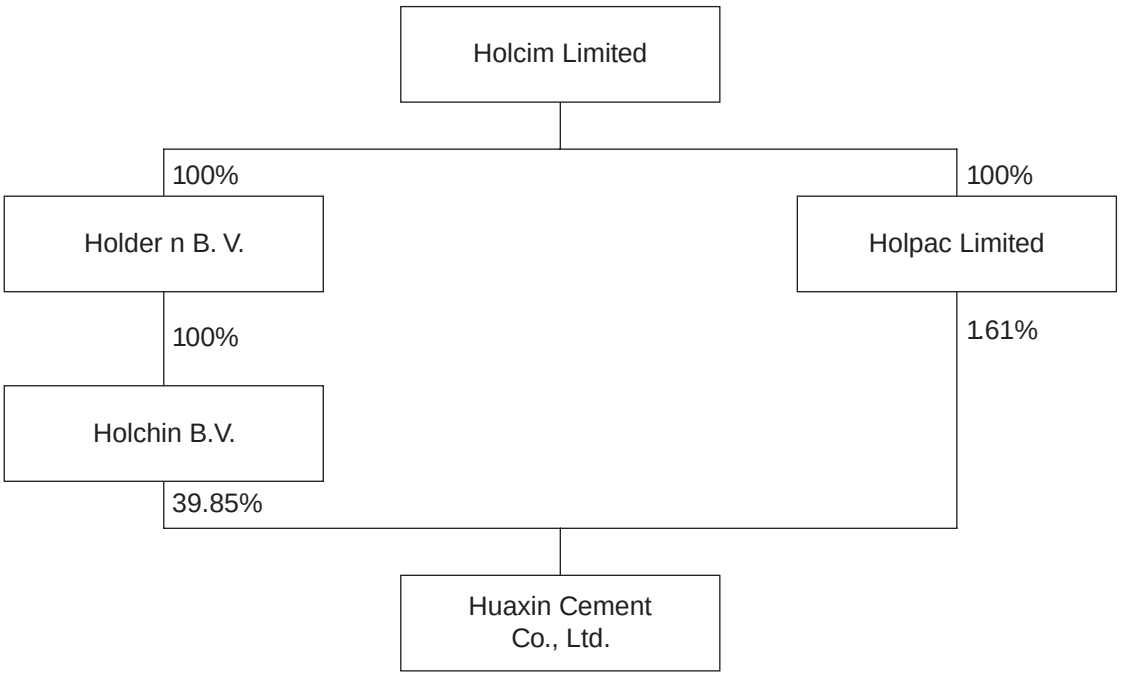
As at 31 December 2022, the Directors, Supervisors and chief executives holding interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests kept by the Company in accordance with Section 352 of the *Securities and Futures Ordinance* are as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

Name	Nature of interest	Class of shares	Number of shares	Approximate% of shares held in the relevant share class	Approximate% of shares held in the total amount of share capital
Mr. Li Yeqing	Beneficial interest	A-Shares	364,334	0.0268%	0.0174%
		H-Shares	451,596	0.0615%	0.0215%
Mr. Liu Fengshan	Beneficial interest	A-Shares	161,400	0.0119%	0.0077%
		H-Shares	120,600	0.0164%	0.0058%
Mr. Ming Jinhua	Beneficial interest	H-Shares	18,500	0.0025%	0.0009%
Mr. Zhang Lin	Beneficial interest	A-Shares	11,600	0.0009%	0.0006%
		H-Shares	148,400	0.0202%	0.007%
Mr. Liu Weisheng	Beneficial interest	H-Shares	13,700	0.0019%	0.0007%

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

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

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



CHANGES IN SHARES AND SHAREHOLDERS

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

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

4. ISSUANCE OF PREFERENCE SHARES AND PREEMPTIVE RIGHTS

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

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

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

6. TAX RELIEF OR EXEMPTION FOR LISTED SECURITIES HOLDERS

The holders of the Company's listed securities were not entitled to tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC during the year ended 31 December 2022.

1. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: share

Name	Position	Gender	Age	Appointment beginning	Appointment Ending	Shares held at the beginning of the year	Shares held at the beginning of the year	change	Reason for change	Payment from the Company (10k Yuan) before tax	Remuneration/ allowance from shareholder company or other related Company
Xu Yongmo	Chairman	M	66	April 2021	April 2024					150.0	No
Li Yeqing	Director & CEO	M	58	April 2021	April 2024	739,030	815,930	76,900	purchase shares on secondary market	359.5	No
Liu Fengshan	Director&VP	M	57	April 2021	April 2024	244,700	282,000	37,300	purchase shares on secondary market	170.8	No
Martin Kriegner	Director	M	61	January 2023	April 2024					N/A	Yes
Lo Chi Kong	Director	M	59	April 2021	April 2024					21.6	Yes
Tan Then Hwee	Director	F	50	April 2021	April 2024					21.6	Yes
Wong Kun Kau	Independent Director	M	62	April 2021	April 2024					36.0	No
Zhang Jiping	Independent Director	M	54	April 2021	April 2024					36.0	No
Jiang Hong	Independent Director	M	52	April 2021	April 2024					36.0	No
Ming Jinhua	Supervisor Chairman, Chairman of Labor Union	M	50	August 2021	April 2024	6,500	18,500	12,000	purchase shares on secondary market	159.9	No
Zhang Lin	Supervisor	M	50	April 2021	April 2024	87,200	160,000	72,800	purchase shares on secondary market	104.1	No
Yang Xiaobing	Supervisor	M	52	April 2021	April 2024					48.0	No
Zhu Yaping	Supervisor	M	54	April 2021	April 2024					85.3	No
Liu Weisheng	Supervisor	M	50	April 2021	April 2024	13,700	13,700			74.6	No
Ke Youliang	VP	M	57	April 2021	April 2024	419,061	469,061	50,000	purchase shares on secondary market	182.3	No
Du Ping	VP	M	52	April 2021	April 2024	124,800	181,800	57,000	purchase shares on secondary market	174.6	No
Liu Yunxia	VP	F	54	April 2021	April 2024	176,960	216,960	40,000	purchase shares on secondary market	166.5	No
[illegible]fu	VP	M	50	April 2021	April 2024	135,040	184,0[illegible]				
Yuan Dezu	VP	M	59	April 2021	April 2024	117,220	167[illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]2021	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]shares	168.1	
secondary market							market		secondary market		

(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, and obtained Doctor and Post Doctorate in the United Kingdom. From 1982 to 1983, Mr. Xu worked as the assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant. From 1986 to 1988, he served as the head of RMX laboratory of Concrete and Housing Building Materials Institute of China Building Materials Academy. From 1988 to 1991, he served as the vice director of Technical Information Centre of China Building Materials Academy. From 1998 to 2002, he served as the vice president of China Building Materials Academy. From April 2002 to April 2017, he served as the vice president of China Building Materials Federation. From June 2006 to December 2016, he served as the president of China Concrete & Cement Product Association. From December 2016 to July 2022, he served as the executive president of China Concrete & Cement Product Association. From March 2007 to July 2022, he served as the director-general of China Construction Units Association. From October 2007 to July 2019, he served as the VP of China Cement Association. From December 2011 to March 2019, he served as the director-general of China Silicate Association. He became an independent director of Jiangsu Sobute New Materials Co., Ltd (a company listed on SSE, stock code: 603916) since April 2021. He became the Independent Director of the Company from April 2009 to March 2012. He has been the Chairman of the Company since April 2012.
Li Yeqing	Mr. Li Yeqing, born in February 1964, Doctor, senior engineer (professor level). He is currently the chief executive officer of the Company, chief engineer, chief specialist and executive chairman of the Specialist Committee of China Building Materials Federation. In July 1984, he graduated from Wuhan Institute of Building Materials with a bachelor's degree in engineering, majoring in silicate, and with a master's degree in engineering majoring in industrial management, and from Huazhong University of Science and Technology with a doctor's degree in management, majoring in management science and engineering. From July 1984 to October 1987, he served as a teacher in Wuhan University of Technology Silicon Engineering Department, and a deputy secretary of the Youth League Committee. He joined Huaxin Cement Plant (predecessor of the Company) in November 1987, and served as a quality control engineer of Central Lab, vice manager of Limestone Quarry, vice director of Extension Office and manager of production technology, and promoted as the vice manager of Huaxin Cement Plant in January 1993. He became Deputy General Manager of the Company in June 1994, General Manager of the Company and chief engineer since December 1999 (renamed as chief executive officer in March 2004). He served as a Director of the Company since 1994. He has also been the Vice Chairman of China Building Materials Federation since March 2009 and Vice Chairman of China Cement Association since May 2000. He also served as the Chairman of Hubei Building Materials Federation since January 2014. Also, he has been serving as the Executive Vice Chairman of the Sixth Council of China Building Materials Federation since October 2020.

Name	Main work experience
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 the Discipline Inspection Commission of Huangshi City. From April 2004 to October 2006, he served as the deputy secretary of the Daye Municipal Party Committee and the mayor of Daye City. From October 2006 to November 2006, he served as the deputy secretary-general of Huangshi Municipal Party Committee. From November 2006 to September 2011, he served as director-general and secretary of Leading Party Group of Bureau of Civil Affairs of Huangshi City. Since September 2011, he served as the Chairman and General Manager of Huaxin Group Co., Ltd., as well as deputy secretary the party committee of both Huaxin Group Co., Ltd. and Huaxin Cement Co., Ltd. He became a Director of the Company in April 2012. He has been the vice president of the Company since June 2012.
Martin Kriegner	Mr. Martin Kriegner, born in September 1961, graduated from the University of Vienna with a Doctorate in Law and he obtained a Master of Business Administration at the Vienna University of Economics and Business. He joined the Holcim Group in 1990 and became the Chief Executive Officer of the Austrian operations in 1998. He served as the Chief Executive Officer of India operations in 2002 and later served as the Area Manager Central Europe and was appointed as the Head of India in 2016. He serves as the Region Head for Asia, Middle East & Africa and an executive member of Holcim's Group since 2016, and he served as a director of the Company from April 2017 to April 2018. He was appointed as a Director of the Company in January 2023.

Name	Main work experience
Lo Chi Kong	Mr. Lo Chi Kong, born in July 1963, obtained a master's degree of science at Purdue University, certified public accountant in Ohio USA. From 1987 to 1991, he served as a MIS manager and executive assistant in Ohio government agency. From May 1991 to August 1998, he successively served as the financial manager of Carrier Taiwan Co., Ltd and chief executive of Shanghai Yileng Carrier Air Conditioning Co., Ltd. From 1998 to 2002, he served as the chief financial officer of Switzerland Suzhou Schindler Elevator Co. From 2003 to 2005, he served as the executive vice president of Schindler China. From 2005 to 2018, he successively served as the president of Sika Group in China, the head of APAC business developments as well as the Co-head of Corporate and Merger & Acquisition department in Sika Group. From October 2018, he served as the head of Greater China of Holcim Group Greater China. He was appointed as a Director of the Company in December 2018.
Tan Then Hwee	Ms. Tan Then Hwee, Singaporean, born in December 1972, holds a master of business administration and a bachelor of business administration from Wichita State University, Kansas, USA. She has over 20 years of human resources management experience in an international business environment across the Asia Pacific including leadership development, talent and succession management, employee engagement, organizational development, and compensation & benefits management. From February 1996 to February 2000, she worked as the human resources manager of LUCENT TECHNOLOGIES, KANSAS, USA. From November 2000 to February 2007, she served as the project manager and human resources business partner in PHILIPS, HONG KONG. From April 2007 to March 2019, she served as the human resources vice president of the Asia-Pacific region of the SIKA Group in Singapore. She served as a member of the Board of Directors of Ambuja Cements Ltd and a member of the Compliance Committee from February 2019 to September 2022. She has been the head of Learning and Development of Holcim Group since March 2019. She also

Name	Main work experience
Wong Kun Kau	Mr. Wong Kun Kau, born in November 1960, graduated from the University of Hong Kong with a bachelor's degree in social science. From August 1992 to November 2007 and before he worked as the head of BNP Paribas Capital (Asia Pacific) Limited and Asian Infrastructure Investment Bank, he worked with Wardley Investment Services Ltd., Bank America Trust Co., (HK) Ltd., Nomura International (HK) Ltd., and Samuel Montagu & Co., Ltd. He is the founder and has served as the chief executive officer of Bull Capital Partners Limited since July 2007. He has been an independent non-executive director of REF Holdings Limited (a company listed on SEHK, stock code: 1631) since August 2015, and he has been an independent non-executive director of Jianzhong Construction Development Limited (a company listed on SEHK, stock code: 589) since February 2020. Mr. Wong Kun Kau has over 28 years of experience in investment banking and corporate finance. From August 2010 to May 2019, he served as an independent non-executive director of West China Cement

Name	Main work experience
Ming Jinhua	Mr. Ming Jinhua, born in September 1972, MBA, Accountant, Economist. He graduated from Hubei Engineering Institute with a bachelor's degree majoring in machinery manufacturing in July 1994. He graduated from the Huazhong University of Science and Technology with a master's degree of business administration in June 2003. From August 1994 to June 1998, he served as a loan officer of Huangshi Branch, Bank of China. From June 1998 to October 2006, he served as a member, senior staff member, director, and deputy director of the Second Office of Discipline Inspection and Supervision Division of Supervision Bureau of Huangshi Municipal Commission for Discipline Inspection. From October 2006 to September 2010, he

Name	Main work experience
Yang Xiaobing	Mr. Yang Xiaobing, born in July 1970, bachelor's degree, human resources professional. He joined the Company in March 1992, he has served as an investigator of the planning & development department; deputy chief and chief of the business administration division of the corporate office; chief of the human resources development of Huaxin Golden Cat Company, human resources manager of the Company, professional assistant deputy direcvelovel resour i0h1 rer9o.aiMC /Span <</Lang (en-G3w

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 CompanyiCemencnMC cessively took the positions of the planner in the Sales Department, deputy chief of Administration Section of Sales Department,

Name	Main work experience
Xu Gang	Mr. Xu Gang, born in March 1978, Master of Business Administration of Tsinghua University. He graduated from Safety Engineering major of China University of Geosciences in July 2000 and got the Bachelor's Degree of Engineering. In the meantime, he majored in Financial Management at Huazhong University of Science and Technology and got a Bachelor's Degree. From 2000 to May 2005, he successively took the positions of Safety Engineer, Safety Manager and Technique Manager in Beijing Xingfa Cement Company Ltd. and Beijing Shunfa Cement Company Ltd. From May 2005 to May 2009, he successively took the positions of Integration Manager of Lafarge Shui On Cement China Region Merger & Acquisition Project, Project Manager of Organization Structure Optimization and Strategic Manager of China region. From May 2009 to December 2015, he served as Lafarge's Marketing Director of Guizhou, Commercial Director of Chongqing, and Sales Director of Yunnan. From December 2015 to April 2016, he took the position of Marketing Director of Yunnan BU of Huaxin Cement. Since April 2016, he successively served as Head of Growth & Innovation, Head of Strategy Development & Procurement Businesses, and GM of Oversea Business Unit. From April 2016 to April 2018, he was AVP of the Company. From April 2018, he became VP of the Company.
Chen Qian	Mr. Chen Qian, born in September 1978, Master of Business Administration, Chinese Certified Public Accountant, Fellow Member of Chartered Global Management Accountant. He graduated from Fudan University with a Bachelor's Degree in World Economics in June 2001. In June 2008, he graduated from the Anderson School of Business in the United States with a Master's Degree in Business Administration. He started to work in 2001 and joined the Company in 2020. Before joining the Company, he successively acted as Senior Auditor of PricewaterhouseCoopers, Senior Consultant of Monitor Consulting Group, Chief Financial Officer of Sika Group China, Chief Financial Officer of IMI Critical Engineering Greater China and Korea, Chief Financial Officer of CIF Bureau Veritas China, and Chief Financial Officer of Terminix Group China. From May 2020 to April 2021, he served as the Deputy Chief Financial Officer of the Company. From April 2021, he became Vice President and Chief Financial Officer (CFO) of the Company.

Name	Main work experience
Ye Jiaxing	Mr. Ye Jiaxing, born in August 1981, Bachelor of Laws in Wuhan University of Science and Technology, Master of Business Administration of China University of Political Science and Law. He started to work in 2005. Main working experience: Legal Commissioner of Shougang Group Mining Investment Company, Legal Manager and Office Director of Philippines Company of Shougang Group Mining Investment Company, Head of Investment Legal Department of Shougang Group Mining Investment Company, Capital Operation Manager of Capital Operation Department of China Aluminum Corporation, General Manager of the Legal Department of China Huaxin Post and Telecommunications Economic Development Centre, General Manager of the Legal Affairs Centre of Lianjia Group (Beijing). Since May 2017, he successively served as the Legal Affairs Director and the Chief of Legal Compliance & Securities and Investor Relations Business of Huaxin Cement Co., Ltd; and he concurrently held the post of Secretary of Chinese Communist Youth League. From August 2019 to April 2021, he was AVP of the Company. From April 2021, he became VP and Secretary to the Board of Directors of the Company.
Wang Jiajun	Mr. Wang Jiajun, born in December 1980, master, senior engineer. In 2003, he graduated from Wuhan University of Technology majoring in non-organic non-metal

Name	Main work experience
Geraldine Picaud	Ms. Geraldine Picaud, French, born in February 1970, and she obtained a master's degree in business administration from Superior School of Commerce in Reims. She started her career in Arthur Andersen LLP, and served as the head of business analysis and chief financial officer at an international specialty chemicals group, Safic

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

2. REMUNERATION FOR THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Decision procedure of the remuneration	The Remuneration and Assessment Committee of the Board of Directors proposes that the Board of Directors to discuss and decide the remuneration of senior management personnel; the annual remuneration involving directors and supervisors shall be submitted to the general meeting of shareholders for approval.
Basis of determining the remuneration	On 30 May 2022, the fourteenth meeting of the tenth Board of Directors reviewed and approved the Proposal in Respect of 2021 Short-term Incentives for the Senior Management, Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2019 for the Top Management, Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020–2022 Core Employee Stock Ownership Plan, clarifying the short-term incentives for the senior management for 2021, cash-in of the phantom performance stock for 2019, Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022. On 24 August 2022, the eighteenth meeting of the tenth board of directors approved the Proposal on 2022 KPI Assessment Plan for Management, clarifying the assessment plan for 2022 basic salary and short-term incentives KPI.
Actually paid remuneration	During the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB65.8572 million.
Actually paid remuneration at the end of the period	As at the end of the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB65.8572 million.

3. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

4. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

1. DISCUSSION OF CORPORATE GOVERNANCE

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

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

(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

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

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

6. BOARD OF DIRECTORS

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

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

The Directors confirm their individual and collective responsibility for preparing the financial statements of the Company for the year ended 31 December 2022. The Board has set up special committees including the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategy Committee and the Governance and Compliance committee etc. Those special committees have formulated their respective terms of references, are responsible to the Board of Directors, and make proposals and advisory opinions to the Board of Directors for deliberation under the unified leadership of the Board. Those special committees may engage an intermediary agency to provide independent professional advice, and the relevant expenses shall be borne by the Company. During the Reporting Period, aimed at making more scientific decisions and operating in a more standard and more effective manner, the Board of Directors actively expanded channels for information exchange, strengthened communication with the management, and timely responded to major issues.

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

Meeting	Time	Resolution
16th Meeting of the Tenth Board of Directors	25 July 2022	Reviewed and Passed: Proposal on the Construction of the Aggregate Processing Project in Shangcheng County
17th Meeting of the Tenth Board of Directors		

Directors' attendance at Board Meetings and Shareholders' General Meetings

	Present at board meetings					
Name	Number of meetings required to attend	Present in person	Present by means of communication	Present by proxy	Absent	Absent or present by proxy successively

8. CHAIRMAN AND PRESIDENT

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

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

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

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

9. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the *Procedural Rules of the Board of Directors*, directors shall serve a term of three years and may serve a consecutive term if re-elected, but the term of independent non-executive directors shall not be more than six years. As of the date of this report, the Board of Directors of the Company comprised of nine directors, including three independent non-executive directors. Mr. Jiang Hong, an independent non-executive director, is qualified for

10. SPECIAL COMMITTEES TO THE BOARD OF DIRECTORS

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

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

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

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

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

(5) During the Reporting Period, the members and meetings of the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategy Committee and the Governance and Compliance Committee of the Company are as follows:

Members of special committees to the Board of Directors

Types of special committees	Name of member
Audit Committee	Chairman: Jiang Hong (Independent Non-executive Director). Members: Wong Kun Kau (Independent Non-executive Director), Zhang Jiping (Independent Non-executive Director); Xu Yongmo (Non-executive Director and Chairman); Geraldine Picaud (Non-executive Director, resigned on 9 December 2022).
Nomination Committee	Chairman: Zhang Jiping (Independent Non-executive Director). Members: Wong Kun Kau (Independent Non-executive Director), Jiang Hong (Independent Non-executive Director), Li Yeqing (Executive Director), Tan Then Hwee (Non-executive Director).
Remuneration and Assessment Committee	Chairman: Zhang Jiping (Independent Non-executive Director). Members: Wong Kun Kau (Independent Non-executive Director), Jiang Hong (Independent Non-executive Director), Lo Chi Kong (Non-executive Director), Xu Yongmo (Non-executive Director and Chairman).
Strategy Committee	Chairman: Li Yeqing (Executive Director). Members: Xu Yongmo (Non-executive Director and Chairman), Lo Chi Kong (Non-executive Director), Wong Kun Kau (Independent Non-executive Director).
Governance and Compliance Committee	Chairman: Lo Chi Kong (Non-executive Director). Members: Liu Fengshan (Executive Director), Tan Then Hwee (Non-executive Director), Jiang Hong (Independent Non-executive Director).

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
28 March 2022		

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

Time	Agenda	Opinions and suggestions
23 May 2022	Review the Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2019 for the Top Management, Adjustment of the Absolute Index of KPI of Senior Management for 2021, Proposal in Respect of 2021 Short-term Incentives for the Senior Management, KPI Assessment Plan for Top Management (2022), Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020–2022 Core Employee Stock Ownership Plan	1. Agreed to submit Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2019 for the Top Management, Proposal in Respect of 2021 Short-term Incentives for the Senior Management, KPI Assessment Plan for Top Management (2022), Proposal on the Grant Date, Grant Price and Grant Quantity of A-2.1 and A-2.2 in 2022 of the 2020–2022 Core Employee Stock Ownership Plan to the Board for approval 2. Voted against the Adjustment of the Absolute Index of KPI of Senior Management for 2021, and agreed to maintain the original 2021 Senior Management KPI Result

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

Time	Agenda	Opinions and suggestions
24 June 2022	Hear the Corporate Strategy Report (2022–2025)	Agreed to further define the orientation of the Company's development
14 December 2022	Hear the macro situation outlook and	

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

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

11. JOINT COMPANY SECRETARIES

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

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

12. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The financial statements and results announcement of the Company for the year ended 31 December 2022 have been reviewed by the Audit Committee. All directors agreed and confirmed their and individual and collective responsibility for preparing the accounts as contained in the financial report for the year under review. The directors are responsible for the preparation of the financial statements for the relevant accounting periods under applicable statutory and regulatory requirements which gave a true and fair view of the financial status, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December, 2022, applicable accounting policies have been adopted and applied consistently. The directors are not aware of any uncertain events or circumstances which may materially affect the Company's ability to continue as a going concern.

13. SPECIAL DESCRIPTION OF CASH DIVIDEND POLICY

Meet the requirements of the *Articles of Association* 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

ú Risk control & internal control and their characteristics

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

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

(6) Communication with the shareholders

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

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

Communication channels between the Company and its shareholders include shareholder enquiries, corporate newsletters, corporate website, general meetings, investment market communications (including investor/analyst

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 inver77rs	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable
2022 corporate bonds for professional inver77rs type I (linked with low-carbon transformation 1st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable
2022 corporate bonds for professional inver77rs type II (linked with low-carbon transformation 1st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable

4. FINANCIAL INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE TWO YEARS ENDED 31 DECEMBER 2022

Unit: RMB

Item	2022	2021	Change over the same period of last year (%)
Net profit attributable to shareholders of the Company after extraordinary items	2,578,634,452	5,304,878,118	–51.39
Liquid ratio	0.87	1.27	–31.56
Quick ratio	0.64	0.96	–33.01

FIVE-YEAR FINANCIAL SUMMARY

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

Unit: RMB Million

III. KEY AUDIT MATTERS *(continued)*

Key audit matters:	How our audit addressed the matters:
Expected credit losses on accounts receivable As at 31 December 2022, the carrying amounts of accounts receivable in the consolidated balance sheet and the company balance sheet were RMB1,382,631,200 and RMB1,064,169,857, respectively, and the amounts of provision for expected credit losses ("ECLs") were RMB177,857,087 and RMB24,608,187, respectively. According to the different types of clients and other factors, the management classified the accounts receivable into groups of different credit risk characteristics. For each credit risk characteristic group, the management uses the ECLs model to estimate and make provision for bad debts. When estimating the ECLs, the management takes relevant information into consideration, including the customer's historical default rate and other specific factors (such as the type of customers, the historical collections and write-offs of bad debts), as well as the expected macroeconomic environment to consider the forward-looking information. At the same time, the management pays attention to the collection of accounts receivable to identify additional indicators of default or impairment and determine whether additional provision for bad debts is required. As the amount of accounts receivable was significant and the determination of ECLs required significant accounting judgments and estimations of the management, we identified the ECL of accounts receivable as a key audit matter. Please refer to Note III. 8 Financial instruments, Note III. 32 Significant accounting judgments and estimates, Note V. 4 accounts Receivable and Note XV. 1 accounts receivable for disclosures of accounts receivable in the financial statements.	Our main procedures to address the ECLs of accounts receivable include: (1) Evaluating and testing the internal controls in relation to the ECLs of accounts receivable; (2) Reviewing and evaluating the ECLs model d including the classification of groups by different credit risk characteristics, the estimation of credit loss of each classification, the historical statistics and other forward-looking information used to calculate the credit risk loss; (3) Testing the accuracy of aging of accounts receivable and the mathematical accuracy of the amount of ECLs calculated by the management using the ECLs model; (4) For accounts receivables assessed individually, selecting samples and reviewing the supporting documents (including the going concern condition, the market environment and the historical collection of the clients) to evaluate the reasonableness of the expected present value of cash flows and bad debts accrual by the management; and (5) Evaluating the adequacy of management's disclosures regarding the ECLs of accounts receivable.

IV. OTHER INFORMATION

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

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

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

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

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

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

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

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

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIfoWg THE FINANCIAL STATEMENTS *(continued)*

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

(1) Identify and assess the risks of material misstatement ks ateriunancial statements, wheater due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk ks not detecting a material misstatement resulting from fraud is higter than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override ks internal control.

(2) Obtain an understanding ks internal control relevant to the audit in order to design appropriate audit procedures.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude kn the appropriateness of the Management's use of the assumptions of continuing as a going concern and, based kn the audit evidence obtained, wheater a material uncertainty exists related to events or conditions that may cast significant doubt kn Huaxin Cement Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention of users ks ateriunancial statements in our auditor's report to the related disclosures in the iunancial statements or, if such disclosures are unadequate, to modify our opinion. Our conclusions are based kn the information obtained up to the date ks our auditor's report. However, future events or conditions may cause Huaxin Cement Co., Ltd. to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content ks ateriunancial statements, and wheater ateriunancial statements represent aterunderlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the iunancial information os aterentities or business activities within Huaxin Cement Co., Ltd. to express an audit opinion kn the iunancial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance the matters regarding the planned scope and timing ks the audit and significant audit iundings, including any significant deficiencies in internal control that we identify during kur audit.

We also provide those charged with governance with a statement that we have complied with relevant eatical requirements regarding undependence, and to communicate with them all relationships and oater matters that may reasonably be thought to bear kn kur undependence, and where applicable, related safeguards.

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

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

CONSOLIDATED BALANCE SHEET

RMB

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

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

CONSOLIDATED BALANCE SHEET *(continued)*

RMB

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

The financial statements have been signed by:

Legal representative:	Financial controller:	Accounting supervisor:
Li Yeqing	Chen Qian	Wu Xin

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED INCOME STATEMENT

RMB

	Note V	2022	2021

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

RMB

2022

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

2021

	Equity attributable to the shareholders of the parent									
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Specialized reserves	Surplus reserves	Retained profit	Subtotal	Non-controlling interests	Total Shareholder's equity
I. Balance at the beginning of the year	2,096,599,855	1,943,538,052	610,051,971	(275,292,763)	—	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
II. Movements during the year	—	87,613,696	—	(30,057,369)	—	—	3,100,979,824	3,158,536,151	479,362,659	3,637,898,810
(1) Total comprehensive income	—	—	—	(30,057,369)	—	—	5,363,525,692	5,333,468,323	434,317,885	5,767,786,208
(2) Capital contribution and reduction from shareholders	—	87,613,696	—	—	—	—	—	87,613,696	364,186,684	451,800,380
1. Capital contributions by owners	—	—	—	—	—	—	—	—	364,186,684	364,186,684
2. Amount of share-based payments recognised in equity	—	86,789,021	—	—	—	—	—	86,789,021	—	86,789,021
3. Others	—	824,675	—	—	—	—	—	824,675	—	824,675
(3) Profit distribution	—	—	—	—	—	—	(2,262,545,868)	(2,262,545,868)	(319,141,910)	(2,581,687,778)
Dividend to shareholders	—	—	—	—	—	—	(2,262,545,868)	(2,262,545,868)	(319,141,910)	(2,581,687,778)
(4) Specific reserve	—	—	—	—	—	—	—	—	—	—
1. Appropriated during the year	—	—	—	—	154,522,455	—	—	154,522,455	—	154,522,455
2. Using during the year	—	—	—	—	(154,522,455)	—	—	(154,522,455)	—	(154,522,455)
III. Balance at the end of the year	2,096,599,855	2,031,151,748	610,051,971	(305,350,132)	—	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308

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

CONSOLIDATED STATEMENT OF CASH FLOWS

RMB

	Note V	2022	2021
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		28,725,662,825	31,749,395,997
Receipts of tax refunds		94,306,041	116,148,374
Other cash receipts relating operating activities	58	366,471,932	364,745,201

COMPANY BALANCE SHEET

RMB

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

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

COMPANY BALANCE SHEET *(continued)*

RMB

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

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

COMPANY INCOME STATEMENT

RMB

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

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

I. BASIC INFORMATION

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

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

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

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Accounting Standards for Business Enterprises — Basic Standards issued by the Ministry of Finance as well as specific accounting standards, the implementation guidance, interpretations and other relevant provisions issued and revised subsequently (collectively referred to as "Accounting Standards for Business Enterprises"). In addition, the financial

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Functional currency

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

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

4. Business combinations

The Group only has business combinations not under common control.

Business combinations not under common control

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

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

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

8. Financial instruments *(continued)*

Recognition and derecognition of financial instruments (continued)

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

(1) the rights to receive cash flows from the asset have expired;

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

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

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

Classification and measurement of financial assets

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

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

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

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

8. Financial instruments *(continued)*

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

8. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

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

Classification and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities carried at amortised cost

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

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

8. Financial instruments *(continued)*

Impairment of financial instruments

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

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

In addition to the financial assets mentioned above that use the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition, it is at the first stage, and the Group measures the loss provision based on the amount of expected credit loss equivalent to the next 12 months and calculates interest income based on book balance and effective

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

8. Financial instruments *(continued)*

Derivative financial instruments

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

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

Transfers of financial assets

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

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

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

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

9. Inventories

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

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

The Group adopts a perpetual inventory system.

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

10. Long-term equity investments

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

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

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

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

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

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

12. Construction in progress

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

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

13. Borrowing costs

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

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

(1) expenditures for the asset are being incurred;

(2) borrowing costs are being incurred;

(3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

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

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

16. Impairment of assets *(continued)*

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

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

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

17. Long-term deferred expenditures

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

18. Employee benefits

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

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

19. Lease liabilities

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

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

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

20. Provisions

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

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of provisions is reviewed at each balance

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

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

Contracts for rendering of services

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

Significant financing component

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

Warranty obligations

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

24. Contract assets and contract liabilities

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

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

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

Contract assets

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

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

Contract liabilities

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

25. Assets related to contractual cost

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

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

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

(1) the costs relate directly to an existing contract or to an anticipated contract, including direct labour, direct materials, production overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only by the reason of the contract;

(2) costs generate resources of the corporate that will be used in satisfying performance obligations in the future;

(3) the costs are expected to be recovered.

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

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

(1) The remaining amount of consideration that the corporation expects to receive in exchange for the goods or services to which the assets relates; less

(2) the estimated costs to be incurred for the exchange of the related goods or services.

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

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

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

Uncertainty of estimation (continued)

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

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

Impairment of goodwill

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

Fair value of unlisted equity investments

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

Deferred income tax assets

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

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

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

Uncertainty of estimation (continued)

Lessee's incremental borrowing rate

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

Provision for decline in value of inventory

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

Useful lives and residual values of fixed assets

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

Provisions— Mine restoration obligations

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

III. *(continued)*

33. Changes in significant accounting policies and accounting estimates

Changes of accounting policies

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

IV. TAXATION

1. Major categories of taxes and respective tax rates

Value-added tax (VAT):	—	Except for the local tax rate applicable to the overseas company in accordance with the tax law, output tax shall be calculated according to the corresponding tax rate for the taxable income of the general taxpayers of the Group, and VAT shall be calculated and paid according to the difference after deducting the allowable deduction of input tax for the current period. Among them, the sand, soil and stone used in the sales of construction materials and the production of construction materials of the Group are simply taxed according to the sales revenue, with a levy rate of 3%. Concrete companies are simply taxed according to the sales revenue, with a levy rate of 3%. Sales of other commodities are calculated as output tax at a rate of 13%. Small scale taxpayers according to the sales revenue simply levy, the levy rate is 3%. The VAT rate for transportation services and professional and technical services is 6%.
City maintenance and construction tax:	—	It is levied at 7%, 5% and 1% of actual VAT paid.
Education surcharge:	—	It is levied at 3% of actual VAT paid.
Property tax:	—	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10% –30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.
Land use tax:	—	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local government.
Individual income tax:	—	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.
Land appreciation tax:	—	

IV. TAXATION *(continued)*

2. Tax Concessions

2.1 Corporate income tax

The Group's subsidiary Huaxin Environmental Engineering Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2022. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2021: 15%).

The Group's subsidiary Huaxin Cement (Henan Xinyang) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Henan Provincial Science & Technology Department in 2022. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2021: 25%).

The Group's subsidiary Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2022. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2021: 25%).

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

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

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

IV. TAXATION *(continued)*

2. Tax Concessions *(continued)*

2.1 Corporate income tax (continued)

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

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

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

2.2 VAT

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

V. NOTES TO KEY ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

	31 December 2022	31 December 2021
Cash on hand	1,100,172	604,954
Bank deposits	6,549,623,633	8,549,870,187
Other cash and bank balances	487,617,987	285,964,244
	7,038,341,792	8,836,439,385

RMB

Other cash and bank balances:	31 December 2022	31 December 2021
Deposits for acceptance bills and letter of credit	160,128,771	127,901,317
Deposits for mine land reclamation	134,135,878	97,908,191
Deposit for auction of mining rights	100,003,372	—
Cash in transit between domestic and overseas subsidiaries within the group (Note)	65,297,973	—
Deposits for letter of guarantee	20,987,510	26,222,388
Deposits for finance lease	—	15,000,000
Other cash and bank balances with restrictions	7,064,483	18,932,348
	487,617,987	285,964,244

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

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

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

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

2. Held for trading financial assets

RMB

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

3. Notes receivable

RMB

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

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

Among them, pledged notes receivable are as follows:

RMB

	31 December	31 December 2021

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

4. Accounts receivable

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

An aging analysis of accounts receivable is as follows:

RMB

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

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

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

RMB

	31 December 2022	31 December 2021
Opening balance	164,229,940	148,363,317
Provision for the year		

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

4. Accounts receivable *(continued)*

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

RMB

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

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

RMB

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

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

4. Accounts receivable *(continued)*

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

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

4. Accounts receivable *(continued)*

Category of concrete receivable:

RMB

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

RMB

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

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

4. Accounts receivable *(continued)*

Category of other business receivables

RMB

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

RMB

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

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

4. Accounts receivable *(continued)*

Amounts due from top 5 customers are summarized as below:

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

RMB

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

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

RMB

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

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

5. Receivables financing

RMB

	31 December 2022	31 December 2021
Bank acceptance bills	527,248,935	761,050,910

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

RMB

	31 December 2022	31 December 2021
Bank acceptance bills	26,413,178	236,214,382

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

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

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

RMB

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

As at 31 December 2022, the Group endorsed the undue bill recei501 w q 1 0 0 1 0 2, the Group endorsed the und

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

6. Prepayments

An aging analysis of prepayments is as follows:

RMB

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

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

Top five entities with the largest balance of prepayment:

RMB

	31 December 2022	
	Balance	Percentage of total amount (%)
First	53,645,950	15
Second	21,592,718	6
Third	7,758,176	2
Fourth	7,515,255	2
Fifth	6,683,433	2
	97,195,532	27

	31 December 2021	
	Balance	Percentage of total amount (%)
First	38,934,941	11
Second	22,761,948	7
Third	22,571,316	7
Fourth	11,958,879	4
Fifth	10,431,340	3
	106,658,424	32

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

7. Other receivables

RMB

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

Other receivables

An aging analysis of other receivables is as follows:

RMB

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

Other receivables are classified by nature as follows:

RMB

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

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

7. Other receivables *(continued)*

Other receivables (continued)

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

31 December 2022:

RMB

	Stage one Expected credit loss for the next 12 months	Stage two Lifetime expected credit loss	Stage three Credit-impaired financial assets (lifetime expected credit loss)	Total
Opening balance	—	9,222,749		

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

7. Other receivables *(continued)*

Other receivables (continued)

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

RMB

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	45,000,000	8%	Loans and out-of-pocket expenses	Within 1 year	—
Second	42,500,000	7%	Margin and deposits	Within 1 year, 1–2 years, 2–3 years	—
Third	38,927,223	7%	Loans and out-of-pocket expenses	Over 3 years	38,927,223
Fourth	30,000,000	5%	Loans and out-of-pocket expenses	Within 1 year	—
Fifth	29,000,000	5%	Earnest money to be returned	Within 1 year	~~3 years~~3.1 0 0 9 12

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

8. Inventories

RMB

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

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

31 December 2022

RMB

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

31 December 2021

RMB

	Opening balance	Provision for the year	Decrease during the year		Closing balance
			Reversal	Write-off and others	
Raw materials	763,072	230,484	—	—	993,556
Work in progress	165,122	—	—	—	165,122
Spare parts					

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

9. Other current assets

RMB

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

10. Long-term receivables

RMB

	31 December 2022		31 December 2021	
	Balance of carrying			

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

11. Long-term equity investments

31 December 2022

RMB

	Changes for the period				
	Opening balance	Investment income or loss recognized under the equity method	Other equity changes	Other decreases (Note)	Closing balance

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

12. Investment in other equity instruments

31 December 2022

RMB

	Initial investment cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments held of dividend income for the year
Equity investment in unlisted companies 1	11,724,666	45,447,873	57,172,539	917,726
Equity investment in unlisted companies 2				

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

13. Fixed assets *(continued)*

Fixed assets

31 December 2022

RMB

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

13. Fixed assets *(continued)*

Fixed assets (continued)

31 December 2021

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
Original price					
Opening balance	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
Purchase	53,051,583	73,069,091	28,390,499	60,521,877	215,033,050
Transferred from construction in progress	1,267,832,927	1,979,848,088	—	—	3,247,681,015
Business combinations not under common control	91,836,470	514,785,077	12,724,384	16,615,751	635,961,682
Disposal or retirement	(26,664,165)	(169,902,535)	(11,778,607)	(79,390,477)	(287,735,784)
Disposal of subsidiaries	(1,690,902)	(205,332)	(147,905)	—	(2,044,139)
Translation differences of					

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

13. Fixed assets *(continued)*

Fixed assets (continued)

Fixed assets that are temporarily idle are as follows:

31 December 2022

RMB

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

31 December 2021

RMB

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

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

13. Fixed assets *(continued)*

Fixed assets (continued)

Fixed assets leased under operating leases are as follows:

31 December 2022

RMB

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

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

13. Fixed assets *(continued)*

Fixed assets (continued)

31 December 2021

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total

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

14. Construction in progress *(continued)*

Construction in progress

RMB

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

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

14. Construction in progress *(continued)*

Construction in progress (continued)

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

RMB

	Budget	Opening balance	Increase during the year	Transferred to fixed assets in the year	Other decrease	closing balance	Source of funding	Percentage of project investment in budget (%)
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	9,957,000,000	442,275,269	1,891,325,851	—	—	2,333,601,120	Self-owned funds and bank loans	87
Wuxue Industrial Park has an annual output of 30 million pan <</Lang (en-GB)/MCID 10095 >>BDC BT 5.0.6 5, 1 Tf 5.6 0 0 6 0 0 8, ng								

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

14. Construction in progress *(continued)*

Construction in progress (continued)

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

RMB

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

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

14. Construction in progress *(continued)*

Construction in progress (continued)

31 December 2021

RMB

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

Materials for construction of fixed assets

RMB

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

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

15. Right-of-use assets

31 December 2022

RMB

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

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

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

31 December 2021

RMB

	Land use right and mine use right	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	Total
Original price					
Opening balance	78,272,699	80,855,915	6,704,145	—	165,832,759
Addition	46,844,089	26,140,300	68,967,318	231,522	142,183,229
Closing balance	125,116,788	106,996,215	75,671,463	231,522	308,015,988
Accumulated depreciation					
Opening balance	—	—	—	—	—
Provision	17,610,936	14,946,789	2,143,673	123,328	

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

16. Intangible assets

31 December 2022

RMB

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

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

17. Goodwill

RMB

	31 December 2022	31 December 2021
Huaxin Cement (Daye) Co., Ltd.	189,057,605	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	101,685,698
CHILANGA Cement PLC	87,794,908	87,794,908
Hainan Xinhongda Building Materials Co., Ltd.	79,313,263	79,313,263
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	69,557,768
NETNIX LIMITED	59,573,587	59,573,587
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	21,492,135
Yueyang Yonggu Concrete Co., Ltd	8,119,042	—
Hainan Huaxin Ronghui Concrete Co., Ltd	5,809,669	—
	748,171,583	734,242,872
Less: Provision for impairment of goodwill	129,628,172	91,049,903
	618,543,411	643,192,969

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

31 December 2022

RMB

	Opening balance	Provision	Reversal	Closing balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	—	—	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	—	21,492,135
Hainan Xinhongda Building Materials Co., Ltd. (Note)	—	38,578,269	—	38,578,269
	91,049,903	38,578,269	—	129,628,172

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

17. Goodwill *(continued)*

31 December 2021

RMB

	Opening balance	Provision	Reversal	Closing balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	—	—	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	—	21,492,135
	91,049,903	—	—	91,049,903

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

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

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

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

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

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

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

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

17. Goodwill *(continued)*

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

18. Long-term deferred expenditures

31 December 2022

RMB

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

31 December 2021

RMB

	Opening balance	Addition	Increase due to business combination	Amortization	impairment	Closing balance
Mine development cost	141,519,854	15,242,585	16,806,756	(21,743,573)	—	151,825,622
Relocation expenses	159,377,296	241,157,507	—	(20,658,498)	—	379,876,305
Others	62,863,624	13,045,734	—	(25,538,617)	—	50,370,741
	363,760,774	269,445,826	16,806,756	(67,940,688)	—	582,072,668

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

19. Deferred tax assets/Deferred tax liabilities

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

RMB

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

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

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

RMB

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

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

RMB

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

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

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

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

RMB

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

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

RMB

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

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

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

20. Short-term borrowings

RMB

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

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

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

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

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

21. Notes payable

RMB

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

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

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

22. Accounts payable

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

RMB

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

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

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

23. Contract liabilities

RMB

	31 December 2022	31 December 2021
Advance on sales of goods	681,610,930	847,443,693
	681,610,930	847,443,693

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

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

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

24. Employee benefits payable

31 December 2022

RMB

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

31 December 2021

RMB

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

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

24. Employee benefits payable *(continued)*

Short-term remunerations are as follows j

31 December 2022

RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses, allowances and subsidies				

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

24. Employee benefits payable *(continued)*

Defined contribution plan are as follows:

31 December 2022

RMB

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

31 December 2021

RMB

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

The Group participated in the pension insurance and unemployment insurance managed by local

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

26. Other payables

RMB

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

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

26. Other payables *(continued)*

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

RMB

	Amount payable	Reasons for

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

28. Long-term borrowings

RMB

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

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

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

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

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

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

RMB

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

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

29. Bonds payable

(1) Bonds payable

RMB

	31 December 2022	31 December 2021
Overseas bond issued in 2020 (Note 1)	2,080,547,640	1,901,938,824

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

29. Bonds payable *(continued)*

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

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

RMB

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

30. Lease liabilities

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

31. Long-term payables *(continued)*

Long-term payables (continued)

Analysis of maturity of long-term payables:

RMB

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

32. Long-term employee benefits payable

RMB

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

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

Note 2: As at 2 December 2016, according to the "Long-term Incentive Plan of Huaxin Cement Co., Ltd. for Core Management Staff from 2017 to 2019" approved by the 20th meeting of the 8th Board of Directors and the achievement of performance target of the Group from 2017 to 2019 under the incentive plan, the core management would be granted a certain number of virtual shares of the Company. At the end of the third year after the grant date ("the settlement date"), the core management can receive a cash bonus calculated by the share price at the settlement date multiplied by the number of the granted virtual shares. If the share price at the settlement date is over 200% of the share price of the grant date, the cash bonus should be calculated at 200% of the share price of the grant date; if the share price at the settlement date is lower than 50% of the share price at the grant date, the cash bonus should be calculated at 50% of the share price at the grant date. As of 31 December 2022, the cash-settled share-based payment has been fully

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

33. Provisions

31 December 2022

RMB

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

31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Provisions for Mine restoration (Note 1)	230,271,485	150,989,950	(35,309,776)	345,951,659
Provision for Others (Note 2)	3,121,801	—	(1,599,998)	1,521,803
	233,393,286	150,989,950	(36,909,774)	347,473,462

Note 1: Accrued restoration cost was recognized based on the expenditure on restoration of mines required to be incurred in subsequent years by the Group's subsidiaries engaged in the production of cement.

Note 2: Other items include the expected compensation for pending litigation by subsidiaries of the Group.

34. Deferred income

31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Government grants	292,376,076	28,755,100	(29,253,722)	291,877,454

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

34. Deferred income *(continued)*

31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Government grants	301,399,766	21,895,200	(30,918,890)	292,376,076

As at 31 December 2022, the major items related to government grants were as follows:

RMB

	Opening balance	Subsidies increased for the period	Amortization recognized in other income	Closing balance	Related to assets/ income
Cement kiln line infrastructure	239,633,939	21,090,000	(19,242,132)	241,481,807	Related to assets
Energy saving technological transformation	52,742,137	7,665,100	(10,011,590)	50,395,647	Related to assets
	292,376,076	28,755,100	(29,253,722)	291,877,454	

As at 31 December 2021, the major items related to government grants were as follows:

RMB

	Opening balance	Subsidies increased for the period	Amortization recognized in other income	Closing balance	Related to assets/ income
Cement kiln line infrastructure	238,903,045	21,517,893			

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

38. Treasury shares

31 December 2022

RMB

	Opening balance	Addition	Reduction	Closing balance
Treasury share for equity incentive plan	610,051,971	—	—	610,051,971

31 December 2021

RMB

	Opening balance	Addition	Reduction	Closing balance
Treasury share for equity incentive plan	610,051,971	—	—	610,051,971

39. Other comprehensive income

Accumulated balance of other comprehensive income attributable to shareholders of the parent company in the consolidated balance sheet:

31 December 2022

RMB

	1 January 2022	Increase/ (decrease)	31 December 2022
Changes in fair value of investment in other equity instruments	30,331,199	(32,262,556)	(1,931,357)
Exchange differences on foreign currency translation	(335,681,331)	162,355,204	(173,326,127)
	(305,350,132)	130,092,648	(175,257,484)

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

39. Other comprehensive income *(continued)*

31 December 2021

RMB

	1 January 2021	Increase/ (decrease)	31 December 2021
Changes in fair value of investment in other equity instruments	13,762,146	16,569,053	30,331,199
Exchange differences on foreign currency translation	(289,054,909)	(46,626,422)	(335,681,331)
	(275,292,763)	(30,057,369)	(305,350,132)

Changes in other comprehensive income:

31 December 2022

RMB

	Amount before tax	Less: Income tax	Attributable to the shareholders of the parent company	Attributable to non-controlling shareholders
Other comprehensive income not allowed to be reclassified to profit or loss				
Changes in fair value of investment in other equity instruments	(43,016,743)	(10,754,187)	(32,262,556)	—
Other comprehensive income to be reclassified into profit or loss				
Exchange differences on foreign currency translation	271,709,227	—	162,355,204	109,354,023
	228,692,484	(10,754,187)	130,092,648	109,354,023

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

39. Other comprehensive income *(continued)*

31 December 2021

RMB

	Amount before tax	Amount

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

42. Retained earnings

RMB

	31 December 2022	31 December 2021
Retained earnings as at the beginning of the year	22,405,681,711	19,304,701,887
Net profit attributable to the shareholders of the parent company	2,698,868,510	5,363,525,692
Less: Ordinary share dividends payable	2,094,949,878	2,262,545,868
Retained earnings at the end of the year	23,009,600,343	22,405,681,711

Upon the consideration and approval at the 2021 annual general meeting of the Company convened on 20 May 2022, the profit distribution for the year 2021 was calculated based on 2,094,949,878 shares (the total share capital of the Company of 2,096,599,855 shares minus the number of shares repurchased on the special account for repurchase on the record date of dividend-payment of 1,649,977 shares), with the distribution of a cash dividend of RMB1.00 per share (tax inclusive).

43. Operating income and costs

RMB

	2022		2021	
	Revenue	Cost	Revenue	Cost
Principal operations	30,168,692,817	22,332,075,543	32,237,328,449	21,297,150,550
Other operations	301,689,546	149,826,064	226,754,930	95,343,915
	30,470,382,363	22,481,901,607	32,464,083,379	21,392,494,465

Operating income are as follows:

RMB

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

43. Operating income and costs *(continued)*

Disaggregated operating revenue from contracts with customers is as follows:

RMB

	2022	2021
Revenue recognition time		
Revenue recognized at a point in time		
Sale of products	29,775,628,777	31,701,260,838
Revenue recognized over a period of time		
Rendering of services	694,753,586	762,822,541
	30,470,382,363	32,464,083,379
Main product types		
Sales of cement	18,829,682,529	24,067,650,740
Sales of concrete	5,132,828,829	3,175,398,379
Sales of aggregate	3,064,928,809	2,053,535,770
Sales of clinker	1,758,355,585	1,606,353,621
Others	1,684,586,611	1,561,144,869
	30,470,382,363	32,464,083,379
Main business areas		
China	26,279,374,714	29,881,187,845
Asia outside of China	2,644,864,060	2,192,986,502
Africa Region	1,546,143,589	389,909,032
	30,470,382,363	32,464,083,379

The revenue recognized in the current year and included in the carrying amount of contract liabilities at the beginning of the year is as follow:

RMB

	2022	2021
Sale of products	740,633,501	734,948,709
	740,633,501	734,948,709

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

44. Tax and surcharges

RMB

	2022	2021
City maintenance and construction tax	52,946,066	72,896,705
Education surcharges	44,063,716	61,234,963
Resource tax	298,586,538	267,536,107
Real estate tax	46,869,207	39,325,230
Land use tax	53,716,910	56,465,694
Green tax	58,010,769	79,400,054
Others	31,598,785	27,751,541
	585,791,991	604,610,294

45. Selling expenses

RMB

	2022	2021
Consumption of materials	488,188,396	509,729,119
Staff costs	417,878,024	409,717,779
Depreciation and amortization expenses	101,878,562	92,760,671
Electric charge	90,893,770	82,289,636
Repair expenses	30,648,978	38,635,328
Sales expenses	142,583,835	128,829,985
Others	99,749,400	69,246,452
	1,371,820,965	1,331,208,970

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

46. Administrative expenses

RMB

	2022	2021
Employee compensation and labor costs	848,373,286	933,190,352
Depreciation and amortization expenses	203,270,529	198,841,666
Intermediary service fees	91,382,948	79,888,235
Office expenses	206,652,399	195,528,654
Environmental protection and greening fees	50,902,306	51,642,450
Property insurance expenses	15,922,586	14,883,522
Rental expenses	2,210,727	208,434
Others	163,824,679	160,514,294
	1,582,539,460	1,634,697,607

47. Finance costs

RMB

	2022	2021
Interest expenditure on borrowings	446,819,553	302,139,663
Interest expenses on lease liabilities	29,299,022	6,115,643
Less: Interest income	84,844,797	155,781,766
Less: Amount of capitalized interest	69,563,929	29,504,287
Exchange gains	126,424,800	8,633,862
Others	10,353,522	38,656,493
	458,488,171	170,259,608

In 2022, the amount of capitalised borrowing costs has included in construction in progress of RMB69,563,929 (2021: RMB29,504,287)

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

48. Other gains

RMB

	2022	2021
Tax refunds from comprehensive utilization of resources	75,651,346	109,462,051
Amortization of deferred income	29,253,722	30,918,890
Government subsidies in relation to the ordinary activities	112,412,576	67,132,883

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

51. Impairment losses on credit

RMB

	2022	2021
Losses on bad debts of accounts receivable	16,595,831	24,883,046
Losses on bad debts of other receivables	4,959,866	2,9 B8L6
	21,555,697	27,661,442

52. Impairment losses on assets

RMB

	2022	2021
Losses on impairment of goodwill	38,5 B269	—
Losses on impairment of fixed assets	31,871,544	27,064,663
Losses on impairment of intangible assets	25,717,9 6	—
Losses on decline in value of inventory	16,079,506	8,036,195
Losses on decline in value of construction work in process	897,165	—
Losses on impairment of long-term deferred expenditures	694,336	—
	113,838,596	35,100,858

53. (Losses) gains on disposal of assets

RMB

	2022	2021
(Losses)/Gains on disposal of fixed assets	(6,806,205)	15,305,229
(Losses)/Gains on disposal of intangible assets	(355,586)	1,938,956
	(7,161,791)	17,244,185

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

54. Non-operating income

RMB

	2022	2021	Recognised in non-recurring profit and loss for 2022
Government subsidies unrelated to the ordinary activities	3,757,954	49,894	3,757,954
Gains on disposal of fixed assets	3,898,065	885,430	3,898,065
Negative goodwill	—	10,392,602	—
Others	33,042,648	11,855,042	33,042,648
	40,698,667	23,182,968	40,698,667

55. Non-operating expenses

RMB

	2022	2021	Recognised in non-recurring profit and loss for 2022
Losses on disposal of fixed assets	5,852,195	41,631,098	5,852,195
Expenses on charity donation	24,607,769	18,026,701	24,607,769
Expenses on compensation, penalties and fines	373,357	3,613,150	373,357
Other expenses	44,350,290	31,276,345	44,350,290
	75,183,611	94,547,294	75,183,611

56. Income tax expense

RMB

	2022	2021
Current income tax expense	905,849,286	1,522,117,310
Deferred income tax expense	58,681,437	45,941,517
	964,530,723	1,568,058,827

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

56. Income tax expense *(continued)*

A reconciliation of income tax expense and total profit is set out as follows:

RMB

	2022	2021
Profit before tax	3,988,085,596	7,372,995,844
Income tax expense at 25% rate	997,021,399	1,843,248,961
Effect of different tax rates of some subsidiaries	(161,780,637)	(247,703,732)
Effect of non-taxable income	(2,351,173)	(8,610,524)
Expenses not deductible costs	33,531,186	38,868,707
Effect of additional deductions for research and development expenses	(12,338,653)	(14,574,946)
Effect of use of deductible losses and temporary differences from previous years	(48,468,160)	(104,760,492)
Effect of deductible temporary difference and deductible losses not recognized	136,768,254	76,065,156
Others	22,148,507	(14,474,303)
Income tax expense at the effective tax rate of the Group	964,530,723	1,568,058,827

57. Earnings per share

RMB

	2022 RMB/share	2021 RMB/share
Basic earnings per share		
Continuing operations	1.30	2.58
Diluted earnings per share		
Continuing operations	1.28	2.58

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company (after deducting the cash dividends expected to be unlocked by holders of restricted stocks in the future) divided by the weighted average number of outstanding ordinary shares in issue.

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

57. Earnings per share *(continued)*

The diluted element of earnings per share is determined by current net profit attributable to the Company's ordinary shareholders, adjusted for: (1) earnings or expenses to be incurred upon conversion of dilutive potential ordinary share; and (2) the income tax impact associated with the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average of the parent company's issued ordinary shares in basic earnings per share; and (2) the weighted average number of additional ordinary shares assuming conversion of dilutive potential common shares into common shares.

In calculating the weighted average number of the additional shares of ordinary stock resulting from conversion of dilutive potential ordinary stock into outstanding ordinary stock, dilutive potential ordinary stock issued in prior periods, assuming conversion at the beginning of the current period; Dilutive potential ordinary stock issued in the current period, assuming conversion on the issue date.

Basic and diluted earnings per share are calculated as follows j

RMB

	2022	2021
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,698,868,510	5,363,525,692
less jCash dividends expected to unlock future restricted shareholders	1,874,965	16,587,352
	2,696,993,545	5,346,938,340
add: Cash dividends expected to unlock future restricted shareholders	1,874,965	16,587,352
less: The effect of subsidiaries dilutive potential ordinary share	46,923,087	778,290
Adjusted net profit for the period attributable to the Company's ordinary shareholders	2,651,945,423	5,362,747,402
Attributed to j		
continuing operations	2,651,945,423	5,362,747,402

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

57. Earnings per share *(continued)*

	2022	2021
Shares		
Weighted average number of ordinary shares in issue of the Company	2,073,910,517	2,073,910,517
Dilution effect — the weighted average of common shares		
Restricted shares	2,389,465	1,845,030
The adjusted weighted average of the Company's common shares outstanding	2,076,299,982	2,075,755,547

58. Notes to items of statement of cash flows

RMB

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

58. Notes to items of statement of cash flows *(continued)*

RMB

	2022	2021
Other cash receipts relating to investing activities		
Cash and cash equivalents held by subsidiaries on the date of purchase	111,634,822	—
Equity margin refund received	—	5,602,256
	111,634,822	5,602,256
Cash payments for other investing activities		
Payment of equity-related amounts	208,800,000	—
Offer borrowing	170,439,950	—
Payment of bidding deposit on mining rights auction	100,003,372	—
	479,243,322	—
Other cash receipts relating to financing activities		
Receive after sale finance lease payment and security deposit	15,000,000	—
Sale of non-controlling equity funds	5,024,115	—
Preferred share funds received	—	124,507,075
	20,024,115	124,507,075
Other cash payments relating to financing activities		
Payment the sale and leaseback principal and security deposit	23,258,673	68,973,653
Lease payment	190,532,519	30,289,234
Payment for non-controlling shares	59,079,325	—
	272,870,517	99,262,887

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

59. Supplemental information to statement of cash flows

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

RMB

	2022	2021
Net profit	3,023,554,873	5,804,937,017
Add: Impairment losses on assets	113,838,596	35,100,858
Impairment losses on credit	21,555,697	27,661,442
Depreciation of fixed assets	1,879,662,708	1,783,884,387
Depreciation of right-of-use assets	101,334,445	34,824,726
Amortisation of intangible assets	585,812,062	328,254,752
Amortisation of long-term deferred expenses	79,813,380	67,940,688
Amortisation of deferred income	(29,253,722)	(30,918,890)
Gaint3Gdlosses) from disposal of fixed assets, intangible assets and other long-term assets	7,161,791	(17,244,185)
Losses on retirement of fixed assets	1,954,130	40,745,668
(Gaint) losses from changes in fair value	(18,990,720)	4,495,795
Finance costs	412,195,047	278,751,019
Loss from investment	(17,140,874)	(27,449,280)
(Increase) decrease in deferred income tax assets	(40,336,682)	35,507,341
Increase in deferred income tax liabilities	86,176,921	10,434,176
Decrease (increase) in inventories	136,007,261	(1,085,937,588)
Decrease in operating receivables	(1,920,700,440)	(802,012,433)
Increase in operating payables	145,049,747	1,105,981,629
Net cash flows from operating activities	4,567,694,220	7,594,957,122

Major investing and financing activities that do not involve cash j

RMB

	2022	2021
Using notes receivable to pay the construction costs	1,138,201,817	1,143,408,322
Using notes payable to pay the construction costs	75,471,752	54,778,080
	1,213,673,569	1,198,186,402

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

59. Supplemental information to statement of cash flows *(continued)*

(1) Supplemental information to statement of cash flows (continued)

Net change in cash and cash equivalents j

RMB

	2022	2021
Balance of cash at the end of the year	6,616,021,778	8,550,475,141
less jBalances of cash equivalents at the beginning of the year	8,550,475,141	8,420,246,369
Net (decrease) increase in cash and cash equivalents	(1,934,453,363)	130,228,772

(2) Obtain or dispose of subsidiaries and other business unit information

Obtain information about subsidiaries and other business units

RMB

	2022	2021
Cash paid for acquisition of subsidiaries and other operating units	83,600,000	1,021,912,610
Less: Cash and cash equivalents held by subsidiaries and other operating units acquired	136,632,121	103,536,258
Add: Cash or cash equivalents paid in the current period for business mergers that occurred in previous periods	7,762,371	10,000,000
Net cash (received) paid for acquisition of subsidiaries and other business units	(45,269,750)	928,376,352
Include: Cash received relating to other investing activities	(111,634,822)	—
Net cash payments for acquisition of subsidiaries and other business units	66,365,072	928,376,352

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

60. Assets with restricted titles or right to use

RMB

	2022	2021	
Cash and bank balances	422,320,014	285,964,244	Note 1
Notes receivable	2,720,000	23,000,000	
Account receivable Financing	26,413,178	236,214,382	
Fixed assets	5,687,992	5,413,440	Note 2
Intangible assets	27,492,441	11,088,579	Note 3
	484,633,625	561,680,645	

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

61. Foreign currency monetary items

"Foreign currency" means a currency other than the basic accounting currency of each company within the Group.

RMB

	31 December 2022			31 December 2021		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
USD	183,655,849	6.9646	1,279,089,528	230,081,444	6.3757	1,466,930,263
CNY	3,342,772	1.0000	3,342,772	5,597,329	1.0000	5,597,329
EUR	573,292	7.4229	4,255,486	2,165,226	7.2197	15,632,282
HKD	69,300	0.8933	61,906	63,678	0.8176	52,063
ZAR	6,043	0.4113	2,485	88,462	0.4007	35,447
ZMW	3,787	0.3853	1,459	—	—	—
KES	5,245	0.0564	296	—	—	—
TZS	69,300	0.0030	209	—	—	—
CHF	11	7.2727	80	11	6.9776	77
RUB	182	0.0934	17	182	0.0855	16
SGD	2	5.0000	10	2	4.7179	9
AUD	—	—	—	206	4.6220	952
Accounts receivable						
USD	1,152,388	6.9646	8,025,920	4,700,885	6.3757	29,971,432
ZAR	—	—	—	54,519	0.4007	21,846
Other receivables						
USD	55,588	6.9646	387,146	93,327	6.3757	595,025
KZT	—	—	—	314,716	0.0147	4,626
RUB	—	—	—	26,154	0.0855	2,236
Accounts payable						
USD	7,260,256	6.9646	50,564,777	8,410,073	6.3757	53,620,102
EUR	585,191	7.4229	4,343,816	105,595	7.2197	762,364
CNY	4,137,044	1.0000	4,137,044	779,663	1.0000	779,663
ZAR	1,303,136	0.4113	536,006	799,786	0.4007	32,474
RUB	—	—	—	12,514,850	0.0855	1,070,020
GBP	—	—	—	541	8.6064	4,656
Other payables						
CNY	3,472,531	1.0000	3,472,531	—	—	—
USD	134,454	6.9646	936,420	584,749	6.3757	3,728,184
ZAR	—	—	ZAR —	1,543	0.4007	— 618
EUR	—	—	—	16,717	7.2197	120,692
CHF	—	— —	—	58,049	6.9776	405,043
Interest payable						
USD	608,845	6.9646	4,240,363			

VI. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combinations not under common control

(1) Identifiable assets and liabilities of acquiree at the acquisition date

On 14 April 2022, Huaxin Cement (Wuxue) Co., LTD., a subsidiary of the Group, signed the Equity Transfer Agreement with Hubei Haokun Concrete Co., LTD. According to the agreement, Huaxin Cement (Wuxue) Co., Ltd. acquired 100% equity of Huaxin Concrete (Huangmei) Co., LTD., in cash of RMB26,000,000. As of 14 April 2022, the effective conditions set forth in the above agreement have been met, and Huaxin Cement (Wuxue) Co., Ltd. has paid most of the money and completed the relevant procedures of equity transfer and the amendment of articles of association. Huaxin Cement (Wuxue) Co., Ltd. has substantial control of Huaxin Concrete (Huangmei) Co., Ltd. since April 14, 2022, holding 100% of its equity.

The fair value and carrying amount of the identifiable assets and liabilities of Huaxin Concrete (Huangmei) Co., Ltd. on the acquisition date are as follows:

RMB

Huaxin Concrete (Huangmei) Co., Ltd.	Fair value on 14 April 2022	Carrying amount on 14 April 2022
Cash and bank balances	10,098	10,098
Other current assets	1,196,703	1,196,703
Fixed assets	23,574,877	23,574,877
Intangible assets	4,318,420	4,318,420
Accounts payable	3,090,000	3,090,000
Contract liabilities	10,098	10,098
	26,000,000	26,000,000
Goodwill raised from acquisition	—	
	26,000,000	(Note)

Note: Please refer to Note VI.1(2) for details.

Operating results and cash flows of Huaxin Concrete (Huangmei) Co., Ltd. from the date of acquisition to the end of the current year are listed below:

RMB

	From 14 Aril 2022 to 31 December 2022
Operating revenue	45,614,949
Net profits	99,423
Net cash flows	(10,098)

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combinations not under common control *(continued)*

(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)

On 17 June 2022, Huaxin Cement (Yueyang) Co., LTD., a subsidiary of the Group, signed the Equity Transfer Agreement with Manxiang Zhao and Xiaoyu Yang, which stipulated that Huaxin Cement (Yueyang) Co., Ltd. acquired 100% equity of Yueyang County Permanent Concrete Co., LTD., in cash of RMB27,000,000. As at 13 September 2022, the effective conditions set forth in the above agreement have been met, and Huaxin Cement (Yueyang) Co., Ltd. has paid most of the amount and completed the relevant procedures of equity transfer and the amendment of articles of association. Huaxin Cement (Yueyang) Co., Ltd. began to have substantial control of Yueyang County Permanent Concrete Co., Ltd. on September 13, 2022, holding 100% of its equity.

The fair value and carrying amount of the identifiable assets and liabilities of Yueyang County Permanent Concrete Co., Ltd. on the acquisition date are as follows:

RMB

Yueyang County Permanent Concrete Co., Ltd.	Fair value On 13 September 2022	Carrying amount On 13 September 2022
Cash and bank balances	1,967,604	1,967,604
Notes receivable	2,800,000	2,800,000
Accounts receivable	2,450,000	2,450,000
Other receivables	1,160	1,160
Other current assets	19,457	19,457
Fixed assets	20,352,640	33,805,962
Intangible assets	4,848,495	3,696,543
Deferred tax assets	3,075,342	—
Accounts payable	2,847,128	2,847,128
Contract liabilities	1,216,538	1,216,538
Other payables	12,411,924	12,411,925
Non-current Liabilities due within One year	158,150	158,150
	18,880,958	28,106,985
Goodwill raised from acquisition	8,119,042	
	27,000,000	(Note)

Note: Please refer to Note VI.1(2) for details.

VI. CHANGE IN SCOPE OF CONSOLIDATION*(continued)*

1. Business combinations not under common control *(continued)*

(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)

Operating results and cash flows of Yueyang County Permanent Concrete Co., Ltd. from the date of acquisition to the end of the current year are listed below:

RMB

	From 13 September to 31 December 2022
Operating revenue	12,881,554
Net profits	(661,512)
Net cash flows	6,709,791

On 6 April 2022, Huaxin (Hainan) Investment Co., Ltd. and Hainan Ronghui Investment Co., LTD., a subsidiary of the Group, signed the Equity Transfer Agreement, which stipulates that Huaxin (Hainan) Investment Co., Ltd. will acquire 70% of the equity of Hainan Huaxin Ronghui Concrete Co., LTD., in cash of RMB38,500,000. As of December 27, 2022, the effective conditions set forth in the above agreement have been met, and Huaxin (Hainan) Investment Co., Ltd. has paid most of the amount and completed the relevant procedures of equity transfer and the amendment of articles of association. Huaxin (Hainan) Investment Co., Ltd. has substantial control of Hainan Huaxin Ronghui Concrete Co., Ltd. since December 27, 2022, holding 70% of its equity and becoming its controlling shareholder.

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combinations not under common control *(continued)*

(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)

The fair value and carrying amount of the identifiable assets and liabilities of Hainan Huaxin Ronghui Concrete Co., Ltd. on the acquisition date are as follows:

RMB

Hainan Huaxin Ronghui Concrete Co., Ltd.	Fair value On 27 December 2022	Carrying amount On 27 December 2022
Cash and bank balances	23,019,597	23,019,597
Notes receivable	800,000	800,000
Accounts receivable	21,307,651	21,307,651
Other receivables	9,038,166	9,038,166
Inventories	7,758,996	7,758,996
Other current assets	643,754	643,754
Fixed assets	49,001,384	29,810,548
Long-term deferred expenditures	519,297	519,297
Accounts payable	43,004,258	43,004,258
Employee benefits payable	82,600	82,600
Other payables	17,503,805	

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combinations not under common control *(continued)*

(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)

The operating results and cash flows of Hainan Huaxin Ronghui Concrete Co., Ltd. from the date of acquisition to the end of the current year are listed below:

RMB

	From 27 December to 31 December 2022
Operating revenue	4,215,007
Net profits	745,423
Net cash flow	5,654,748

On 18 March 2022, the Group strengthened the control and management of Huaxin Trading (Chibi) New Building Materials (hereinafter referred to as “Chibi Trading”) Co., LTD., and amended the articles of association and adjusted the voting rules for substantive14i105D 144 ofrighlts after8 andap14ivald theaafter8 016 coesulrat144with4o thr4sh arholndesd

VI. CHANGE IN SCOPE OF CONSOLIDATION *(continued)*

1. Business combinations not under common control *(continued)*

(1) Identifiable assets and liabilities of acquiree at the acquisition date (continued)

The fair value and carrying amount of identifiable assets and liabilities of Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. on the acquisition date are as follows:

RMB

Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Fair value On 18 March 2022

VI. CHANGE IN SCOPE OF CONSOLIDATION*(continued)*

2. Deregistration of subsidiaries

The Group deregistered 2 subsidiaries during the year. Information of these subsidiaries is as follows j

RMB

	Proportion of shareholding of parent company before deregistration	Reason for not being subsidiary

VII. INTERESTS IN OTHER ENTITIES

1. Interests in the subsidiaries

Information of the Company's major subsidiaries is as follows:

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%) Direct	Indirect
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Production and sales of building materials	91,600	80	20
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Production and sales of building materials	50,000	—	100
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Production and sales of building materials	50,000	100	—
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Production and sales of building materials	45,268	97	—
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Production and sales of building materials	39,000	—	100
Kunming Chongde Cement Co., Ltd	Kunming	Production and sales of building materials	38,200	—	100
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Production and sales of building materials	36,090	—	100
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Production and sales of building materials	34,000	100	—
Huaxin Cement (Daye) Co., Ltd.	Daye	Production and sales of building materials	32,700	70	—
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Production and sales of building materials	30,000	—	100
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Production and sales of building materials	30,000	100	—
Huaxin Cement (Enping) Co., Ltd.	Enping	Production and sales of building materials	28,000	0.2	99.80
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Production and sales of building materials	27,000	—	100
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Production and sales of building materials	27,000	100	—
Yunnan Huaxin Dongjun Cement Co., Ltd.	Kunming	Production and sales of building materials	26,000	—	100
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Production and sales of building materials	24,900	100	—
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Production and sales of building materials	24,000	100	—
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Production and sales of building materials	24,000	100	—
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Production and sales of building materials	23,107	—	100
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Production and sales of building materials	22,000	100	—
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Production and sales of building materials	21,000	80	—

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%) Direct	Indirect
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Production and sales of building materials	20,000	—	70
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Production and sales of building materials	20,000	90	—
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Production and sales of building materials	20,000	100	—
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Production and sales of building materials			

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%) Direct	Indirect
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Production and sales of			

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/ registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%) Direct	Indirect
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Production and sales of new materials	21,300	—	100
Fumin Park New Building Materials Co., Ltd.	Fuming	Production and sales of new materials	10,000	—	70
Huaxin New Building Materials (Zigui) Co., Ltd.	Zigui	Production and sales of new materials	10,000	—	100
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd	Lijiang	Production and sales of new materials	6,000	—	70
Huaxin New Building Materials (Huangshi) Co., LTD	Huangshi	Production and sales of new materials	5,000	100	—
Huaxin ChunJin Building Materials (Wuxue) Co., LTD	Wuxue	Production and sales of new materials	5,000	—	55
Huaxin New Building Materials Co., Ltd.	Wuhan	Production and sales of new materials	5,000	100	—
Huaxin New Building Materials (Kunming) Co., Ltd.	Kunming	Production and sales of new materials	5,000	—	100
Huaxin New Building Materials (Luonan) Co., Ltd.	Luonan	Production and sales of new materials	5,000	—	55
Huaxin New Building Materials (Enshi) Co., Ltd.	Enshi	Production and sales of new materials	4,000	—	100
Huaxin New Building Materials (Zhuzhou) Co., Ltd.	Zhuzhou	Production and sales of new materials	3,500	—	100
Huaxin Environment Engineering Co., Ltd.	Wuhan	Environmental design and construction and waste disposal	100,000	100	—
Wuhan Changshankou Huaxin Environmental Engineering	Wuhan	Environmental design and construction and waste disposal	10,000	—	100
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Environmental design and construction and waste disposal	6,000	—	100
Huaxin Environment Engineering (Zhuhai) Co., Ltd.	Zhuhai	Environmental design and construction and waste disposal	6,000	—	80
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Environmental design and construction and waste disposal	5,000	—	100
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Environmental design and construction and waste disposal	5,000	—	100
Huaxin Environment Engineering (Chongqing) Co., Ltd.	Chongqing	Environmental design and construction and waste disposal	4,100	—	100
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Environmental design and construction and waste disposal	4,000	—	100
Hubei Dailing future Environmental Packaging Technology Co., Ltd.	Huangshi	Production and sales of cement packaging bags	6,000	100	—

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

Name of significant subsidiaries	Place of Principal business/

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

31 December 2022

RMB

	Percentage of non-controlling shareholding	Profit or loss attributable to non-controlling shareholders	Dividend payment to non-controlling shareholders	Accumulated

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

The following table sets forth the major financial information of the above-mentioned subsidiaries. Relevant figures represent amounts before intragroup offsetting:

31 December 2022

RMB

	Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	Huangshi Huaxin Green Building Materials Co., Ltd.	Huaxin Green Building Materials (Wuxue) Co., Ltd.	Huaxin Cement (Daye) Co., Ltd.	Cambodian Cement Chakrey Ting Factory Co., Ltd.	Huaxin Cement (Tibet) Co., Ltd.	CHILANGA Cement PLC
Current assets	228,735,436	786,063,431	443,823,978	279,118,993	335,544,141	420,788,879	473,686,822
Non-current assets	773,294,774	9,022,213,963	489,399,382	761,238,289	613,028,636	1,077,251,023	1,004,675,384
Total assets	1,002,030,210	9,808,277,394	933,223,360	1,040,357,282	948,572,777	1,498,039,902	1,478,362,206
Current liabilities	100,992,117	1,688,063,057	288,731,653	211,793,085	205,459,841	315,620,129	184,938,969
Non-current liabilities	46,550,886	6,424,683,839	81,460,729	106,369,999	69,534,797	206,040,706	255,919,351
Total liabilities	147,543,003	8,112,746,896	370,192,382	318,163,084	274,994,638	521,660,835	440,858,320
Operating revenue	846,700,890	49,265,313	164,243,481	590,060,029	609,933,165	469,114,124	719,918,610
Net profit/(loss)	239,730,466	(6,609,043)	40,530,978	(8,357,140)	31,202,533	5,263,989	151,225,712
Total comprehensive income	386,852,150	(6,609,043)	40,530,978	(8,357,140)	97,961,244	5,263,989	142,934,775
Net cash flows from operating activities	316,558,589	5,341,899	63,397,884	81,167,556	51,494,089	68,764,827	118,719,467

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in the subsidiaries *(continued)*

31 December 2021

RMB

	Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	Huangshi Huaxin Green Building Materials Co., Ltd.	Huaxin Green Building Materials (Wuxue) Co., Ltd.	Huaxin Cement (Daye) Co., Ltd.	Cambodian Cement Chakrey Ting Factory Co., Ltd.	Huaxin Cement (Tibet) Co., Ltd.	CHILANGA Cement PLC
Current assets	203,187,463	809,202,531	—	227,161,721	293,087,154	613,682,124	195,099,432
Non-current assets	674,019,648	1,088,596,910	—	822,350,189	610,535,411	1,112,217,312	1,025,027,001
Total assets	877,207,111	1,897,799,441	—	1,049,511,910	903,622,565	1,725,899,436	1,220,126,433
Current liabilities	143,050,778	243,669,433	—	216,187,575	144,181,874	401,545,816	61,378,917
Non-current liabilities	45,434,007	805,740,469	—	102,772,998	76,170,295	253,238,543	266,075,372
Total liabilities	188,484,785	1,049,409,902	—	318,960,573			

VII. INTERESTS IN OTHER ENTITIES *(continued)*

2. Interests in joint ventures and associates

Basic information of important joint ventures and associates

RMB

	Place of principal business	Place of registration	Business nature	Registered capital	Percentage of shareholding (%) Direct	Indirect	Accounting treatment
Joint ventures							
Xizang High-tech Building Materials Group Co., Ltd.	Tibet	Tibet	Production and sales of building materials	272,760,000	43%	—	equity method
Shanghai Wan An Hua Xin Cement Co., Ltd.	Shanghai	Shanghai	Production and sales of building materials	100,000,000	49%	—	equity method
Zhangjiajie Tianzi Concrete Co., Ltd.	Sangzhi	Sangzhi	Production and sales of concrete	10,000,000	30%	—	equity method
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	10,000,000	45%	—	equity method

Consolidated financial information on joint ventures and associates which are not individually significant to the Group

The following table sets forth the consolidated financial information of joint ventures and associates which are not individually significant to the Group:

RMB

	2022	2021
Joint ventures		
Total carrying amount of investments	—	72,779,017
Total amount calculated based on shareholding		
Net profit	(2,937,060)	11,987,192
Total comprehensive income	(2,937,060)	11,987,192
Associates		
Total carrying amount of investments	438,886,647	450,833,854
Total amount calculated based on shareholding		
Net loss	(12,645,296)	(1,480,197)
Total comprehensive income	(11,947,207)	(655,522)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Financial instruments by category *(continued)*

31 December 2021

Financial assets

RMB

	Financial assets at fair value through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Held for trading financial assets	711,964,323	—	—	711,964,323
Other non-current financial assets	26,343,260	—	—	26,343,260
Receivables financing	—	—	761,050,910	761,050,910
Investment in other equity instruments	—	—	55,867,066	55,867,066
Cash and bank balances	—	8,836,439,385	—	8,836,439,385
Notes receivable	—	145,430,152	—	145,430,152
Accounts receivable	—	956,580,152	—	956,580,152
Other receivables	—	356,013,351	—	356,013,351
Debt investments	—	7,500,000	—	7,500,000
Long-term receivables	—	35,934,266	—	35,934,266
	738,307,583	10,337,897,306	816,917,976	11,893,122,865

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Transfers of financial assets *(continued)*

Transferred financial assets fully derecognized but with continuing involvement

As at 31 December 2022, the carrying amount of undue bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB1,931,042,708 (31 December 2021: RMB1,956,535,855). As at 31 December 2022, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("Continuing Involvement") if the relevant acceptance bank defaults. The Group considers that they have transferred substantially all their risks and rewards, thus derecognized them and the settled carrying amount of accounts payable. The maximum exposure to loss from the Continuing involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

As at 31 December 2022, no gains or losses were recognized on their dates of transfer by the Group. No income or expenses were recognized for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in derecognized financial assets. Endorsements were incurred basically evenly during the year.

3. Financial Instruments Risks

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group is mainly comprised of cash and bank balances, held for trading financial assets, notes receivable, financing receivables, accounts receivable, other receivables, investing of credit, long-term receivables. Investment in other equity instruments, Other non-current financial assets, borrowings, notes payable, accounts payable, other payables, lease

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who request to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control of the Group.

As the counterparties of cash and bank balances and bank acceptance notes receivable are banks with good reputations and higher credit ratings, these financial instruments have lower credit risk.

The credit risk of the Group's other financial assets, which comprise other receivables, long-term receivables and other non-current financial assets, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. Contingencies.

The maximum credit risk exposure of the Group on each balance sheet date is the total amount charged to customers less the amount after deducing impairment provision.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries. The Group does not hold any collateral or other credit enhancements over the balances of accounts receivable.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Credit risk (continued)

Criteria for judging significant increase in credit risk (continued)

The Group considers a financial instrument to have experienced a significant increase in credit risk

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Liquidity risk

The Group manages its risk to deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and the projected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various financing means, such as bank borrowings, bonds payable and short-term financing bonds payable.

The liquidity of the Group is primarily dependent on adequate cash inflows from operations to meet its debt obligations as they fall due and external financing to meet its committed future capital expenditure.

The table below summarises the maturity analysis of financial liabilities based on the undiscounted contractual cash flows:

31 December 2022

RMB

	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Short-term borrowings	601,516,481	—	—	—	601,516,481
Notes payable	729,227,787	—	—	—	729,227,787
Accounts payable	8,366,283,316	—	—	—	8,366,283,316
Other payables	915,096,046	—	—	—	915,096,046
Long-term borrowings	2,533,708,373	2,673,622,162	4,482,882,817	679,593,126	10,369,806,478
Bonds payable	126,536,159	1,410,317,026	3,083,246,020	161,797,442	4,781,896,647
Long-term payables	2,084,119,248	2,675,013,176	288,809,073	52,168,476	5,100,109,973
Lease liabilities	149,842,591	124,918,977	374,756,932	434,991,751	1,084,510,251
	15,506,330,001	6,883,871,341	8,229,694,842	1,328,550,795	31,948,446,979

31 December 2021

RMB

	Within 1 year	1–2 years	2–5 years	Over 5 years	Total
Short-term borrowings	648,379,659	—	—	—	648,379,659
Notes payable	670,993,082	—	—	—	670,993,082
Accounts payable	7,112,302,355	—	—	—	7,112,302,355
Other payables	756,194,670	—	—	—	756,194,670
Long-term borrowings	1,048,863,579	2,052,295,315	3,231,258,456	110,681,262	6,443,098,612
Bonds payable	92,789,343	92,789,343	3,330,813,919	146,871,693	3,663,264,298
Long-term payables	329,070,335	317,567,246	187,515,544	16,229,944	850,383,069
Lease liabilities	41,664,705	41,664,705	120,961,902	112,036,185	316,327,497
	10,700,257,728	2,504,316,609	6,870,549,821	385,819,084	20,460,943,242

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Financial Instruments Risks *(continued)*

Market risk (continued)

Foreign exchange risk

Exchange rate risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in foreign exchange rates. The foreign exchange risks faced by the Group are mainly related to the USD. With the exception of several subsidiaries of the Group which conduct purchases and sales in USD, other major business activities of the Group are denominated and settled in CNY. The balance of other foreign currencies is small, mainly TZS, ZMK, MWK, etc., which has no significant impact on the Group's foreign exchange risk.

The table below demonstrates the sensitivity analysis of foreign exchange risk to a possible change in exchange rates of USD against CNY, with all other variables held constant, with respect to the impact on net profit or loss and net other comprehensive income after tax.

31 December 2022

RMB

	Increase/ (decrease) in exchange rate%	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB depreciated against USD	5	(1,361,485)	(3,361,152)	(1,538,921)
RMB appreciated against USD	(5)	1,361,485	3,361,152	1,538,921

31 December 2021

RMB

	Increase/ (decrease) in exchange rate%	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB depreciated against USD				

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

IX. DISCLOSURE OF FAIR VALUE*(continued)*

2. Assets and liabilities disclosed at fair value

31 December 2022

RMB

IX. DISCLOSURE OF FAIR VALUE*(continued)*

3. Valuation of fair value

Management has assessed that the fair values of the short-term financial assets and financial liabilities, such as cash and bank balances, notes receivable, accounts receivable, financing receivables, other receivables, short-term borrowings, notes payable, accounts payable, other payables and non-current liabilities due within one year, approximate their carrying amounts due to the short residual term of these instruments.

The Group's finance department is led by the manager of the finance and capital department, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the Audit Committee. As at each balance sheet date, the finance team analyses changes in the values of financial instruments and determines the main inputs applicable to the valuation, and the valuation must be reviewed and approved by the chief accountant. For the purpose of preparing interim and annual financial statements, the finance team meets the Audit Committee twice a year to discuss the valuation process and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, instead of the amount under forced sale or under liquidation. The following methods and assumptions are used to estimate the fair value:

The fair value of bond investments, long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables was determined using the discounted future cash flow method, using the market rate of return for other financial instruments with similar contractual terms, credit risk and remaining maturity as the discount rate. As of 31 December 2022, the risk of their own non-performance was assessed to be insignificant for bond investments, long-term receivables, long-term borrowings, bonds payable, lease liabilities and long-term payables.

The fair values of listed equity instruments are determined on the basis of market prices. The fair values of investments in unlisted available-for-sale equity instruments have been estimated using a market multiple approach. The comparable listed companies were determined by industry, size, leverage and strategy. Then the appropriate market multipliers, such as enterprise value multipliers and price-to-earnings multipliers, are calculated for each comparable listed company identified.

For the fair value of investments in unlisted equity instruments, the Group estimates the potential impact of using alternative reasonable and probable assumptions as inputs to the valuation model.

The Group has entered into derivative financial instrument contracts with various counterparties, mainly financial institutions with high credit ratings. Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models and present value methodologies. The models cover multiple market observable inputs, including the credit quality of counterparties, spot and forward exchange rates and interest rate curves. The carrying value of the interest rate swap, which is the same as the fair value. At 31 December 2022, the mark-to-market value of derivative financial assets is the net value after offsetting credit valuation adjustments attributable to the default risk of the derivative counterparty. Changes in counterparty credit risk have no significant impact on any other financial instruments measured at fair value.

The following is a summary of significant unobservable inputs for Level 3 fair value measurements:

	Fair value at year-end	Method	Unobservable inputs	Weighted Average
Other equity instrument investment — Investment 1	2022: 57,172,539	Compared to listed	Liquidity discount	2022: 0.8

cash

IX. DISCLOSURE OF FAIR VALUE*(continued)*

5. Adjustment on fair values measurement

Information on adjustment of persistent measurement of level-3 fair value is as follows:

31 December 2022

RMB

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Information of major shareholders of the Company

Name of major shareholders	lace of registration	Nature of business	Registered capital	Proportion of ownership interest of the major shareholders in the Company (%)	Proportion of voting rights of major shareholders in the Company (%)
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	EUR100,000	39.85	39.85
Huaxin Group Co., Ltd.	Huangshi, Hubei	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of services etc.	RMB340,000,000	16.12	16.12

Holchin B.V. is the Company's largest shareholder and its ultimate holding shareholder is Holcim Ltd. Holpac Limited, the person acting in concert of Holchin B.V., holds 1.61% of equity in the Company. Therefore, Holcim Ltd. maintains 41.46% voting rights of the company.

2. Subsidiaries

See Note VII.1.for details of the Company's subsidiaries.

3. Joint associates

See Note VII.2. for details of the Company's significant joint ventures and associates.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

4. Other related parties

	Relationship with the Company
LAFARGE ASIA SDN BHD	Controlled by Holcim Ltd.
Mbeya Cement Company	Controlled by Holcim Ltd.
Lafarge Cement Zimbabwe Limited	Controlled by Holcim Ltd.
Holcim Trading Ltd	Controlled by Holcim Ltd.
Bamburi Cement Limited	Controlled by Holcim Ltd.
LAFARGE SA	Controlled by Holcim Ltd.
Hima Cement Ltd.	Controlled by Holcim Ltd.
Holcim Technology Ltd	Controlled by Holcim Ltd.
Lafarge Industries South Africa (Pty) Ltd	Controlled by Holcim Ltd.
LafargeHolcim España S.A.U.	Controlled by Holcim Ltd.
Holcim Group Services	Controlled by Holcim Ltd.
LAFARGEHOLCIM IT EMEA, S.L	Controlled by Holcim Ltd.
LafargeHolcim distribution	Controlled by Holcim Ltd.
Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
Dujiangyan Lafarge Cement Co., Ltd.	Controlled by Holcim Ltd.
Lafarge (Beijing) Building Materials Technical Service Co., Ltd	Controlled by Holcim Ltd.
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Associate of t(en-GtTj ET EMC /Span <

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the group and related parties

(1) Transactions concerning goods and services with related parties

Purchases of goods and receipts of services from related parties

RMB

	Nature of transaction	Amount for the current period	Amount for the prior period
Huaxin Group Co., Ltd.	Comprehensive service fees	6,226,415	6,226,415
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Purchase of materials	1,415,929	—
LafargeHolcim España S.A.U.	Receipts of IT services	883,004	—
Dujiangyan Lafarge Cement Co., Ltd.	Purchase of materials	584,071	—
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Purchase of materials	—	7,988,910
LafargeHolcim distribution	Purchase of materials	—	3,515,429
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	—	188,679
		9,109,419	17,919,433

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the group and related parties *(continued)*

(1) Transactions concerning goods and services with related parties (continued)

Sales of goods/provision of services

RMB

	Nature of transaction	2022	2021
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of spare parts	12,415,828	29,392,091
Dujiangyan Lafarge Cement Co., Ltd.	Sales of spare parts/goods	5,434,564	—
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Service fees, etc.	2,185,631	2,840,019
Huaxin Group Co., Ltd.	Provision of IT services	124,060	47,170
Mbeya Cement Company Limited	Sales of cement clinker	—	26,299,026
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Sales of spare parts/goods	—	2,341,756
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Service fees, etc.	—	154,526
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Sales of spare parts/goods	—	30,874
Hubei Shuyuxuan Culture Communication Co., Ltd.	Service fees, etc.	—	30,000
		20,160,083	61,135,462

Purchase/sale of goods and receipt/rendering of services from/to related parties by the Group are negotiated and determined based on market price, and carried out according to the agreed terms entered into between the Group and related parties.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the group and related parties *(continued)*

(2) Leases with related parties

As lessee

RMB

Name of the lessor	Category of leased assets	2022 Leasing expenses	2021 Leasing expenses
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	14,396,041	13,989,672

The rentals from the assets leased out to or leased from related parties by the Group are negotiated and determined by making reference to market price, and carried out according to the agreed terms entered into between the Group and related parties.

(3) Equity investments with related parties

RMB

Related parties	Nature of transaction	2022	2021
Huangshi State-owned Assets Management Co., Ltd.	Acquired equity	1,000,000,000	—

On December 7, 2022, the Group acquired 5.2173% equity of Huangshi State-owned Assets Management Co., Ltd. for a consideration of RMB1,000,000,000.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties

(1) Account Receivable

RMB

	31 December 2022	31 December 2021
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	3,869,118	1,974,656
Dujiangyan Lafarge Cement Co., Ltd.	2,042,75>BDC	BT 9 0 0 9 510.5667 584.0621

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Balances of receivables from related parties *(continued)*

(3) Other payables

RMB

	31 December 2022	31 December 2021
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	10,534,132	1,643,355
Lafarge Asia Sdn Bhd	409,394	410,394
Lafarge (Beijing) Building Materials Technical Service Co., Ltd	18,248	18,248
Huaxin Group Co., Ltd.	7,491	

XI. SHARE-BASED PAYMENTS

1. Summary

RMB

	2022	2021
Granted price of restricted shares	—	—
Number of restricted shares issued during the period	—	—

RMB

	2022	2021
The amount of service paid in shares	—	—

On 25 September 2020, the Company granted a total of 22,689,338 zero-priced restricted shares to the core employees through the resolution of the second extraordinary general meeting of shareholders of 2020 on the Company's 2020–

XI. SHARE-BASED PAYMENTS *(continued)*

1. Summary *(continued)*

The equity-settled share-based payments are shown below:

RMB

	2022	2021
The cumulative amounts of equity-settled share-based payments recognized into capital reserves	67,283,130	116,016,407
The total amount of recognized expenses paid by equity-settled shares in the current period	(48,733,276)	86,789,021

The cash-settled share-based payments are shown below:

RMB

	2022	2021
The accumulated amounts of liabilities arising from cash-settled share-based payments	—	111,762,003
The total expenses recognized in the current period for cash-settled share payments	—	47,153,021

The method for determining the fair value of the equity instruments on the grant date	Market closing price on grant date
The basis of determining the number of equity instruments expected to be vested	At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may unlock, the company's performance conditions and individual performance assessment and evaluation of incentive targets, etc. and revises the number of equity instruments expected to be unlocked. At the date expected to be e number39 339yumber of equ expected to be

XII. COMMITMENTS AND CONTINGENCIES

1. Commitments

RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements		
— Commitment for acquisition and construction of long-term assets	2,696,890,622	2,825,031,865
	2,696,890,622	2,825,031,865

2. Contingencies

(1) In September 2020, Moncement Building Materials LLC (Moncement) appealed to the International Chamber of Commerce for arbitration, alleging that the Company had breached certain warranties and commitments under the EPC contract regarding the design, execution and delivery of the plant. Accordingly, the Company shall be required to compensate the Company for the damages and all arbitration costs caused by the breach of the warranty obligation and maintenance obligation in the amount of USD35,724,579 and to pay interest at an annual rate of 10% from the date of the application for arbitration to the date of actual payment. Moncement believes that the Company has violated the EPC contract, and the Company's management believes that the Company has executed the contract in accordance with the requirements of the Chinese Building Code or the EPC contract. As at the date of approval of these financial statements, the arbitration case had not yet been heard and the management considered it is difficult to predict the outcome and therefore no provision had been made.

(2) In July 2021, the Group received a notice of arbitration from the Wuhan Arbitration Commission for the purpose of appealing to the Wuhan Arbitration Commission for arbitration by Wuhan Qingshan

XII. COMMITMENTS AND CONTINGENCIES *(continued)*

2. Contingencies *(continued)*

(3) On 10 October 2022, the People's Government of Fengjie County filed a lawsuit with the People's Court of Fengjie County, Chongqing Municipality, alleging that the Group failed to handle cross-border transportation procedures and could not carry out harmless treatment of domestic waste in accordance with the domestic waste disposal cooperation agreement signed by the two parties in the previous period, resulting in the Fengjie County Government needing to transport and dispose of CMSW (Fuel Materials Pre-treated for Domestic Waste) pre-treated by the Company from September 2018 to July 2020, resulting in a total loss of RMB59,455,935. and require the Company to bear the cost of such loss. The Group has raised jurisdictional objections to the case, arguing that the case should be transferred to the Tieshan District People's Court of Huangshi City for approval, and as of the date of approval of these financial statements, the litigation has not yet been heard, the management considered it is difficult to predict the outcome and therefore no provision had been made.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. On 17 February 2023, the Company's second extraordinary general meeting of shareholders in 2023 deliberated and passed the "Motion on Public Issuance of Corporate Bonds", approving the issuance of corporate bonds by the Company to professional institutional investors with a scale not exceeding RMB3 billion (including RMB3 billion), and as of the date of this report, the issuance of bonds is in progress.

2. On 13 March 2023, the Group (the buyer) entered into an acquisition contract with a third party

XIV. OTHER SIGNIFICANT MATTERS

1. Lease

(1) As lessor

Operating leases

The profit or loss relating to operating leases is as follows:

RMB

	2022	2021
Rental income	21,011,751	22,909,795

Please refer to Note V.13 for details of investment properties and fixed assets leased under operating leases.

(2) As lessee

RMB

	2022	2021
Interest expense of leasing liabilities	29,299,022	6,115,643
Lease expenses relating to low value asset accounted for current profit or loss under the simplified approach	21,796,429	11,692,426
Total cash outflow for leases	212,328,948	41,981,660

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Remuneration for key management personnel

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, was as follows:

RMB

	2022	2021
Fees	3,215,400	2,556,000
Salaries, allowances and benefits in kind	8,813,036	8,301,643
Pension scheme contributions	1,209,411	1,060,132
	13,237,847	11,917,775

Except for the above remuneration, performance-related bonuses of directors and supervisors was RMB3,848,223 in 2022 (2021: RMB5,548,849), and the directors and supervisors' remuneration were offset by share-based payments (Note XI.) totaling RMB9,101,249 in 2022 (2021: accrual totaling RMB14,794,784). The actual amount paid in the future depend on the completeness of performance.

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

RMB

	2022	2021
Independent non-executive directors		
Ms. Liu Yan	—	120,000
Mr. Simon MacKinnon	—	120,000
Mr. Wang Liyan	—	120,000
Mr. Wong Kun Kau	360,000	240,000
Mr. Zhang Jiping	360,000	240,000
Mr. Jiang Hong	360,000	240,000
	1,080,000	1,080,000

No other remuneration was payable to independent non-executive directors for the year (2021: Nil).

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Remuneration for key management personnel *(continued)*

(2) Executive directors

2022

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Executive directors				
Mr. Li Yeqing	—	3,277,620	317,143	3,594,763
Mr. Liu Fengshan	—	1,513,720	194,540	1,708,260
	—	4,791,340	511,683	5,303,023

2021

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Executive directors				
Mr. Li Yeqing	—	5,729,110	311,190	6,040,300
Mr. Liu Fengshan	—	2,635,500	188,488	2,823,988
	—	8,364,610	499,678	8,864,288

In addition to the above-mentioned remuneration, performance-related bonuses of executive directors were RMB2,377,500 in 2022 (2021: RMB3,566,250), and the executive directors' remuneration amount eliminated due to share-based payments (Note XI.) in 2022 totaled RMB8,130,670 (2021: accrual totaling of RMB11,228,228). The actual amount paid in the future depend on the completeness of performance.

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Remuneration for key management personnel *(continued)*

(3) Non-executive directors

The fees paid to non-executive directors during the year are as follows:

RMB

	2022	2021
Non-executive directors		
Mr. Xu Yongmo	1,500,000	828,000
Ms. Géraldine Picaud (Note 1)	203,400	216,000
Ms. Tan Then Hwee	216,000	216,000
Mr. Chi Kong Lo	216,000	216,000
	2,135,400	1,476,000

No other remuneration was payable to non-executive directors for the year (2021: Nil).

Note 1: On 9 December 2022, Ms. Géraldine Picaud resigned as a non-executive director of the Group and a member of the Audit Committee of the Board of Directors. The period for the above remuneration is from January to December 2022.

(4) Supervisors

2022

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Supervisors				
Mr. Ming Jinhua	—	1,411,030	187,678	1,598,708
Mr. Zhang Lin	—	894,081	147,043	1,041,124
Mr. Yang Xiaobing	—	368,487	111,401	479,888
Mr. Zhu Yaping	—	722,711	130,512	853,223
Mr. Liu Weisheng	—	625,387	121,094	746,481
	—	4,021,696	697,728	4,719,424

XIV. OTHER SIGNIFICANT MATTERS*(continued)*

2. Remuneration for key management personnel *(continued)*

(4) Supervisors (continued)

2021

RMB

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Supervisors				
Mr. Ming Jinhua	—	841,030	70,119	911,149
Mr. Zhang Lin	—	1,072,950	121,874	1,194,824
Mr. Yang Xiaobing	—	492,752	106,098	598,850
Mr. Zhu Yaping	—	730,075	96,198	826,273
Mr. Liu Weisheng	—	525,553	85,922	611,475
Mr. Peng Qingyu	—	1,431,867	—	1,431,867
Mr. Fu Guohua	—	188,626	29,010	217,636
Mr. Yu Yousheng	—	203,029	51,233	254,262
	—	5,485,882	560,454	6,046,336

In addition to the above remuneration, performance-related bonuses of supervisors were RMB1,470,723 in 2022 (2021: RMB1,982,599), and supervisors' remuneration was offset by share-based payments (Note XI.) totaling RMB970,579 in 2022 (2021: accrual totaling RMB3,566,557).

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Remuneration for key management personnel *(continued)*

(5) Five highest paid employees

The remuneration details of the five highest paid employees for the year are as follows:

RMB

	2022	2021
Salaries, allowances and benefits in kind	9,523,558	9,520,828
Pension scheme contributions	1,105,307	1,076,506
	10,628,865	10,597,334

In addition to the above remuneration, the performance-related bonuses of the five highest paid employees for the year were RMB4,702,494 in 2022 (2021: RMB7,053,750); The total amount of remuneration offset by share-based payments (Note XI.) for the top five employees in 2022 was RMB10,362,924 (2021: accrual totaling of RMB18,115,887).

The remuneration distribution of the non-director highest paid employees was as follows:

Remuneration amount of employees	2022	2021
Amount range		
Hong Kong dollar 2,500,001–3,000,000 (RMB2,147 thousands — 2,576 thousands)	4	—
Hong Kong dollar 6,000,001–6,500,000 (RMB5,153 thousands — 5,582 thousands)	1	3
Hong Kong dollar 6,500,001–7,000,000 (RMB5,582thousands — 6,012 thousands)	—	1
Hong Kong dollar 18,000,001–18,500,000 (RMB15,460 thousands — 15,889 thousands)	—	1
	5	5

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts Receivable

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

An aging analysis of accounts receivable is as follows:

RMB

	31 December 2022	31 December 2021
Within 6 months	964,564,999	857,465,222
6 to 12 months	56,587,366	18,477,768
1 to 2 years	25,160,286	27,603,660
2 to 3 years	25,093,264	3,599,573
Over 3 years	17,372,129	19,141,880
	1,088,778,044	926,288,103
Less: Provision for bad debts of accounts receivable	24,608,187	22,989,785
	1,064,169,857	903,298,318

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

Movements in provision for bad debts of account receivables are as follows:

RMB

	31 December 2022	31 December

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Accounts Receivable *(continued)*

RMB

	31 December 2022				
	Balance of carrying amount		Provision for bad debts		Carrying value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Receivables for which bad debt provision is assessed on an individual basis	1,046,982,098	96	17,378,874	2	1,029,603,224
Receivables for which bad debt provision is assessed on a portfolio basis	41,795,946	4			

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Accounts Receivable *(continued)*

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

RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss rates (%)	Reasons for provision
Unit A	11,133,541	11,133,541	100	All uncollectible
Unit B	2,940,000	2,940,000	100	All uncollectible
Unit C	2,838,734	2,838,734	100	All uncollectible
Unit D	286,355	286,355	100	All uncollectible
Unit E	136,916	136,916	100	All uncollectible
Other Units	1,029,646,552	43,328	—	Partly uncollectible
	1,046,982,098	17,378,874		

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

RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss rates (%)	Reasons for provision
Unit A	10,192,131	10,192,131	100	All uncollectible
Unit B	2,940,000	2,940,000	100	All uncollectible
Unit C	2,838,734	2,838,734	100	All uncollectible
Unit D	286,355	286,355	100	All uncollectible
Unit E	166,916	166,916	100	All uncollectible
Other Units	878,824,370	3,684,738	—	Partly uncollectible
	895,248,506	20,108,874		

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Accounts Receivable *(continued)*

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

Category of cement receivable:

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	24,422,823	10	2,417,859
6 to 12 months	3,499,823	22	759,461
1 to 2 years	8,950,100	39	3,463,689
2 to 3 years	933,867	51	480,008
Over 3 years	18,842	87	16,422
Total	37,825,455		7,137,439

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	17,889,922	5	948,166
6 to 12 months	7,507,247	17	1,306,261
1 to 2 years	1,185,727	34	400,776
2 to 3 years	357,997	52	187,948
Total	26,940,893		2,843,151

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Accounts Receivable *(continued)*

Category of other business receivables:

RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	1,911,021	—	7,644
6 to 12 months	389,296	1	3,893
1 to 2 years	1,262,152	3	39,127
2 to 3 years	408,022	10	41,210
Total	3,970,491		91,874

RMB

	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	3,167,240	—	3,167
6 to 12 months	336,381	—	673
1 to 2 years	595,083	6	33,920
Total	4,098,704		37,760

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Accounts Receivable *(continued)*

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

RMB

	31 December 2022			
	Balance	Proportion in total account receivable (%)	Provision for bad debts	Net amount
First	191,080,999	18	—	191,080,999
Second	105,210,189	10	—	105,210,189
Third	81,183,102	7	—	81,183,102
Fourth	55,316,837	5	—	55,316,837
Fifth	50,828,400	5	—	50,828,400
Total	483,619,527		—	483,619,527

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

RMB

	31 December 2021			
	Balance	Proportion in total account receivable (%)	Provision for bad debts	Net amount
First	117,645,841	13	—	117,645,841
Second	97,571,941	11	—	97,571,941
Third	83,650,861	9	—	83,650,861
Fourth	43,358,244	5	—	43,358,244
Fifth	35,525,843	4	—	35,525,843
Total	377,752,730		—	377,752,730

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables

RMB

	31 December 2022	31 December 2021
Dividend receivable	—	208,190,000
Other receivables	4,853,948,075	4,108,876,529
	4,853,948,075	4,317,066,529

An aging analysis of other receivables is as follows:

RMB

	31 December 2022	31 December 2021
Within 1 year	1,660,386,549	1,326,758,452
1 to 2 years	707,202,560	1,103,184,328
2 to 3 years	976,056,381	736,660,629
Over 3 years	1,557,389,880	989,226,736
Less: Provision for bad debts of other receivables	47,087,295	46,953,616
	4,853,948,075	4,108,876,529

Other receivables categorized by nature:

RMB

	31 December 2022	31 December 2021
Amounts due from subsidiaries and related parties	4,839,400,820	4,129,067,980
Margin and deposits	45,095,662	22,797,458
Others	16,538,888	3,964,707
Total	4,901,035,370	4,155,830,145

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

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

RMB

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

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

RMB

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
First	572,180,683	14	Amounts due from subsidiaries	Within 1 year	—
Second	354,488,779	9	Amounts due from subsidiaries	Within 1 year, 1–2 years, 2–3 years	—
Third	339,864,615	8	Amounts due from subsidiaries	Within 1 year, 1–2 years, 2–3 years, over 3 years	—
Fourth	206,221,748	5	Amounts due from subsidiaries	Within 1 year, 1–2 years,	

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments

Cost method:

RMB

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of Shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Huaxin Equipment Engineering Co., Ltd.	190,000,000	190,000,000	—	190,000,000	—	100	100	—
Huaxin Cement (Yueyang) Co., Ltd.	55,500,000	22,500,000	33,000,000	55,500,000	—	100	100	—
Chongqing Huaxin Cantian Cement Co., Ltd.	253,300,000	253,300,000	—	253,300,000	—	100	100	50,000,000
Huaxin (Hainan) Investment Co., Ltd.	732,000,000	442,000,000	290,000,000	732,000,000	—	100	100	—
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	65,550,000	—	65,550,000	—	69	69	20,700,000
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	40,200,000	—	40,200,000	—	100	100	—
Huaxin Concrete (Wuhan) Co., Ltd.	348,802,159	110,502,159	238,300,000	348,802,159	—	100	100	—
Huaxin Cement (Ezhou) Co., Ltd.	99,437,030	99,437,030	—	99,437,030	—	70	70	—
Huaxin New Building Materials Co., Ltd.	50,000,000	50,000,000	—	50,000,000	—	100	100	—
Huaxin Environmental Engineering (Yichang) Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100	100	—
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	29,000,000	—	29,000,000	—	100	100	—
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	42,000,000	—	42,000,000	(42,000,000)	100	100	—
Huaxin Cement (Hefeng) National Building Materials Co., Ltd.	44,700,483	44,700,483	—	44,700,483	—	51	51	5,100,000
Huaxin Zhongya Investment (Wuhan) Co., Ltd.	388,623,689	388,623,689	—	388,623,689	—	100	100	—
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	505,589,562	—	505,589,562	—	100	100	30,000,000
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	220,000,000	—	220,000,000	—	100	100	30,000,000
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100	100	130,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	300,000,000	—	300,000,000	—	100	100	100,000,000
Huaxin Cement (Zhaotong) Co., Ltd.	60,000,000	60,000,000	—	60,000,000	—	100	100	76,200,000

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments *(continued)*

Investment	Opening	Increase/ decrease for	Closing	Closing and
cost	balance	the year	balance	

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments *(continued)*

	Investment cost	Opening balance	Increase/ decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of Shareholding (%)	Percentage of voting right (%)	Cash dividends for the year
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	653,713,479	—	653,713,479	—	100	100	230,000,000
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	240,000,000	—	240,000,000	—	100	100	—
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100	100	85,850,000
Mauritius Somerset Investment Co., Ltd.	252,000,000	252,000,000	—	252,000,000	—	100	Investment Co., Ltd.	

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments *(continued)*

Equity method:

RMB

	Opening balance	Movements during the year: Investment profit or loss under equity method	Movements during the year: Other changes in equity	Closing balance	Provisions for impairment
Joint ventures					
Tibet High-tech Building Materials Group Co., Ltd.	356,957,328	(12,287,232)	698,089	345,368,185	—
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,158,921	(1,372,868)	—	90,786,053	—
	449,116,249	(13,660,100)	698,089	436,154,238	—

4. Operating income and cost

RMB

	2022		2021	
	Revenue	Cost	Revenue	Cost
Main Business	547,218,572	450,214,311	833,001,902	736,317,143
Other Business	4,457,338,119	4,280,386,197	4,272,275,261	4,014,357,621
	5,004,556,691	4,730,600,508	5,105,277,163	4,750,674,764

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

5. Investment income

RMB

	2022	2021
Gains from long-term equity investments under cost method	2,236,730,000	3,282,892,916
Investment income of held-for-trading financial assets during the hold period	29,529,951	12,069,964
Dividend income of other non-current financial assets during the hold period	1,375,553	1,472,536
Dividend income of other equity instrument investments during the hold period	917,726	—
Gains from long-term equity investments under equity method	(13,660,100)	(401,915)
	2,254,893,130	3,296,033,501

6. Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

RMB

	Amount for the current period	Amount for the prior period
Net profit	2,238,002,243	3,256,784,379
Add: Impairment losses of assets	83,658	1,048,704
Impairment losses of credit	2,902,082	2,564,799
Depreciation of fixed assets	55,135,300	52,736,644
Depreciation of right-of-use assets	10,086,290	10,067,868
Amortization of intangible assets	2,110,916	1,990,085
Amortization of long-term prepaid expenses	2,231,679	2,231,680
Amortization of deferred income	(1,907,667)	(3,302,665)
Losses on disposal of fixed assets, intangible assets and other long-term assets	503,768	(17,691,662)
Losses on retirement of fixed assets	11,417	67,191
(Gains) on changes in fair value	(28,471,220)	(898,576)
Financial expenses	113,423,140	267,742,269
Investment (income)	(2,254,893,130)	(3,296,033,501)
Decrease (increase) in deferred tax assets	32,976,503	(17,984,345)
Decrease (increase) in inventories	409,101,060	(406,361,010)
Increase in operating receivables	(126,181,364)	(1,293,040,471)
(Decrease) increase in operating payables	(85,684,275)	1,008,017,572
Net changes in cash and cash equivalents	369,430,400	(432,061,039)

XV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

6. Supplemental information to statement of cash flows *(continued)*

Net change in cash and cash equivalents:

RMB

	31 December 2022	31 December 2021
Closing Balance	3,365,759,060	5,151,662,429
Less: Opening Balance	5,151,662,429	4,624,314,323
Net increase in cash and cash equivalents1,785,90 Tm 9inued)		

1. Breakdown of Non-recurring Profit and Loss Item

RMB

	2022
Net income from disposal of non-current assets	(9,115,921)
Government grants recognised through profit or loss for the current period (excluding those closely related to the Company's ordinary business operations, in line with national policies and entitled continuously in accordance with certain standard based on a fixed amount or quantity)	145,424,252
Profit or loss from change in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than effective hedging business relating to the ordinary business operations of the Company	48,520,672
Reversal of provisions for impairment of receivables that are individually tested for impairment	4,682,180
Other non-operating income and expenses other than the above items	(36,288,768)

2. Return on Net Assets and Earnings per Share

2022

RMB

	Weighted average return on net asset (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	10.03	1.30	1.28
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	9.58	1.24	1.22

2021

RMB

	Weighted average return on net asset (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	21.30	2.58	2.58
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	21.07	2.55	2.55

DIRECTORY OF DOCUMENTS FOR REFERENCE

1. Financial statements with the signatures and seals of the legal representative, the person in charge of accounting and the person in charge of the agency.

2. Original of the auditor`s report with the seal of the accounting firm and the signature and seal of the certified public accountant.

3. Originals of all corporate documents and announcements that have been publicly disclosed in newspapers designated by CSRC during the Reporting Period.

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