



華新水泥股份有限公司
HUAXIN CEMENT CO., LTD.

HUAXIN CEMENT CO., LTD.*
華新水泥股份有限公司

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

Stock code : 6655

INTERIM REPORT

2022

* For identification purposes only

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INTERPRETATION

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

A Shares	means	Ordinary shares listed on the SSE with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in RMB
AFR	means	Alternative fuel raw material
Board	means	the board of directors of the Company
China or PRC	means	The People's Republic of China
Director(s)	means	the director(s) of the Company
EBITDA	means	Earnings before interest, tax, depreciation and amortization
H Shares	means	Foreign shares listed on the SEHK with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in Hong Kong dollars
H Shares Listing Date	means	28 March 2022, the date on which the Company's H Shares were listed on the Main Board of the SEHK
Hong Kong	means	Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	means	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huangshi State-owned Assets Commission	means	State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government
Huangshi State-owned Assets Company	means	Huangshi State-owned Assets Management Co., Ltd.
Kgce/t	means	Kilogram standard coal/ton
Model Code	means	Model Code for Securities Transactions by Directors of Listed Issuers
Reporting Period	means	From 1 January to 30 June 2022
RMB or Yuan or K Yuan or 10 K Yuan or Million Yuan or 100 Million Yuan	means	RMB, RMB1,000, RMB10,000, RMB million, RMB100 million, the lawful currency of China
SEHK	means	The Stock Exchange of Hong Kong Limited
SSE	means	Shanghai Stock Exchange
The Company or Company or Parent Company or Huaxin Cement	means	Huaxin Cement Co., Ltd.
The Group	means	The Company and its subsidiaries

CORPORATE INFORMATION

1. COMPANY INFORMATION

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

2. CONTACT PERSONS AND MEANS OF CONTACT

Title	Joint Company Secretary	Securities Affairs Representative
Name	Mr. Ye Jiaxing (Secretary to the Board) Ms. Lee Mei Yi (appointed on 11 August 2022) Ms. Mak Sze Man (resigned on 11 August 2022)	Ms. Wang Lu
Tel	0086 27 87773898	0086 27 87773898
Fax	0086 27 87773992	0086 27 87773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

3. BASIC INFORMATION

Registered office of the Company	No. 600 Daqi Avenue East, Huangshi City, Hubei Province
Business address of the Company	Block B, Huaxin Building, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Principal place of business in Hong Kong	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Post code of the business address	430073
Website of the Company	www.huaxincem.com
E-mail	investor@huaxincem.com

4. INFORMATION DISCLOSURE AND AVAILABLE ON DISPLAY

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

5. COMPANY'S SHARES

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

6. REGISTRAR FOR SHARE TRANSFER

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. THE COMPANY'S PRINCIPAL BUSINESSES AND OVERVIEW OF THE INDUSTRY DURING THE REPORTING PERIOD

1. Overview of the industry in which the Company operates

There are strong correlations between the demand for cement, national economic development and fixed asset investment, and are highly cyclical. In the first half of 2022, Chinese economy experienced fluctuations due to unforeseen factors such as the complex evolution of the global environment and impact of the pandemic in the PRC. In the first half of 2022, GDP increased by 2.5% as compared against the same period in the last year, and growth rate was 0.4% in the second quarter. From January to June 2022, fixed asset investment (excluding farmers) amounted to RMB27.14 trillion, representing an increase of 6.1% over the same period in the last year, among which the nationwide infrastructure investment (excluding electricity) increased by 7.1% period-over-period while the real estate investment decreased by 5.4%.

In the first half of 2022, the total national cement output was 977 million tons, decreased by 15% period-over-period, hitting a new 11-year low. The weakening of national demand for cement has become an objective reality. As the demand continued to weaken, monthly cement price continued to decrease for 8 months in a row since last October, coupled with high price of coal while the production costs remained high. Performance of the industry is under high pressure. (Data source: National Bureau of Statistics and China Cement Association)

2. The Company's principal businesses

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

The Company is one of the Top 500 Chinese Manufacturing Enterprises and Fortune China 500 List. As of 30 June 2022, the Company owned around 290 subsidiaries and branches in 14 provinces and cities including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, as well as 8 countries including Tajikistan, Kyrgyzstan, Uzbek, Cambodia, Nepal, Tanzania, Zambia and Malawi, with total cement grinding capacity of 118 million tons/year, (grinding capacity, including capacity in associates), cement equipment production capacity of 50,000 tons/year, ready-mixed concrete capacity of 60.10 million m³/year (including leasing), aggregate capacity of 168 million tons/year, composite eco wall material capacity of 540 million units/year, aerated concrete product (brick, board) capacity of 850,000 m³/year, mortar production capacity of 1 million tons/year, UHPC capacity of 40,000 m³/year, civil building curtain wall slab production of 800,000 m²/year, industrial anti-corrosion tile production of 3 million m²/year, lime production of 690,000 tons/year, cement packaging bag production of 700 million bags/year and wastes disposal capacity of 12.36 million tons/year (including projects approved but yet to be operated).

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2022, revenue attributed by the cement business accounted for approximately 71% of the Company's total revenue, taking the lead in all business segments of the Company. The non-cement business segments have improved steadily and have become important factors contributing to the revenue growth of the Company.

II. COMPETITIVE STRENGTH DURING THE REPORTING PERIOD

Since its listing on the SSE in 1994, the Company has remained committed to the concept of "Development Driven by Innovation, Leading at the Front of the Industry", "Operating ongoing business with perseverance". With nearly 30 years of continuous and healthy development, the Company has been equipped with advantages such as scale operation and integral industry chain, green and low carbon development, technological innovation, trademark and brand, product quality, strategic plan, digital innovation and professional, stable and efficient management team.

During the Reporting Period, the Company has further enhanced and consolidated the above advantages by constant integration development, safety and eco investment and accelerated the strategy of "traditional industry + digital innovation", strengthening the core competitiveness.

Please refer to the paragraph headed "Company Business – 3. Competitive Strength During The Reporting Period" in 2021 Annual Report for details.

III. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

In the first half of 2022, amid negative impacts such as the continued outbreak of the pandemic in the PRC, sharp decline in demand in the cement industry, high cost of fuel and the pressure on cement price, Huaxin anchored the established goals, adhered to green, low carbon and circular development of building materials, coordinated the epidemic prevention control and safety production, adhered to green and low carbon development, vigorously promote integrated development, steadily promote overseas business and digital development, insisted on the strategy of "stabilize price and volume and stable operation". While maintaining production and operational stability, the Company continued to consolidate and strengthen its foundation.

In the first half of 2022, due to the extreme macro-economic environment, sales volume of cement and clinker amounted to approximately 29.3272 million tons, representing a decrease of 21.5% as compared with that of the corresponding period in 2021. Benefiting from the forward-looking integrated development, the aggregate output amounted to approximately 36.60 million tons, representing an increase of 83% as compared with that of the corresponding period in 2021; sales volume of RMX amounted to approximately 6.0061 million m³, representing an increase of 78.89% as compared with that of the corresponding period in 2021; the volume of hazardous wastes received amounted to approximately 1.74 million tons, representing an increase of 6% as compared with that of the corresponding period in 2021. Due to the decrease in sales volume of cement, our principal product, and the increase in fuel cost, the Company recorded operating income of approximately RMB14.389 billion for the Reporting Period, representing a decrease of 2.41% as compared with that of the corresponding period in 2021 and net profit attributable to shareholders of the Company amounted to approximately RMB1.587 billion, representing a decrease of 34.92% as compared with that of the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, operating income generated from the Group's cement segment amounted to approximately RMB10.282 billion, representing a period-to-period decrease of 13.8%, among which operating income generated from domestic cement was approximately RMB8.485 billion, representing a decrease of 21% as compared with that of the corresponding period in 2021; revenue generated from non-cement business was approximately RMB3.949 billion, representing a period-to-period increase of 45.8%. In relation to the profitability for the Reporting Period, production costs of cement increased by RMB47 per ton (or 21.9%) as compared with the corresponding period in 2021 due to the decrease in sales and increase in costs of fuel and power, which in turn lead to the decrease of gross margin per ton by approximately RMB16 per ton to RMB89 per ton. For the non-cement business segment, the gross margin of aggregate decrease by approximately RMB6 per ton to RMB31 per ton due to the decrease in average selling price. Gross profit of RMX decreased to approximately RMB59 per m³ due to the decrease in selling price by RMB20 per m³ and the increase in cost by RMB17 per m³. Due to the increase in sales of aggregate and concrete, EBITDA contribution of the non-cement business segment reached over 35% during the Reporting Period.

During the Reporting Period, the Company adhered to green and low carbon development, reducing pollution, consumption and cost and saving energy. By means of increasing the alternative fuels, upgrading the technology of reducing pollution and saving energy, the comprehensive consumption per unit clinker has improved while fuel cost has decreased. In the first half of 2022, the thermal substitution rate of all kiln lines with AFR reached approximately 10.87%, representing an increase by 4.67 percentage points as compared with the corresponding period in 2021, and combined traditional thermal consumption decreased by approximately 34.4 kcal/kg; the comprehensive consumption per unit clinker of 13 out of the 52 kiln lines of the Company are lower than the national benchmark of 100 kgce/t.

During the Reporting Period, the Company continued to advance the integration development. In terms of the Company's cement business, Nepal Narayani Limited put into operation a new dry cement clinker with capacity of 3,000 tons per day during the Reporting Period; and the 2nd phase cement clinker production line in Tanzania Mavani with a capacity of 4,000 tons per day completed the design stage, it has obtained approval and is ready for construction. In relation to the Company's aggregate business, the Group completed the aggregate projects in Hubei Yidu, Hubei Zigui, Yunnan Honghe, Henan Xinyang and were put into operation, which increased the production capacity by 13.5 million tons per year; the Company initiated the installation of Phase I the Yangxin 100 million tons per year machine-made sand project and conducted test runs in mid-June 2022. In relation to the Company's concrete business: the Company pushed forward light-asset operation, started 17 concrete projects in Jiangsu, Hainai, Hubei, Hunan, Yunnan with new capacity of 16.30 million m³ per year.

During the Reporting Period, the Company continued to advance digital development to support the realization of corporate strategy. The intelligent plant featuring "Made by Huaxin" covers sales, purchasing, production, logistics and finance with 29 sub-systems of intelligence in industry, commerce and management. In the plant, intelligence runs through the whole process including raw material access, production, packaging and shipment. 77% of the plants of the Company have implemented over 15 sets of the intelligence system.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(I) Major Operations

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

Unit: RMB

Item	Reporting Period	Corresponding period of last year	Change (%)
Operating income	14,389,448,963	14,744,386,072	-2.41
Operating costs	10,357,040,560	9,698,746,976	6.79
Selling and distribution expenses	709,133,292	657,762,012	7.81
General and administrative expenses	723,755,898	677,883,399	6.77
Financial expenses	164,831,907	102,942,061	60.12
Research and development expenses	45,693,691	23,001,179	98.66
Net cash flows from operating activities	1,267,008,618	2,292,084,640	-44.72
Net cash flows from investing activities	-3,121,618,364	-1,124,636,623	-177.57
Net cash flows from financing activities	226,934,452	-2,348,364,550	109.66

- (1) The increase of the financial expenses in the first half of 2022 as compared to the corresponding period in 2021 was mainly due to the foreign exchange loss.
- (2) The increase of research and development expenses in the first half of 2022 as compared to the corresponding period in 2021 was mainly due to the investment increase in the R&D projects and personnel.
- (3) The decrease of net cash flows from operating activities in the first half of 2022 as compared to the corresponding period in 2021 was mainly due to the decrease of sales volume of cement and the increase of costs.
- (4) The decrease of net cash flows from investing activities in the first half of 2022 as compared to the corresponding period in 2021 was mainly due to the increase of the investment in aggregate and concrete projects.
- (5) The increase of net cash flows from financing activities in the first half of 2022 as compared to the corresponding period in 2021 was mainly due to the new loans for project construction.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Assets and Liabilities

Unit: RMB

Item	As at 30 June 2022	Percentage of amount at the end of the Reporting Period to the total asset (%)	As at 31 December 2021	Percentage of amount at the end of the last period to the total asset (%)	Change of the amount as at 30 June 2022 as compared to 30 June 2021 (%)
Held for trading financial assets	100,040,273	0.38	711,964,323	2.66	-85.95
Notes receivable	278,706,448	1.06	145,430,152	0.54	91.64
Accounts receivable	1,337,440,333	5.07	956,580,152	3.58	39.81
Financing with receivables	379,930,781	1.44	761,050,910	2.85	-50.08
Prepayments	528,992,198	2.01	339,315,919	1.27	55.9
Long-term receivables	112,745,496	0.43	35,934,266	0.13	213.75
Other equity instrument investments	39,085,894	0.15	55,867,066	0.21	-30.04
Construction in progress	5,810,805,866	22.03	4,199,141,042	15.71	38.38
Right-of-use assets	501,573,009	1.9	273,191,262	1.02	83.6
Development expenditure	14,712,576	0.06	10,392,804	0.04	41.57
Other non-current assets	1,601,330,864	6.07	951,124,092	3.56	68.36
Employee benefits payable	264,857,346	1	409,092,005	1.53	-35.26
Taxes payable	583,766,931	2.21	1,060,916,467	3.97	-44.98
Other payables	1,660,631,843	6.3	756,194,670	2.83	119.6
Non-current liabilities due within one year	2,153,586,771	8.17	1,213,650,184	4.54	77.45
Lease liabilities	371,141,996	1.41	223,580,118	0.84	66.00
Long-term payables	1,254,007,357	4.75	463,257,160	1.73	170.69
Other comprehensive incomes	-184,181,217	-0.7	-305,350,132	-1.14	-39.68

- (1) The decrease of held for trading financial assets as at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the redemption of monetary fund.
- (2) The increase of notes receivable at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the decrease in notes transfer.
- (3) The increase of accounts receivable at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the expansion of concrete business.
- (4) The decrease of financing with receivables at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the decline of revenue.
- (5) The increase of repayment at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of prepayments of coal.
- (6) The increase of long term receivable at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of working capital in local governments.

MANAGEMENT DISCUSSION AND ANALYSIS

- (7) The decrease of other equity instrument investments at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of evaluation of holding shares.
- (8) The increase of construction in progress at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of investment of aggregate and concrete.
- (9) The increase of right of use assets at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of leasing of concrete business.
- (10) The increase of development expenditure at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase R&D projects and personnel.
- (11) The increase of other non-current assets at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the investment in aggregate and concrete.
- (12) The decrease of employee benefits payable at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the payment of bonus for last year.
- (13) The decrease of taxes payable at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the decrease of profit and taxes payable.
- (14) The increase of other payables at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the pending payment of dividends.
- (15) The increase of non-current liabilities due within one year at the end of the Reporting Period as compared with the beginning of the Reporting Period was mainly due to the increase of maturing borrowings for working capital.
- (16) The increase of lease liabilities at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of leasing of concrete business.
- (17) The increase of long term payables at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the increase of instalments for mining right.
- (18) The decrease of other comprehensive income at the end of the Reporting Period as compared to that of the beginning of the Reporting Period was mainly due to the currency depreciation in overseas subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Other explanations

(1) Capital structure, capital liquidity and financial resources

As at the end of the Reporting Period, the shareholders' equity amounted to RMB29.354 billion, and total equity attributable to shareholders of the Company was RMB26.372 billion.

As at the end of the Reporting Period, total liabilities were RMB26.896 billion, and liabilities with interests was RMB12.038 billion. Analysis on the bank loans as of the end of the Reporting Period are as follows:

Unit: RMB

Item	Balance at the end of the Reporting Period	Balance at the beginning of the Reporting Period
Within 1 year	2,376,094,440	1,493,826,837
1-2 years	2,275,797,634	1,899,342,560
2-5 years	3,553,608,820	3,074,885,639
Above 5 years	396,399,383	107,696,307
Total	<u>8,601,900,277</u>	<u>6,575,751,343</u>

Apart from the above loans, the Group has corporate bonds of RMB3.30 billion due in 2 to 8 years.

Asset liability ratio of the Company (total liabilities/total assets) increased to 47.8% at the end of the Reporting Period from 44.1% at the beginning of the Reporting Period.

During the Reporting Period, there were no significant changes to the capital structure, capital liquidity and financial resources.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Pledge of assets

Major restrictions on assets by the end of the Reporting Period

Unit: RMB

Item	Book value at the end of the Reporting Period
Cash and bank balances	318,971,981
Notes receivable	33,000,000
Financing from accounts receivable	68,400,000
Fixed assets	5,171,715
Intangible assets	10,935,676
Total	<u>436,479,372</u>

Note: Equities of some subsidiaries of the Group have been pledged to bank for long term borrowings (Note VII (28)). As of 30 June 2022, book value of net asset balance equivalent to those equities was approximately RMB5,342,132,534 (31 December 2021: approximately RMB5,080,267,607).

For details, please refer to the Notes VII(1), VII (3), VII (5), VII (13), VII (16), VII (57).

(3) Risks of foreign exchange rate fluctuation

The foreign exchange rate mainly involves US dollar ("USD"). Several of the Group's subsidiaries have purchases and sales denominated in USD while the Group's other principal activities are denominated and settled in RMB. The balance of other foreign currencies is relatively small, including Hong Kong dollars ("HKD"), Euros ("EUR") and Rubles, and has no significant impact on the Group's foreign exchange risk.

The Finance Department of the Head Office of the Group is responsible for monitoring the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, so as to minimize the foreign exchange risks it faces. The Group may avoid foreign exchange risks by signing forward foreign exchange contracts or currency swap contracts. As of 30 June 2022 and 31 December 2021, the Group did not enter into any forward foreign exchange contracts or currency swap contracts.

For details, please refer to the Note X, 1.1.1 Currency risk.

(4) Significant investment and capital expenditure

On 28 January 2021, the Company adopted the Proposal on the Construction of Huangshi Huaxin Green Building Materials Industry Park at the first extraordinary general meeting in 2021. During the Reporting Period, the first phase of the 100 million tons per year machine-made sand project (40 million tons per year) has been in progress as scheduled and is expected to trial run in late August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group invested RMB3.65 billion for new construction and expansion. According to current capital situation and profitability, the Group has sufficient self-fund and continuous cash flow to meet the capital need for the projects.

(5) External equity investment

Unit: RMB

Item	Closing balance	Opening balance	Change (%)
Debt investment	7,500,000	7,500,000	0
Other equity instrument investment	39,085,894	55,867,066	-30.04
Other non-current financial assets	24,997,582	26,343,260	-5.11
Long term equity investment	450,054,672	523,612,871	-14.05

(6) Contingent liability

As at the end of the Reporting Period, the Group had no significant or contingent liability. For details, please refer to the Notes VII (33), XIV(2).

5. Outlook for the Second Half of 2022

In the second half of 2022, the economic development of the PRC will continue to adhere to the general principle of pursuing progress while ensuring stability. As the pandemic eases, policies takes effect, the Chinese economy will improve and accelerate to return to normal. It is expected that the demand for cement would improve.

In the second half of 2022, the Group will implement the integration strategy, adhere to the concept of “Cash is King” and attach great importance to the management of operating cashflow. Through the targeted sales system oriented towards the need of end customers, the Group will ensure that its core interests will not be undermined. On that basis, the Group will maintain stability of the market to avoid vicious competition. The Company will properly manage operation, massively use alternative fuel to control costs and lower the expenses, with a view to improving business performance.

SIGNIFICANT MATTERS

1. CONNECTED TRANSACTION RELATED TO DAILY OPERATION

On 30 May 2022, the fourteenth session of the tenth Board reviewed and approved the Proposal on the Connected Transaction of Investing in Huangshi State-owned Assets Company, which approved the Company to entered into a Capital Injection Agreement with Huangshi State-owned Assets Commission and Huangshi State-owned Assets Company, pursuant to which the Company invested RMB1 billion to take up 5.2173% shares of Huangshi State-owned Assets Company by its own funding (Huangshi State-owned Assets Company is the controlling shareholder of Huaxin Group Co., Ltd., which is a substantial shareholder of the Company).

Huangshi State-owned Assets Commission holds 100% equity interests in Huangshi State-owned Assets Company, which holds 100% equity interests in Huaxin Group Co., Ltd. (holding 16.12% in the equity interests of the Company), making it the substantial shareholder of the Company. Therefore, according to Rule 14A of the Hong Kong Listing Rules, the transaction contemplated under the Capital Injection Agreement constitutes a connected transaction.

As of the date of this report, the capital injection had yet to be completed.

2. MAJOR GUARANTEE PERFORMED OR YET TO BE PERFORMED DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the guarantee balance for subsidiaries amounted to RMB8,567,502,392, accounting for 32.49% of the net assets of the Company.

3. OTHER SIGNIFICANT MATTERS

1. On 13 September 2021, the Company adopted the Proposal on Changing Listing Venue for Domestically Listed Foreign Shares and the Listing and Trading on the Main Board of The Stock Exchange of Hong Kong Limited by Way of Introduction at the fifth extraordinary general meeting. On 28 March 2022, the H Shares were listed on the Main Board of the SEHK.
2. During the Reporting Period, the Company was not been involved in any material litigation or arbitration.
3. During the Reporting Period, the Group had no major acquisition or disposal.

CHANGES IN SHARES AND SHAREHOLDERS

1. STRUCTURE OF SHARES

During the Reporting Period, there were changes to the structure of the Company's shares. The change was attributable by the change of listing venue of the Company's domestic listed shares. The Company's domestically listed foreign shares were listed and traded on the Main Board of the SEHK by way of introduction on 28 March 2022.

2. SHAREHOLDERS

(1) To the best knowledge of the Company, as at 30 June 2022, the total number of registered shareholders of the Company was 63,731, among which, the number of A Shares shareholders was 63,728, the number of H Shares shareholders was 3.

(2) Shareholding of the top 10 registered shareholders of the Company as at 30 June 2022

Unit: share

Full name of shareholders	Class of shares	Number of shares held	Proportion (%)
HKSCC Nominees Limited	H Shares	734,719,989	35.04
HOLCHIN B.V.	A Shares	451,333,201	21.53
Huaxin Group Co., Ltd.	A Shares	338,060,739	16.12
Hong Kong Securities Clearing Company Limited	A Shares	59,729,607	2.85
Huaxin Cement Co., Ltd. — 2020–2022 Core Employee Stock Plan	A Shares	21,039,361	1.00
China Merchants Bank Co., Ltd. — Shanghai Dividend Trading Open-ended Index Securities Investment Fund	A Shares	17,619,078	0.84
China Railway Wuhan Bureau Group Co., Ltd.	A Shares	11,289,600	0.54
The National Social Security Fund 413 Combination	A Shares	10,799,936	0.52
Bank of China Limited — ICBC Credit Suisse Core Value Hybrid Securities Investment Fund	A Shares	8,315,785	0.40
The National Social Security Fund 503 Combination	A Shares	8,000,057	0.38

Note: To the best knowledge of the Board, the Board is not aware of any connected relations or persons acting in concert among the top 10 registered shareholders of the Company.

CHANGES IN SHARES AND SHAREHOLDERS

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the following persons (other than the Directors, supervisors or chief executives of the Company) had interests in 5% or more of the shares and underlying shares as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO") or which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

CHANGES IN SHARES AND SHAREHOLDERS

Full name of shareholders	Nature of interest	Class of shares	Number of shares	Approximate % of shares held in the relevant class	Approximate % of shares held in the total amount of share capital
Huangshi State-owned Assets Company	Interest of controlled corporation	A Shares	338,060,739	24.82%	16.12%
Huaxin Group Co., Ltd.	Beneficial owner	A Shares	338,060,739	24.82%	16.12%
China Conch Venture Holdings (HK) Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
China Conch Venture Holdings International Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Conch International Holdings (HK) Limited	Beneficial owner	H Shares	92,788,469	12.63%	4.43%
China Conch Venture Holdings Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Anhui Conch Venture New Energy-saving Construction Material Co., Ltd.	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Anhui Conch Cement Company Limited	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%
Anhui Conch Holdings Co., Ltd	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%

CHANGES IN SHARES AND SHAREHOLDERS

Full name of shareholders	Nature of interest	Class of shares	Number of shares	Approximate % of shares held in the relevant class	Approximate % of shares held in the total amount of share capital
Wuhu Conch Venture Property Co., Ltd.	Interest of controlled corporation	H Shares	92,788,469	12.63%	4.43%

Note: The percentage is calculated by the issued underlying shares or total shares of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, no person (other than the directors, supervisors and the chief executives of the Company) had interests in 5% or more of the shares and underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company up to the date of this report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. THERE WAS NO CHANGE IN THE COMPOSITION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The non-executive Director and Chairman of the Board, Mr. Xu Yongmo, resigned as the Executive President of China Concrete & Cement-based Products Association and the Chairman of China Construction Units Association on 28 July 2022.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the SEHK pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

Name	Nature of interest	Type of share	Number of shares	Approximate %	Approximate %
				of shares held in the relevant share class	of shares held in the total amount of share capital
Li Yeqing	Beneficial owner	A Shares	364,334	0.0268%	0.0174%
		H Shares	451,596	0.0615%	0.0215%
Liu Fengshan	Beneficial owner	A Shares	161,400	0.0119%	0.0077%
		H Shares	83,600	0.0114%	0.0040%
Ming Jinhua	Beneficial owner	H Shares	6,500	0.0009%	0.0003%
Zhang Lin	Beneficial owner	A Shares	11,600	0.0009%	0.0006%
		H Shares	75,600	0.0103%	0.0036%
Liu Weisheng	Beneficial owner	H Shares	13,700	0.0019%	0.0007%

Note: the percentage is calculated by the issued underlying shares or total shares of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3. DURING THE REPORTING PERIOD, NONE OF THE DIRECTORS AND SUPERVISORS OF THE COMPANY OR ANY ENTITIES ASSOCIATED WITH SUCH DIRECTORS OR SUPERVISORS HAD OR HAS HAD A NO MATERIAL INTEREST, DIRECTLY OR INDIRECTLY, IN ANY TRANSACTIONS, ARRANGEMENTS OR CONTRACTS ENTERED INTO BY THE COMPANY OR ITS SUBSIDIARIES.

4. THE COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code regarding the purchase and sale of the Company's shares by the Directors and supervisors of the Company. Having made specific enquiries to all Directors by the Company, all Directors of the Company confirmed that they have complied with the required standards as set out in the Model Code in relation to securities transactions by Directors from the H Shares Listing Date and up to 30 June 2022.

5. EMPLOYEE

As at 30 June 2022, the Company had 19,451 employees (including overseas employees).

The Company adopts a comprehensive compensation system to incentivize employees, in order to achieve the development goals of the Company and the individuals. At assessment of total remuneration package, the Company sets different reasonable key performance indicators for different business units, by linking their performance with remuneration, so the employees can enjoy the rise of performance and are motivated. At the same time, the Company assesses the remuneration package of employees by setting different reasonable key performance indicators according to different business nature. By linking employee remuneration with the Company's performance, employees can enjoy the benefits brought by the improvement in financial performance of the Company and be incentivized and motivated.

During the Reporting Period, the Company launched diversified and differentiated offline and online training programs for different levels and types of employees to promote the learning within the organization. We continued to organize customized management training programs and mini-MBA, mid-level management and foundation management training programs to continuously enhance the leadership of our management personnel at all levels. A total of 4,179 employees completed the online management training courses organized by the Company. We continued to organize trainings on safety, technology, finance, procurement and other professional functions to continuously improve the professional knowledge and skills of our employees; and organized trainings and tests for our mid-level management personnel to perform their duties better.

OTHER INFORMATION

1. REVIEW OF UNAUDITED INTERIM RESULTS

The Company has set up an audit committee (“Audit Committee”) with terms of reference in compliance with all the applicable code provisions contained in Appendix 14 to the Hong Kong Listing Rules. The Audit Committee is responsible for reviewing and supervision of the financial reporting procedures, risk management and the internal controls of the Group as well as providing advice and recommendations to the Board. The Audit Committee has reviewed the interim results for the six months ended 30 June 2022 as disclosed in this report.

2. DIVIDEND

The Board did not recommend the payment of interim dividend nor capital reserve converted to equity capital for the Reporting Period.

3. CORPORATE GOVERNANCE CODE

The Company’s H Shares were listed on the Main Board of the SEHK on 28 March 2022. Since the H Shares Listing Date, the Group has adopted all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Hong Kong Listing Rules. From the H Shares Listing Date and up to 30 June 2022, the Company complied with all the applicable rules and the code provisions set out in the Corporate Governance Code.

4. SIGNIFICANT SUBSEQUENT EVENTS

In accordance with the Proposal on the Public Issuance of Corporate Bonds in 2021 approved by the 2nd extraordinary general meeting 2021, the Company successfully issued the first corporate bonds linked to low-carbon transformation on the SSE on 19 July 2022. The issuance scale is RMB900 million in two types. The scale of type 1 is RMB500 million with 3 years and 2.99% coupon rate; that of type 2 is RMB400 million with 5 years and 3.39% coupon rate.

After the Reporting Period and up to the date of this report, save for the events disclosed in this report, the Group did not have any significant subsequent events.

FINANCIAL STATEMENTS (UNAUDITED)

I. AUDITOR'S REPORT

The financial statements have not been audited.

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

30 June 2022

Prepared by Huaxin Cement Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII(1)	7,322,942,499	8,836,439,385
Held-for-trading financial assets	VII(2)	100,040,273	711,964,323
Notes receivable	VII(3)	278,706,448	145,430,152
Accounts receivable	VII(4)	1,337,440,333	956,580,152
Financing with receivables	VII(5)	379,930,781	761,050,910
Prepayments	VII(6)	528,992,198	339,315,919
Other receivables	VII(7)	422,718,044	356,013,351
Including: Interest receivable		728,130	89,797
Dividends receivable		—	—
Inventories	VII(8)	3,880,661,714	3,541,954,674
Other current assets	VII(9)	601,346,693	477,967,711
Total Current Assets		14,852,778,983	16,126,716,577
Non-current Assets:			
Debt investments		7,500,000	7,500,000
Long-term receivables		112,745,496	35,934,266
Long-term equity investments	VII(10)	450,054,672	523,612,871
Other equity instrument investments	VII(11)	39,085,894	55,867,066
Other non-current financial assets	VII(12)	24,997,582	26,343,260
Fixed assets	VII(13)	22,098,619,088	21,326,030,410
Construction in progress	VII(14)	5,810,805,866	4,199,141,042
Right-of-use assets	VII(15)	501,573,009	273,191,262
Intangible assets	VII(16)	9,123,945,441	7,377,964,445
Development expenditure		14,712,576	10,392,804
Goodwill	VII(17)	643,192,969	643,192,969
Long-term prepaid expenses	VII(18)	545,357,390	582,072,668
Deferred tax assets	VII(19)	423,062,184	410,534,318
Other non-current Assets		1,601,330,864	951,124,092
Total Non-current Assets		41,396,983,031	36,422,901,473
TOTAL ASSETS		56,249,762,014	52,549,618,050

FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED BALANCE SHEET – *continued*

30 June 2022

Prepared by Huaxin Cement Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VII(20)	735,709,769	642,946,608
Notes payable	VII(21)	667,565,188	670,993,082
Accounts payable	VII(22)	7,346,866,753	7,112,302,355
Contract liabilities	VII(23)	769,353,649	847,443,693
Employee benefits payable	VII(24)	264,857,346	409,092,005
Taxes payable	VII(25)	583,766,931	1,060,916,467
Other payables	VII(26)	1,660,631,843	756,194,670
Including: Interest payable		53,735,763	34,819,098
Dividends payable		820,140,317	58,154,514
Non-current liabilities due within one year	VII(27)	2,153,586,771	1,213,650,184
Total Current Liabilities		14,182,338,250	12,713,539,064
Non-current Liabilities:			
Long-term borrowings	VII(28)	6,225,805,838	5,081,924,506
Bonds payable	VII(29)	3,436,286,755	3,327,860,620
Lease liabilities	VII(30)	371,141,996	223,580,118
Long-term payables	VII(31)	1,254,007,357	463,257,160
Long-term employee benefits payable	VII(32)	55,987,249	54,458,394
Provisions	VII(33)	398,231,413	347,473,462
Deferred income	VII(34)	294,785,551	292,376,076
Deferred tax liabilities	VII(19)	582,520,293	572,865,342
Other Non-current Liabilities		94,446,000	94,446,000
Total Non-current Liabilities		12,713,212,452	10,458,241,678
TOTAL LIABILITIES		26,895,550,702	23,171,780,742
Shareholders' Equity:			
Share capital	VII(35)	2,096,599,855	2,096,599,855
Capital reserve	VII(36)	2,060,612,939	2,031,151,748
Less: Treasury shares	VII(37)	610,051,971	610,051,971
Other comprehensive income	VII(38)	-184,181,217	-305,350,132
Surplus reserve	VII(39)	1,111,880,257	1,111,880,257
Retained profits	VII(40)	21,897,571,490	22,405,681,711
Total equity attributable to shareholders of the Company		26,372,431,353	26,729,911,468
Minority interests		2,981,779,959	2,647,925,840
Total Shareholders' Equity		29,354,211,312	29,377,837,308
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		56,249,762,014	52,549,618,050

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEET OF THE PARENT COMPANY

30 June 2022

Prepared by Huaxin Cement Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		3,611,755,503	5,169,508,200
Held-for-trading financial assets		33,464,942	711,964,323
Notes receivable		15,000,001	32,408,118
Accounts receivable	XVII(1)	1,045,028,292	903,298,318
Financing with receivables		1,386,642	247,445,734
Prepayments		393,567,810	382,262,179
Other receivables	XVII(2)	4,422,864,140	4,317,066,529
Including: Interest receivable		—	—
Dividends receivable		79,000,000	208,190,000
Inventories		493,366,053	726,314,719
Non-current assets due within 1 year		1,580,000	1,580,000
Other current assets		70,122,452	22,596,645
Total Current Assets		10,088,135,835	12,514,444,765
Non-current Assets:			
Long-term receivables		46,808,915	87,898,133
Long-term equity investments	XVII(3)	12,206,467,654	11,936,939,283
Other equity instrument investments		39,085,894	55,867,066
Other non-current financial assets		24,997,582	26,343,260
Fixed assets		484,762,244	384,704,226
Construction in progress		223,649,563	291,066,732
Right-of-use assets		54,534,287	59,568,221
Intangible assets		37,769,269	38,448,339
Long-term prepaid expenses		11,991,787	13,107,626
Deferred tax assets		51,525,428	29,811,375
Total Non-current Assets		13,181,592,623	12,923,754,261
TOTAL ASSETS		23,269,728,458	25,438,199,026

FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEET OF THE PARENT COMPANY – *continued*

30 June 2022

Prepared by Huaxin Cement Co., Ltd.

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	—	—
Notes payable	28,500,000	309,821,465
Accounts payable	266,958,520	347,419,293
Contract liabilities	100,191,056	70,245,287
Employee benefits payable	64,566,256	87,023,012
Taxes payable	25,045,814	205,305,241
Other payables	7,313,423,795	8,032,946,947
Including: Interest payable	35,873,315	21,201,683
Dividends payable	783,445,001	42,566,956
Non-current liabilities due within one year	763,285,201	167,357,327
Total Current Liabilities	8,561,970,642	9,220,118,572
Non-current Liabilities:		
Long-term borrowings	900,990,000	1,418,420,000
Bonds payable	1,298,211,200	1,297,795,200
Lease liabilities	45,795,551	44,483,255
Long-term employee benefits payable	18,934,675	18,934,675
Provisions	6,864,253	6,570,974
Deferred income	8,011,833	8,782,667
Total Non-current Liabilities	2,278,807,512	2,794,986,771
TOTAL LIABILITIES	10,840,778,154	12,015,105,343
Shareholders' Equity:		
Share capital	2,096,599,855	2,096,599,855
Capital reserve	2,441,532,365	2,429,495,032
Less: Treasury shares	610,051,971	610,051,971
Other comprehensive income	17,745,320	30,331,199
Surplus reserve	1,111,880,257	1,111,880,257
Retained profits	7,371,244,478	8,364,839,311
Total Shareholders' Equity	12,428,950,304	13,423,093,683
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,269,728,458	25,438,199,026

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

Unit: Yuan Currency: RMB

Items	Notes	Amount for the current period	Amount for the prior period
I. Total operating income		14,389,448,963	14,744,386,072
Including: Operating income	VII(41)	14,389,448,963	14,744,386,072
II. Total operating costs		12,268,372,426	11,438,418,665
Including: Operating costs	VII(41)	10,357,040,560	9,698,746,976
Taxes and levies	VII(42)	267,917,078	278,083,038
Selling and distribution expenses	VII(43)	709,133,292	657,762,012
General and administrative expenses	VII(44)	723,755,898	677,883,399
Research and development expenses		45,693,691	23,001,179
Financial expenses	VII(45)	164,831,907	102,942,061
Including: Interest expenses		149,218,223	134,691,908
Interest income		44,998,331	54,748,194
Add: Other income	VII(46)	98,008,668	112,778,854
Investment income	VII(47)	21,291,835	28,068,456
Including: Income from investments in associates and joint ventures		-4,137,667	11,240,371
Gains (Losses) from changes in fair value	VII(48)	16,465,744	-12,910,048
Impairment losses on credit	VII(49)	-43,425,957	-15,190,828
Impairment losses on assets	VII(50)	-10,278,652	-21,803,772
Gains on disposal of assets	VII(51)	-1,248,095	-3,377,758
III. Operating profit		2,201,890,080	3,393,532,311
Add: Non-operating income	VII(52)	2,892,447	19,409,089
Less: Non-operating expenses	VII(53)	38,731,861	36,022,596
IV. Profit before tax		2,166,050,666	3,376,918,804
Less: Income tax expenses	VII(54)	483,159,383	711,280,078
V. Net profit		1,682,891,283	2,665,638,726
(i) Classified by the continuity of operation			
1. Net profit from continuing operations		1,682,891,283	2,665,638,726
(ii) Classified by the ownership			
1. Net profit attributable to shareholders of the parent company		1,586,839,657	2,438,324,279
2. Profit or loss attributable to minority shareholders		96,051,626	227,314,447

FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT – *continued*

For the six months ended 30 June 2022

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the prior period
VI. Other comprehensive income, net of tax	198,854,792	-42,086,008
Other comprehensive income attributable to owners of the Company, net of tax	121,168,915	-35,052,847
(i) Other comprehensive income that cannot be reclassified to profit or loss	-12,585,879	1,054,402
1. Changes in fair value of other equity instrument investments	-12,585,879	1,054,402
(ii) Other comprehensive income that will be reclassified to profit or loss	133,754,794	-36,107,249
1. Exchange differences on translation of financial statements denominated in foreign currencies	133,754,794	-36,107,249
Other comprehensive income attributable to minority interests, net of tax	77,685,877	-7,033,161
VII. Total comprehensive income	1,881,746,075	2,623,552,718
Total comprehensive income attributable to owners of the Company	1,708,008,572	2,403,271,432
Total comprehensive income attributable to minority interests	173,737,503	220,281,286
VIII. Earnings per share		
(i) Basic earnings per share (RMB/share)	0.77	1.18
(ii) Diluted earnings per share (RMB/share)	0.77	1.18

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

INCOME STATEMENT OF THE COMPANY

For the six months ended 30 June 2022

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Operating income	XVII(4)	2,355,799,380	2,092,362,300
Less: Operating costs	XVII(4)	2,297,247,668	1,907,792,275
Taxes and levies		8,494,082	4,585,329
Selling and distribution expenses		10,563,569	18,201,022
General and administrative expenses		114,426,153	131,017,453
Research and development expenses		10,333,939	10,179,493
Financial expenses		-24,807,506	45,804,582
Including: Interest expenses		107,769,636	115,741,796
Interest income		84,213,688	90,294,263
Add: Other income		6,129,371	3,728,301
Investment income	XVII(5)	1,123,116,447	2,376,125,614
Including: (Losses) Income from investments in associates and joint ventures		-634,081	6,934,284
Gains from changes in fair value		16,465,744	-12,910,050
Impairment (losses)/gains on credit		-2,052,090	30,391
Impairment gains/(losses) on assets		540,091	-316,939
Gains on disposal of assets		2,407	348,827
II. Operating profit		1,083,743,445	2,341,788,290
Add: Non-operating income		544,767	10,805,174
Less: Non-operating expenses		451,927	1,142,300
III. Profit before tax		1,083,836,285	2,351,451,164
Less: Income tax expenses		-17,518,760	-7,516,874
IV. Net profit		1,101,355,045	2,358,968,038
(i) Net profit from continuing operations		1,101,355,045	2,358,968,038
V. Other comprehensive income, net of tax		-12,585,879	1,054,402
(i) Other comprehensive income that cannot be reclassified to profit or loss		-12,585,879	1,054,402
1. Changes in fair value of other equity instrument investments		-12,585,879	1,054,402
VI. Total comprehensive income		1,088,769,166	2,360,022,440

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		13,666,422,401	14,241,433,968
Receipts of tax refunds		47,465,337	50,431,431
Other cash receipts relating to operating activities	VII(55)(1)	244,383,744	251,549,612
Sub-total of cash inflows from operating activities		13,958,271,482	14,543,415,011
Cash payments for goods purchased and services received		9,128,445,040	8,438,918,378
Cash payments to and on behalf of employees		1,417,101,170	1,598,886,397
Payments of various types of taxes		1,606,349,339	1,874,457,133
Other cash payments relating to operating activities	VII(55)(2)	539,367,315	339,068,463
Sub-total of cash outflows from operating activities		12,691,262,864	12,251,330,371
Net Cash Flow from Operating Activities	VII(56)(1)	1,267,008,618	2,292,084,640
II. Cash Flows from Investing Activities			
Cash receipts from disposal and recovery of investments		3,093,000,000	1,000,000,000
Cash receipts from investment income		20,035,077	14,890,816
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	VII(56)(3)	13,075,326	19,214,294
Net cash receipts from disposal of subsidiaries and other business units		—	22,000
Other cash receipts relating to investing activities		131,718,387	5,602,256
Sub-total of cash inflows from investing activities		3,257,828,790	1,039,729,366
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,650,384,164	1,863,103,382
Cash payments to acquire investments	VII(56)(2)	2,459,575,331	70,000,000
Net cash payments for acquisition of subsidiaries and other business units		24,950,534	231,262,607
Other cash payments relating to investing activities		244,537,125	—
Sub-total of cash outflows from investing activities		6,379,447,154	2,164,365,989
Net Cash Flow from Investing Activities		-3,121,618,364	-1,124,636,623

FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED CASH FLOW STATEMENT – *continued*

For the six months ended 30 June 2022

RMB

Items	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		139,000,000	2,000,000
Cash receipts from borrowings		2,738,373,470	757,500,000
Other cash receipts relating to financing activities	VII(55)(3)	4,410,181	—
Sub-total of cash inflows from financing activities		2,881,783,651	759,500,000
Cash repayments of borrowings		816,720,321	692,294,746
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,707,994,025	2,365,422,870
Other cash payments relating to financing activities	VII(55)(4)	130,134,853	50,146,934
Sub-total of cash outflows from financing activities		2,654,849,199	3,107,864,550
Net Cash Flow from Financing Activities		226,934,452	-2,348,364,550
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		81,170,671	-12,737,649
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents		8,550,475,141	8,420,246,369
VI. Closing Balance of Cash and Cash Equivalents			
	VII(56)(4)	7,003,970,518	7,226,592,187

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

CASH FLOW STATEMENT OF THE COMPANY

For the six months ended 30 June 2022

RMB

Items	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		2,859,538,153	1,642,363,399
Receipts of tax refunds		2,344,176	2,844,644
Other cash receipts relating to operating activities		226,055,611	639,550,893
Sub-total of cash inflows from operating activities		3,087,937,940	2,284,758,936
Cash payments for goods purchased and services received		2,659,309,586	1,820,506,301
Cash payments to and on behalf of employees		175,502,826	176,051,844
Payments of various types of taxes		61,106,319	75,687,605
Other cash payments relating to operating activities		760,058,932	273,355,468
Sub-total of cash outflows from operating activities		3,655,977,663	2,345,601,218
Net Cash Flow from Operating Activities		-568,039,723	-60,842,282
II. Cash Flows from Investing Activities			
Cash receipts from disposal and recovery of investments		3,093,000,000	1,000,000,000
Cash receipts from investment income		1,252,005,077	1,919,628,299
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,349,823	16,019,269
Net cash receipts from disposal of subsidiaries and other business units		—	—
Other cash receipts relating to investing activities		1,090,186,632	1,563,347,992
Sub-total of cash inflows from investing activities		5,436,541,532	4,498,995,560
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		23,066,982	24,761,597
Cash payments to acquire investments		230,000,000	487,000,000
Net cash payments for acquisition of subsidiaries and other business units		2,393,000,000	—
Other cash payments relating to investing activities		2,573,984,011	1,613,252,566
Sub-total of cash outflows from investing activities		5,220,050,993	2,125,014,163
Net Cash Flow from Investing Activities		216,490,539	2,373,981,397

FINANCIAL STATEMENTS (UNAUDITED)

CASH FLOW STATEMENT OF THE COMPANY – *continued*

For the six months ended 30 June 2022

RMB

Items	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities			
Cash receipts from borrowings		200,000,000	400,000,000
Other cash receipts relating to financing activities		4,668,089,430	—
Sub-total of cash inflows from financing activities		4,868,089,430	400,000,000
Cash repayments of borrowings		115,430,000	403,652,662
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,440,291,737	2,259,013,377
Other cash payments relating to financing activities		4,524,643,088	894,143,889
Sub-total of cash outflows from financing activities		6,080,364,825	3,556,809,928
Net Cash Flow from Financing Activities		-1,212,275,395	-3,156,809,928
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		22,116,735	-2,362,015
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents		5,151,662,429	4,624,314,323
VI. Closing Balance of Cash and Cash Equivalents			
		3,609,954,585	3,778,281,495

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the six months ended 30 June 2022

RMB

Items	For the six months ended 30 June 2022									
	Attributable to owners of the Company							Sub-total	Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits				
Balance at 31 December 2021	2,096,599,855	2,031,151,748	610,051,971	-305,350,132	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308	
Balance at 1 January 2022	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	
Changes in the Reporting Period	-	29,461,191	-	121,168,915	-	-508,110,221	-357,480,115	333,854,119	-23,625,996	
(i) Total comprehensive income	-	-	-	121,168,915	-	1,586,839,657	1,708,008,572	173,737,503	1,881,746,075	
(ii) Owners' contributions and reduction in capital	-	29,461,191	-	-	-	-	29,461,191	211,392,869	240,854,060	
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	211,392,869	211,392,869	
2. Share-based payments recognized in owners' equity	-	29,039,764	-	-	-	-	29,039,764	-	29,039,764	
3. Others	-	421,427	-	-	-	-	421,427	-	421,427	
(iii) Profit distribution	-	-	-	-	-	-2,094,949,878	-2,094,949,878	-51,276,253	-2,146,226,131	
1. Distribution to shareholders	-	-	-	-	-	-2,094,949,878	-2,094,949,878	-51,276,253	-2,146,226,131	
Balance at 30 June 2022	<u>2,096,599,855</u>	<u>2,060,612,939</u>	<u>610,051,971</u>	<u>-184,181,217</u>	<u>1,111,880,257</u>	<u>21,897,571,490</u>	<u>26,372,431,353</u>	<u>2,981,779,959</u>	<u>29,354,211,312</u>	

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

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

For the six months ended 30 June 2022

RMB

Items	For the six months ended 30 June 2021								
	Attributable to owners of the Company								
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Sub-total	Minority interests	Total shareholders' equity
Balance at 31 December 2020	2,096,599,855	1,943,538,052	610,051,971	-275,292,763	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
Balance at 1 January 2021	2,096,599,855	1,943,538,052	610,051,971	-275,292,763	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
Changes in the Reporting Period	-	60,716,913	-	-35,052,847	-	175,778,411	201,442,477	88,144,094	289,586,571
(i) Total comprehensive income	-	-	-	-35,052,847	-	2,438,324,279	2,403,271,432	220,281,286	2,623,552,718
(ii) Owners' contributions and reduction in capital	-	60,716,913	-	-	-	-	60,716,913	2,000,000	62,716,913
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	2,000,000	2,000,000
2. Share-based payments recognized in owners' equity	-	60,458,955	-	-	-	-	60,458,955	60,458,955	60,458,955
3. Others	-	257,958	-	-	-	-	257,958	257,958	257,958
(iii) Profit distribution	-	-	-	-	-	-2,262,545,868	-2,262,545,868	-134,137,192	-2,396,683,060
1. Distribution to shareholders	-	-	-	-	-	-2,262,545,868	-2,262,545,868	-134,137,192	-2,396,683,060
Balance at 30 June 2021	<u>2,096,599,855</u>	<u>2,004,254,965</u>	<u>610,051,971</u>	<u>-310,345,610</u>	<u>1,111,880,257</u>	<u>19,480,480,298</u>	<u>23,772,817,794</u>	<u>2,256,707,275</u>	<u>26,029,525,069</u>

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

RMB

Items	For the six months ended 30 June 2022						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 31 December 2021	2,096,599,855	2,429,495,032	610,051,971	30,331,199	1,111,880,257	8,364,839,311	13,423,093,683
Balance at 1 January 2022	2,096,599,855	2,429,495,032	610,051,971	30,331,199	1,111,880,257	8,364,839,311	13,423,093,683
Changes in the Reporting Period	-	12,037,333	-	-12,585,879	-	-993,594,833	-994,143,379
(i) Total comprehensive income	-	-	-	-12,585,879	-	1,101,355,045	1,088,769,166
(ii) Owners' contributions and reduction in capital	-	12,037,333	-	-	-	-	12,037,333
1. Share-based payments recognized in owners' equity	-	11,615,906	-	-	-	-	11,615,906
2. Others	-	421,427	-	-	-	-	421,427
(iii) Profit distribution	-	-	-	-	-	-2,094,949,878	-2,094,949,878
1. Distribution to shareholders	-	-	-	-	-	-2,094,949,878	-2,094,949,878
Balance at 30 June 2022	<u>2,096,599,855</u>	<u>2,441,532,365</u>	<u>610,051,971</u>	<u>17,745,320</u>	<u>1,111,880,257</u>	<u>7,371,244,478</u>	<u>12,428,950,304</u>

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

FINANCIAL STATEMENTS (UNAUDITED)

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

RMB

Items	Share capital	Capital reserve	For the six months ended 30 June 2021				Retained profits	Total shareholders' equity
			Treasury shares	Less: Other comprehensive income	Surplus reserve			
Balance at 31 December 2020	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423	
Balance at 1 January 2021	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423	
Changes in the Reporting Period	–	60,716,913	–	1,054,402	–	96,422,170	158,193,485	
(i) Total comprehensive income	–	–	–	1,054,402	–	2,358,968,038	2,360,022,440	
(ii) Owners' contributions and reduction in capital	–	60,716,913	–	–	–	–	60,716,913	
1. Share-based payments recognized in owners' equity	–	60,458,955	–	–	–	–	60,458,955	
2. Others	–	257,958	–	–	–	–	257,958	
(iii) Profit distribution	–	–	–	–	–	-2,262,545,868	-2,262,545,868	
1. Distribution to shareholders	–	–	–	–	–	-2,262,545,868	-2,262,545,868	
Balance at 30 June 2021	<u>2,096,599,855</u>	<u>2,402,598,249</u>	<u>610,051,971</u>	<u>14,816,548</u>	<u>1,111,880,257</u>	<u>7,467,022,970</u>	<u>12,482,865,908</u>	

The accompanying notes form part of the financial statements.

Legal Representative:
Li Yeqing

Chief Financial Officer:
Chen Qian

Head of Accounting Department:
Wu Xin

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

III. BASIC INFORMATION ABOUT THE COMPANY

1. Company profile

Huaxin Cement Co., Ltd. (the “Company”) is a limited company incorporated in the People’s Republic of China (the “PRC”). In 1994, as approved by Hubei Provincial People’s Government, the Company’s shares were listed on the Shanghai Stock Exchange. In 2006, as approved by the Ministry of Commerce of the PRC, the legal status of the Company was changed to a foreign-invested limited company. In April 2019, based on its total share capital of 1,497,571,325 shares at the end of 2018, the Company allotted shares from its capital surplus at 4 shares for every 10 shares, amounting to RMB599,028,530. As a result, the total shares of the Company increased to 2,096,599,855. On 28 March 2022, domestically listed foreign shares of the Company were listed on the SEHK by way of introduction. As of then, there were 1,361,879,855 domestically listed RMB ordinary shares (A Shares) and overseas listed foreign shares 734,720,000 (H Shares).

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

The Company’s consolidated financial statements were authorized for issue by the Company’s Board of Directors on 24 August 2022.

2. Scope of consolidated financial statements

Principal subsidiaries included in the scope of consolidation for this Reporting Period are listed in Note IX “Equity Interests in Other Entities”. For the detailed changes in the scope of consolidated financial statements for the Reporting Period, refer to Note VIII “Changes in Scope of Consolidation”.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group adopts the Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. Besides, the Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (Revised in 2014). In addition, the financial statements also include the relevant disclosures required by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and the Hong Kong Listing Rules.

2. Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 June 2022 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

3. Basis of accounting and principle of measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

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

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

1. Statement of compliance with the ASBEs

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises (“ASBEs”), and present truly and completely, the Company’s consolidated financial position as at 30 June 2022, and the Company’s consolidated results of operations, changes in shareholders’ equity and cash flows for half year then ended.

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control – *continued*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

6. Preparation of consolidated financial statements

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

6. Preparation of consolidated financial statements – *continued*

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

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

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

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

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

8. Recognition criteria of cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

9.1 *Transactions denominated in foreign currencies*

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

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

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

9.2 *Translation of financial statements denominated in foreign currencies*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments

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

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

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

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

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

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

10.1 Classification, recognition and measurement of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

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

10.1.1 Financial assets measured at amortized cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

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

10.1.3 *Financial assets designated as at FVTOCI*

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

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

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

10.2 *Impairment of financial instruments*

The Group recognizes loss allowance for financial assets classified as at amortized cost and financial assets at FVOCI based on expected credit loss (“ECL”).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.2 Impairment of financial instruments – *continued*

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

10.2.1 Significant increase in credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.2 Impairment of financial instruments – *continued*

10.2.1 Significant increase in credit risk – *continued*

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

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

10.2.2 Credit-impaired financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.2 Impairment of financial instruments – *continued*

10.2.3 Determination of ECL

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

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

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

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

10.2.4 Write-off of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.3 Transfer of financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.4 Classification of liabilities and equity

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

10.4.1 Classification and measurement of financial liabilities

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

10.4.1.1 Financial liabilities at FVTPL

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.4 Classification of liabilities and equity – *continued*

10.4.1 Classification and measurement of financial liabilities – *continued*

10.4.1.1 Financial liabilities at FVTPL – *continued*

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

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

10.4.2 Derecognition of financial liabilities

10.4.2.1 Other financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.4 Classification of liabilities and equity – *continued*

10.4.2 Derecognition of financial liabilities – *continued*

10.4.2.1 Other financial liabilities – *continued*

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

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

10.4.3 Equity instruments

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

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

10.5 Derivatives and embedded derivatives

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Financial instruments – *continued*

10.5 Derivatives and embedded derivatives – *continued*

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

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

10.6 Offsetting financial assets and financial liabilities

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

11. Financing with receivables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

12. Inventories

12.1 Categories of inventories

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

12.2 Valuation method of inventories upon delivery

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

12.3 Basis for determining net realizable value of inventories

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

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

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

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

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization method for spare parts and auxiliary materials

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

13. Contract assets

13.1 Methods and standards for the recognition of contract assets

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

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

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

14. Held-for-sale assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

15. Long-term equity investments

15.1 Criteria for determining joint control and significant influence

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

15.2 Determination of initial investment cost

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

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

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

15.3 Subsequent measurement and recognition of profit or loss

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

15. Long-term equity investments – *continued*

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

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

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

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

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

15.4 *Disposal of long-term equity investments*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

16. Fixed assets

(1) *Recognition criteria for fixed assets*

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

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

(2) *Depreciation method*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

16. Fixed assets – *continued*

(3) *Other explanations*

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

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

17. Construction in progress

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

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. If the assets eligible for capitalization are abnormally interrupted in the process of acquisition and construction or production, and the interruption continues for more than 3 months, the capitalization of borrowing costs shall be suspended until the acquisition and construction of assets or production activities restart. Other borrowing costs are recognized as expenses in the period in which they are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

19. Intangible assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

19. Intangible assets – *continued*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

20. Impairment of long-term assets

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

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

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

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

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

Except for impairment loss of assets related to contract costs, once the above impairment loss is recognized, it cannot be reversed in the subsequent accounting periods. After the provision for impairment of assets related to contract costs is made, if the factors of impairment in prior periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and recognized in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

21. Long-term prepaid expenses

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

22. Contract liabilities

Recognition method of contract liabilities

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

23. Employee benefits

(1) Accounting treatment of short-term benefits

Short-term benefits include wages, bonuses, allowances and subsidies, employee welfare, medical insurance, employment injury insurance, maternity insurance, housing provident fund, trade unions and education funds. Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs or relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized as liabilities, and recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

(2) Accounting treatment of post-employment benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

23. Employee benefits – *continued*

(2) *Accounting treatment of post-employment benefits – continued*

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

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

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

(3) *Accounting treatment of termination benefits*

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

Early retirement benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

24. Provisions

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

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

25. Share-based payments

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

25.1 Equity-settled share-based payments

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

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

25.2 Cash-settled share-based payments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

26. Preference shares, a perpetual bond and other financial instruments

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

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

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

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

27. Revenue

(1) *Accounting policies used for revenue recognition and measurement*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

27. Revenue – *continued*

(1) *Accounting policies used for revenue recognition and measurement – continued*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

27. Revenue – *continued*

(1) *Accounting policies used for revenue recognition and measurement – continued*

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

28. Contract cost

28.1 *Costs of obtaining a contract*

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

28.2 *Costs to fulfil a contract*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

29. Government grants

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

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

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

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

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

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

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

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

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

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

30. Deferred tax assets/Deferred tax liabilities

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

30.1 Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

30.2 *Deferred tax assets and deferred tax liabilities*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

30.3 Offsetting income tax

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

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

31. Leases

Determination of leases and accounting treatment under the New Lease Standards

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

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

31.1 The Group as a lessee

31.1.1 Separating components of a lease

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

31.1.2 Right-of-use assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

31. Leases – *continued*

Determination of leases and accounting treatment under the New Lease Standards – continued

31.1 The Group as a lessee – continued

31.1.2 Right-of-use assets – continued

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

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

31.1.3 Lease liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

31. Leases – *continued*

Determination of leases and accounting treatment under the New Lease Standards – continued

31.1 The Group as a lessee – continued

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

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

31.1.5 Lease modification

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

31. Leases – *continued*

Determination of leases and accounting treatment under the New Lease Standards – continued

31.2 The Group as a lessor

31.2.1 Classification of leases

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

31.2.1.1 The Group as a lessor under finance leases

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

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

31.2.2 Sale and leaseback transactions

The Group acts as the seller and lessee.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

32. Other significant accounting policies and accounting estimates

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

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

(1) Accounting estimate on impairment of goodwill

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

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

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

(2) Provision for ECL of accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

(3) *Deferred taxation*

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

(4) *Provisions – Mine restoration obligations*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

VI. TAXES

1. Major categories of taxes and tax rates

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

VI. TAXES – *continued*

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

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

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

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

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

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

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

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

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

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

2. Tax preferences

2.1 *Enterprise income tax*

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

The Group's subsidiary Huaxin Environmental Engineering Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2019. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2021: 15%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

VI. TAXES – *continued*

2. Tax preferences – *continued*

2.1 *Enterprise income tax – continued*

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., Huaxin Cement (Jianchuan) Co., Ltd. are manufacturing enterprises established in western development zone of the PRC. Pursuant to Cai Shui [2020] No. 23 Announcement on the Continuation of the Enterprise Income Tax Policy for Western China Development, the applicable enterprise income tax rate of these subsidiaries for the years from 2021 to 2030 is reduced to 15%.

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

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

2.2 *VAT*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	Closing balance	Opening balance
Cash on hand	867,689	604,954
Bank deposits	7,003,102,829	8,549,870,187
RMB	5,110,299,741	6,875,489,063
USD	1,755,186,518	1,560,923,365
Others	137,616,570	113,457,759
Other cash and bank balances	318,971,981	285,964,244
RMB	274,400,892	279,806,923
Others	44,571,089	6,157,321
Total	7,322,942,499	8,836,439,385
Including: Total amount deposited overseas	1,063,524,840	1,136,709,797

Note: As at 30 June 2022, other cash and bank balances include mine reclamation deposits of RMB106,625,519, letter of guarantee deposits of RMB18,856,419, notes and L/C deposits of RMB191,579,917, deposits of other nature of RMB1,910,124, totaling up to RMB318,971,979 (31 December 2021: RMB285,964,244). The restricted cash is not regarded as cash and cash equivalents in the preparation of the cash flow statements.

2. Held-for-trading financial assets

Item	Closing balance	Opening balance
Financial assets at FVTPL	100,040,273	711,964,323
Including: Monetary fund	—	706,243,178
Derivative financial asset — Interest rate swap (Note 1)	33,464,942	5,721,145
Short-term minority shareholdings in Zambia	66,575,331	—
Total	100,040,273	711,964,323

Other descriptions:

Note 1: The interest rate swap is issued by China Merchants Bank Co., Ltd. and HSBC Bank (China) Company Limited. The fair value of such interest rate swap is determined based on the notice of market value at 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

3. Notes receivable

(1) *Category of notes receivable*

	RMB	
Item	Closing balance	Opening balance
Bank acceptances	278,706,448	145,430,152
Total	278,706,448	145,430,152

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

	RMB
Item	Pledged amount
Bank acceptances	33,000,000
Total	33,000,000

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

	RMB	
Item	Derecognized amount	Non-derecognized amount
Bank acceptances	—	219,136,448
Total	—	219,136,448

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

4. Accounts receivable

(1) Disclosure by aging

		RMB	
Aging	Closing balance	Opening balance	
Within 1 year			
Within 6 months	1,120,247,537	778,062,044	
6–12 months	162,569,307	115,293,052	
Subtotal	1,282,816,844	893,355,096	
1–2 years	131,676,281	87,456,302	
2–3 years	24,764,064	29,814,904	
Over 3 years	107,430,041	110,183,790	
Total	<u>1,546,687,230</u>	<u>1,120,810,092</u>	

(2) Disclosure by provision methods for bad debt provision

		Closing balance				Opening balance				RMB	
Category	Account balance		Bad debt provision		Carrying amount	Account balance		Bad debt provision		Carrying amount	
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion of provision (%)	Amount	Proportion of provision (%)		
Receivables for which bad debt provision is assessed on an individual basis	97,367,601	6	85,424,426	88	11,943,175	81,626,344	7	70,549,689	86	11,076,455	
Receivables for which bad debt provision is assessed on a portfolio basis	1,449,319,629	94	123,822,471	9	1,325,497,158	1,039,183,748	93	93,680,051	9	945,503,697	
Including:											
Cement receivable	245,736,707	/	23,602,953	/	222,133,754	209,196,365	/	17,687,643	/	191,508,722	
	830,332,719	/	93,697,604	/	736,635,115	517,513,177	/	64,130,409	/	453,382,768	
	373,250,203	/	6,521,914	/	366,728,289	312,474,206	/	11,861,999	/	300,612,207	
Total	<u>1,546,687,230</u>	/	<u>209,246,897</u>	/	<u>1,337,440,333</u>	<u>1,120,810,092</u>	/	<u>164,229,940</u>	/	<u>956,580,152</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

4. Accounts receivable – *continued*

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

Receivables for which bad debt provision is individually assessed:

RMB

Name	Closing balance			Reasons for the provision
	Account balance	Bad debt provision	Proportion of provision (%)	
Client A	10,728,778	10,728,778	100	Recoverability
Client B	9,028,779	9,028,779	100	Recoverability
Client C	6,047,509	6,047,509	100	Recoverability
Client D	5,254,652	5,254,652	100	Recoverability
Client E	5,052,525	5,052,525	100	Recoverability
Others	61,255,358	49,312,183	81	Recoverability
Total	97,367,601	85,424,426	88	/

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

Category of cement receivable:

RMB

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
Within 6 months	213,429,801	10,671,490	5
6-12 months	14,106,581	1,692,790	12
1-2 years	7,987,086	2,715,609	34
2-3 years	2,438,121	1,292,204	53
Over 3 years	7,775,118	7,230,860	93
Total	245,736,707	23,602,953	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

4. Accounts receivable – *continued*

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

Category of concrete receivable:

RMB

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
Within 6 months	568,012,490	34,080,749	6
6–12 months	127,681,698	10,214,536	8
1–2 years	91,733,069	22,933,267	24
2–3 years	17,843,889	7,672,872	43
Over 3 years	25,061,573	18,796,180	75
Total	<u>830,332,719</u>	<u>93,697,604</u>	

Item: Category of other business receivables

RMB

Name	Closing balance		Expected average loss rate(%)
	Accounts receivable	Bad debt provision	
Within 6 months	312,764,887	–	–
6–12 months	20,781,027	–	–
1–2 years	31,173,667	1,870,420	6
2–3 years	4,182,055	1,129,155	27
Over 3 years	4,348,567	3,522,339	81
Total	<u>373,250,203</u>	<u>6,521,914</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

4. Accounts receivable – *continued*

(3) *Bad debt provision*

RMB

Category	Opening balance	Provision	Changes for the period		Write-off or elimination	Closing balance
			Others	Recovery or reversal		
Bad debt provision for accounts receivable	164,229,940	47,556,406	2,225,028	3,858,536	905,941	209,246,897
Total	3,858,536	905,941	209,246,897	3,858,536	905,941	209,246,897

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

RMB

Item	Write-off Amount
Accounts receivable written off	905,941

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

Name	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Client F	60,280,118	4	193,694
Client G	31,206,493	2	355,655
Client H	22,273,206	1	1,776,603
Client I	16,374,274	1	189,588
Client J	16,315,351	1	290,674
Total	146,449,442	9	2,806,214

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

5. Financing with receivables

(1) *Classification of financing with receivables*

	RMB	
Item	Closing balance	Opening balance
Bank acceptances	379,930,781	761,050,910
Total	<u>379,930,781</u>	<u>761,050,910</u>

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

	RMB
Item	Pledged amount
Bank acceptances	<u>68,400,000</u>

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

	RMB	
Item	Derecognized amount	Non-derecognized Amount
Bank acceptances — Endorsed but not yet expired as at the balance sheet date	<u>1,653,752,675</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

6. Prepayments

(1) *Aging analysis of prepayments is as follows:*

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	491,198,801	93	310,032,064	91
1-2 years	26,746,332	5	17,752,017	5
2-3 years	2,166,237	0	5,710,334	2
Over 3 years	8,880,828	2	5,821,504	2
Total	<u>528,992,198</u>	<u>100</u>	<u>339,315,919</u>	<u>100</u>

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

RMB

Name of supplier	Balance	% of total balance
Supplier A	49,039,854	9
Supplier B	34,182,884	6
Supplier C	32,143,215	6
Supplier D	16,443,425	3
Supplier E	15,844,244	3
Total	<u>147,653,622</u>	<u>27</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

7. Other receivables

7.1 Summary of other receivables

	RMB	
Item	Closing balance	Opening balance
Interest receivable	728,130	89,797
Other receivables	<u>421,989,914</u>	<u>355,923,554</u>
Total	<u><u>422,718,044</u></u>	<u><u>356,013,351</u></u>

7.2 Other receivables

(1) Disclosure by aging

	RMB	
Aging	Closing balance	Opening balance
Within 1 year	246,635,672	216,367,313
Subtotal	246,635,672	216,367,313
1–2 years	53,946,533	66,978,428
2–3 years	50,331,298	24,177,479
Over 3 years	173,756,084	151,676,991
Provision for impairment of credit	<u>-102,679,673</u>	<u>-103,276,657</u>
Total	<u><u>421,989,914</u></u>	<u><u>355,923,554</u></u>

(2) Disclosure of other receivables by categories

	RMB	
Nature	Closing balance	Opening balance
Margin and deposits	234,977,342	242,244,482
Loans and out-of-pocket expenses	195,791,392	156,304,682
Petty cash	10,014,559	5,246,136
Others	<u>83,886,294</u>	<u>55,404,911</u>
Total	<u><u>524,669,587</u></u>	<u><u>459,200,211</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

7. Other receivables – *continued*

7.2 Other receivables – *continued*

(3) Bad debt provision

RMB

Category	Opening balance	Changes for the period			Closing balance
		Provision	Recovery or reversal	Write-off or elimination	
Bad debt provision for other receivables	103,276,657	191,342	463,255	325,071	102,679,673
Total	103,276,657	191,342	463,255	325,071	102,679,673

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

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of ECL provision
Client K	Government loans	38,927,223	Over 3 years	7	38,927,223
Client L	Security deposit	36,000,000	Within 1 year	7	—
Client M	Inter-company loans	27,027,341	Over 3 years	5	27,027,341
Client N	Security deposit	27,000,000	Within 1 year, 1–2 years	5	—
Client O	Inter-company loans	20,450,000	Within 1 year, 1–2 years	4	—
Total	/	149,404,564	/	28	65,954,564

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

8. Inventories

(1) *Category of inventories*

RMB

Item	Closing balance			Opening balance		
	Account balance	Provision for decline in value of inventories	Carrying amount	Account balance	Provision for decline in value of inventories	Carrying amount
Raw materials	1,461,343,996	243,924	1,461,100,072	1,432,137,430	993,556	1,431,143,874
Work in progress	959,761,517	165,122	959,596,395	686,837,591	165,122	686,672,469
Finished goods	842,757,296	–	842,757,296	848,804,135	–	848,804,135
Spare parts	719,897,280	102,689,329	617,207,951	668,625,712	93,291,516	575,334,196
Total	<u>3,983,760,089</u>	<u>103,098,375</u>	<u>3,880,661,714</u>	<u>3,636,404,868</u>	<u>94,450,194</u>	<u>3,541,954,674</u>

(2) *Provision for decline in value of inventories and provision for decline in contract performance cost*

Item	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or Write-off	Others	
Raw materials	993,556	–	–	-749,632	–	243,924
Work in progress	165,122	–	–	–	–	165,122
Spare parts	93,291,516	9,862,447	1,754,512	-2,219,146	–	102,689,329
Total	<u>94,450,194</u>	<u>9,862,447</u>	<u>1,754,512</u>	<u>-2,968,778</u>	<u>–</u>	<u>103,098,375</u>

9. Other current assets

Item	Closing balance	Opening balance
Retained input VAT	519,407,744	443,522,238
Prepaid income tax	853,980	8,986,820
Payments related to equity merger and acquisition	17,787,515	16,897,795
Others	63,297,454	8,560,858
Total	<u>601,346,693</u>	<u>477,967,711</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

10. Long-term equity investments

Investee	Opening balance	Changes for the period			Closing balance
		Investment income or loss recognized under the equity method	Other equity changes	Others	
I. Joint venture					
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	72,779,017	-2,937,060	—	-69,841,957	—
Subtotal	72,779,017	-2,937,060	—	-69,841,957	—
II. Associates					
Tibet High-tech Building Materials Group Co., Ltd.	356,957,328	-2,820,188	421,427	—	354,558,567
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,158,921	-1,372,868	—	—	90,786,053
Zhangjiajie Tianzi Concrete Co., Ltd.	1,672,605	1,977,643	—	—	3,650,248
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	1,014,805	—	—	1,059,805
Subtotal	450,833,854	-1,200,609	421,427	—	450,054,672
Total	523,612,871	-4,137,669	421,427	-69,841,957	450,054,672

In March, 2022, according to the newly revised articles of association of Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd., it was included in the scope of the Group's merger.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

11. Other equity instrument investments

(1) *Other equity instrument investments*

RMB

Items	Closing balance	Opening balance
Equity investment in unlisted companies 1	39,085,894	55,867,066
Equity investment in unlisted companies 2	2,775,600	2,775,600
Less: Impairment provision for equity investment in unlisted companies 2	<u>-2,775,600</u>	<u>-2,775,600</u>
Total	<u><u>39,085,894</u></u>	<u><u>55,867,066</u></u>

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

RMB

Item	Dividend income recognized for the year	Accumulated gains	Accumulated losses	Amount of retained earnings transferred from other comprehensive income	Reasons for the transfer
				-	
Equity instrument investments	—	27,361,228	-2,775,600	—	/
Total	<u>—</u>	<u>27,361,228</u>	<u>-2,775,600</u>	<u>—</u>	<u>/</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

12. Other non-current financial assets

	RMB	
Item	Closing balance	Opening balance
Investment in equity instruments (Note)	<u>24,997,582</u>	<u>26,343,260</u>
Total	<u><u>24,997,582</u></u>	<u><u>26,343,260</u></u>

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

13. Fixed assets

13.1 Summary of fixed assets

	RMB	
Item	Closing balance	Opening balance
Fixed assets	<u>22,098,619,088</u>	<u>21,326,030,410</u>
Disposal of fixed assets	<u>—</u>	<u>—</u>
Total	<u><u>22,098,619,088</u></u>	<u><u>21,326,030,410</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

13. Fixed assets – *continued*

13.1 Summary of fixed assets – *continued*

(1) Fixed assets

Items					RMB
	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Cost					
1. Opening balance	16,548,660,053	20,769,239,142	315,616,646	482,425,363	38,115,941,204
2. Addition	816,429,889	974,196,979	6,206,077	28,118,732	1,824,951,677
(1) Purchase	–	65,360,718	1,315,998	6,426,669	73,103,385
(2) Transferred from construction in progress	612,686,953	743,156,986	3,821,396	986,398	1,360,651,733
(3) Increase due to business combination	76,426,919	54,025,570	397,139	762,095	131,611,723
(4) Translation differences of financial statements denominated in foreign currencies	127,316,017	111,653,705	671,544	19,943,570	259,584,836
3. Reduction	5,039,269	52,070,825	17,644,533	8,642,032	83,396,659
(1) Disposal or retirement	5,039,269	52,070,825	17,644,533	8,642,032	83,396,659
4. Closing balance	<u>17,360,050,673</u>	<u>21,691,365,296</u>	<u>304,178,190</u>	<u>501,902,063</u>	<u>39,857,496,222</u>
II. Accumulated depreciation					
1. Opening balance	4,578,862,529	11,169,905,685	230,146,597	338,001,193	16,316,916,004
2. Addition	302,810,757	667,013,102	12,038,859	42,599,850	1,024,462,568
(1) Provision	279,734,386	580,560,171	11,184,531	27,147,555	898,626,643
(2) Increase due to business combination	1,967,124	3,975,572	101,089	496,297	6,540,082
(3) Translation differences of financial statements denominated in foreign currencies	21,109,247	82,477,359	753,239	14,955,998	119,295,843
3. Reduction	1,058,922	31,873,965	15,193,085	7,360,932	55,486,904
(1) Disposal or retirement	1,058,922	31,873,965	15,193,085	7,360,932	55,486,904
4. Closing balance	<u>4,880,614,364</u>	<u>11,805,044,822</u>	<u>226,992,371</u>	<u>373,240,111</u>	<u>17,285,891,668</u>
III. Provision for impairment losses					
1. Opening balance	282,613,594	189,851,200	270,867	259,129	472,994,790
2. Addition	–	–	–	–	–
(1) Provision	–	–	–	–	–
3. Reduction	–	9,324	–	–	9,324
(1) Disposal or retirement	–	9,324	–	–	9,324
4. Closing balance	<u>282,613,594</u>	<u>189,841,876</u>	<u>270,867</u>	<u>259,129</u>	<u>472,985,466</u>
IV. Net book value					
1. Closing balance	12,196,822,715	9,696,478,598	76,914,952	128,402,823	22,098,619,088
2. Opening balance	<u>11,687,183,930</u>	<u>9,409,482,257</u>	<u>85,199,182</u>	<u>144,165,041</u>	<u>21,326,030,410</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

13. Fixed assets – *continued*

13.1 Summary of fixed assets – *continued*

(1) *Fixed assets – continued*

As at 30 June 2022, buildings and machinery and equipment with carrying amount of RMB5,171,715 (cost of RMB8,083,098) (31 December 2021: carrying amount of RMB5,413,440 and cost of RMB8,083,098) are treated as the collateral for short-term borrowings. Details are set out in Note VII (20).

(2) *Fixed assets leased under finance lease*

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

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

	RMB
Item	Closing balance
Concrete batching plant	14,263,437

14. Construction in progress

14.1 Categories

Item	Closing balance	Opening balance
Construction in progress	5,672,066,962	4,105,013,692
Materials for construction of fixed assets	138,738,904	94,127,350
Total	<u>5,810,805,866</u>	<u>4,199,141,042</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

14. Construction in progress – *continued*

14.1 Categories – *continued*

(1) Details of construction in progress are as follows

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	1,164,319,928	–	1,164,319,928	442,275,269	–	442,275,269
Huaxin Aggregate Series Project	477,031,429	–	477,031,429	273,695,791	–	273,695,791
Huaxin Integrated Series Project	460,596,857	–	460,596,857	331,401,489	–	331,401,489
Fuchi Terminal Project	367,833,764	–	367,833,764	201,924,785	–	201,924,785
Series Project of Huaxin Industrial Park	287,236,457	–	287,236,457	257,438,184	–	257,438,184
Huangshi Cement Production Line and Supporting Project	241,708,303	–	241,708,303	66,645,129	–	66,645,129
Huaxin Environmental Engineering Series	237,482,762	–	237,482,762	224,306,573	–	224,306,573
Huaxin Packaging Series Project	117,561,668	–	117,561,668	185,514,315	–	185,514,315
Chibi Phase 2 Project	111,947,208	–	111,947,208	–	–	–
Honghe Building Stone Materials Project	94,602,784	–	94,602,784	39,162,962	–	39,162,962
Enshi Green Building Materials Ecological Industrial Park	78,842,482	–	78,842,482	1,002,678	–	1,002,678
Huaxin Vertical Mill Renovation Project	67,034,482	–	67,034,482	65,013,778	–	65,013,778
Wuxue Terminal Reconstruction Project	60,344,477	–	60,344,477	26,666,670	–	26,666,670
Wuxue Machine-made Sand Project	58,990,435	–	58,990,435	–	–	–
Maweni 1# Production Line Transformation	244,314,000	–	244,314,000	10,040,949	–	10,040,949
Others	1,613,717,466	11,497,539	1,602,219,927	1,989,297,486	9,372,365	1,979,925,121
Total	5,683,564,501	11,497,539	5,672,066,962	4,114,386,057	9,372,365	4,105,013,692

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

14. Construction in progress – *continued*

14.1 Categories – *continued*

(2) *Movements of significant construction in progress*

RMB

Project Name	Budget	Opening balance	Addition	Transfer to fixed assets	Other reductions	Closing balance	Accumulated costs incurred out of budget (%)	Construction progress	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	9,957,000,000	442,275,269	722,044,659	–	–	1,164,319,928	37	37	19,583,308	13,503,177	–	Self-owned funds and bank borrowings
Huaxin Aggregate Series Project	2,671,352,800	273,695,791	250,965,602	–	47,629,963	477,031,429	N/A	N/A	13,965,486	2,996,500	–	Self-owned funds and bank borrowings
Huaxin Integrated Series Project	1,531,673,300	331,401,489	331,896,348	201,999,405	701,575	460,596,857	N/A	N/A	–	–	–	Self-owned funds
Fuchi Terminal Project	404,497,350	201,924,785	165,908,979	–	–	367,833,764	91	91	–	–	–	Self-owned funds
Series Project of Huaxin Industrial Park	537,292,200	257,438,184	29,798,273	–	–	287,236,457	N/A	N/A	–	–	–	Self-owned funds
Huangshi Cement Production Line and Supporting Project	2,208,039,800	66,645,129	176,585,850	–	1,522,676	241,708,303	11	11	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series	1,530,196,542	224,306,573	94,307,551	79,279,096	1,852,265	237,482,762	N/A	N/A	–	–	–	Self-owned funds
Huaxin Packaging Series Project	404,034,700	185,514,315	42,195,633	110,148,280	–	117,561,668	N/A	N/A	–	–	–	Self-owned funds
Chibi Phase 2 Project	336,895,900	–	111,947,208	–	–	111,947,208	33	33	–	–	–	Self-owned funds
Honghe Building Stone Materials Project	102,957,000	39,162,962	55,439,822	–	–	94,602,784	92	92	–	–	–	Self-owned funds
Enshi Green Building Materials Ecological Industrial Park	81,530,000	1,002,678	77,839,804	–	–	78,842,482	97	97	–	–	–	Self-owned funds
Huaxin Vertical Mill Renovation Project	309,373,940	65,013,778	2,528,838	508,133	–	67,034,482	N/A	N/A	–	–	–	Self-owned funds
Wuxue Terminal Reconstruction Project	96,000,000	26,666,670	33,677,807	–	–	60,344,477	63	63	–	–	–	Self-owned funds
Wuxue Machine-made Sand Project	974,452,400	–	58,990,435	–	–	58,990,435	6	6	–	–	–	Self-owned funds
Maweni 1# Production Line Transformation	244,314,000	10,040,949	234,273,051	–	–	244,314,000	100	100	–	–	–	Self-owned funds
Others	11,396,540,270	1,979,925,120	659,436,505	968,716,820	68,424,882	1,602,219,927	N/A	N/A	13,454,553	1,916,651	–	Self-owned funds and bank borrowings
Total	32,786,150,202	4,105,013,692	3,047,836,365	1,360,651,734	120,131,361	5,672,066,962	/	/	47,003,347	18,416,328	/	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

14. Construction in progress – *continued*

14.1 Categories – *continued*

(2) *Movements of significant construction in progress – continued*

Materials for construction of fixed assets

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Special equipment	<u>138,738,904</u>	<u>–</u>	<u>138,738,904</u>	94,127,350	–	94,127,350
Total	<u>138,738,904</u>	<u>–</u>	<u>138,738,904</u>	<u>94,127,350</u>	<u>–</u>	<u>94,127,350</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

15. Right-of-use assets

Item	Land use right	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	Total
I. Cost					
1. Opening balance	125,116,788	106,996,215	75,671,463	231,522	308,015,988
2. Addition	46,754,320	47,155,087	167,993,681	12,190	261,915,278
(1) Rent	45,729,210	47,121,524	167,993,681	—	260,844,414
(2) Translation differences of financial statements denominated in foreign currencies	1,025,110	33,563	—	12,190	1,070,863
3. Reduction	—	257,101	—	—	257,101
(1) Disposal	—	257,101	—	—	257,101
4. Closing balance	<u>171,871,108</u>	<u>153,894,201</u>	<u>243,665,144</u>	<u>243,712</u>	<u>569,674,165</u>
II. Accumulated depreciation					
1. Opening balance	17,610,936	14,946,789	2,143,673	123,328	34,824,726
2. Addition	12,360,156	11,371,296	9,609,422	71,405	33,412,279
(1) Provision	12,210,998	11,337,876	9,609,422	64,911	33,223,207
(2) Translation differences of financial statements denominated in foreign currencies	149,158	33,420	—	6,494	189,072
3. Reduction	—	135,849	—	—	135,849
(1) Disposal	—	135,849	—	—	135,849
4. Closing balance	<u>29,971,092</u>	<u>26,182,236</u>	<u>11,753,095</u>	<u>194,733</u>	<u>68,101,156</u>
III. Provision for impairment losses					
1. Opening balance	—	—	—	—	—
2. Addition	—	—	—	—	—
3. Reduction	—	—	—	—	—
4. Closing balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
IV. Net book value					
1. Closing balance	141,900,016	127,711,965	231,912,049	48,979	501,573,009
2. Opening balance	<u>107,505,852</u>	<u>92,049,426</u>	<u>73,527,790</u>	<u>108,194</u>	<u>273,191,262</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

16. Intangible assets

(1) *Intangible assets*

Items	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Cost						
1. Opening balance	3,234,870,985	4,690,994,523	440,017,995	168,200,597	290,143,622	8,824,227,722
2. Addition	81,812,288	1,828,291,610	66,513,451	1,417,796	9,906,271	1,987,941,416
(1) Purchase	2,601,650	1,742,345,020	66,497,974	1,417,796	2,045,172	1,814,907,612
(2) Transfer from construction in progress	42,896,509	45,893,604	—	—	4,855,466	93,645,579
(3) Increase due to business combination	30,957,962	7,235,500	—	—	—	38,193,462
(4) Translation differences of financial statements denominated in foreign currencies	5,356,167	32,817,486	15,477	—	3,005,633	41,194,763
3. Reduction	—	—	—	—	—	—
(1) Disposals	—	—	—	—	—	—
4. Closing balance	<u>3,316,683,273</u>	<u>6,519,286,133</u>	<u>506,531,446</u>	<u>169,618,393</u>	<u>300,049,893</u>	<u>10,812,169,138</u>
II. Accumulated amortization						
1. Opening balance	533,900,252	520,022,949	101,435,289	48,867,111	218,512,707	1,422,738,308
2. Addition	36,851,000	159,666,392	22,878,938	7,429,798	15,134,292	241,960,420
(1) Provision	36,021,475	150,888,701	22,878,938	7,429,798	14,583,638	231,802,550
(2) Increase due to business combination	789,129	7,235,500	—	—	—	8,024,629
(3) Translation differences of financial statements denominated in foreign currencies	40,396	1,542,191	—	—	550,654	2,133,241
3. Reduction	—	—	—	—	—	—
(1) Disposals	—	—	—	—	—	—
4. Closing balance	<u>570,751,252</u>	<u>679,689,341</u>	<u>124,314,227</u>	<u>56,296,909</u>	<u>233,646,999</u>	<u>1,664,698,728</u>
III. Impairment provision						
1. Opening balance	—	23,524,969	—	—	—	23,524,969
2. Closing balance	—	23,524,969	—	—	—	23,524,969
IV. Net book value						
1. Closing balance	<u>2,745,932,021</u>	<u>5,816,071,823</u>	<u>382,217,219</u>	<u>113,321,484</u>	<u>66,402,894</u>	<u>9,123,945,441</u>
2. Opening balance	<u>2,700,970,733</u>	<u>4,147,446,605</u>	<u>338,582,706</u>	<u>119,333,486</u>	<u>71,630,915</u>	<u>7,377,964,445</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

16. Intangible assets – *continued*

(1) *Intangible assets – continued*

As at 30 June 2022, the mining rights with carrying amount of RMB4,940,294 (31 December 2021: 5,006,725 · cost of RMB5,338,700) are treated as collaterals for long-term borrowings. Details are set out in Note VII (28). The land use rights with carrying amount of RMB5,995,382 (31 December 2021: RMB6,081,854, cost of RMB8,497,487) are treated as collaterals for short-term borrowings. Details are set out in Note VII (20).

17. Goodwill

(1) *Original carrying amount of goodwill*

Name of investee or matters that form goodwill	Opening balance	Addition Goodwill arising from business combinations	Reduction Goodwill arising from deregistration subsidiaries	Closing balance
Huaxin Cement (Daye) Co., Ltd.	189,057,605	–	–	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	–	–	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	–	–	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	–	–	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	–	–	21,492,135
NETNIX LIMITED	59,573,587	–	–	59,573,587
Hainan Xinhongda Building Materials Co., Ltd. (Note)	79,313,263	–	–	79,313,263
CHILANGA Cement PLC	87,794,908	–	–	87,794,908
Total	<u>734,242,872</u>	<u>–</u>	<u>–</u>	<u>734,242,872</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

17. Goodwill – *continued*

(2) *Provision for impairment of goodwill*

Name of investee or matters that form goodwill	Opening balance	Addition Provision	Reduction Disposal	Closing balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	—	—	—	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	—	21,492,135
Total	91,049,903	—	—	91,049,903

18. Long-term prepaid expenses

Item	Opening balance	Addition	Amortization	Closing balance
Mine development cost	151,825,622	264,151	12,616,046	139,473,727
Relocation expenses	379,876,305	—	18,457,707	361,418,598
Others	50,370,741	—	5,905,676	44,465,065
Total	582,072,668	264,151	36,979,429	545,357,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

19. Deferred tax assets/Deferred tax liabilities

(1) *Deferred tax assets before offsetting*

Item	Closing balance		Opening balance	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Provision for impairment of assets	295,090,636	58,855,585	285,744,541	56,807,159
Difference between the fair value and the tax cost of identifiable assets of business combination	605,161,887	180,556,833	674,478,253	198,170,844
Temporary differences arising from expense recognition	415,371,954	93,384,017	337,565,031	72,492,287
Unrealized profit arising from elimination of intra-group transactions	225,965,802	56,316,901	241,873,428	60,468,357
Deductible tax losses	98,029,182	23,558,139	58,883,882	14,720,970
Provision for staff welfare	108,159,213	24,114,357	106,232,320	23,754,973
Others	5,708,715	1,339,102	14,856,758	3,714,191
Total	<u>1,753,487,389</u>	<u>438,124,934</u>	<u>1,719,634,213</u>	<u>430,128,781</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

(2) *Deferred tax liabilities before offsetting*

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Capitalization of interest on general borrowings	63,490,648	15,872,662	67,452,481	16,863,120
Changes in fair value of other equity instrument investments	27,361,227	6,840,307	44,142,400	11,035,600
Changes in fair value of other non-current assets	21,135,857	5,283,964	22,481,535	5,620,384
Valuation appreciation on assets in business combination not involving enterprises under common control	1,396,858,947	351,938,444	1,329,087,206	338,602,693
Depreciation difference of fixed assets between accounting and tax basis	878,168,251	199,713,367	841,082,137	200,064,065
Others	137,956,154	17,934,299	153,553,771	20,273,943
Total	<u>2,524,971,084</u>	<u>597,583,043</u>	<u>2,457,799,530</u>	<u>592,459,805</u>

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

Item	The amount offset at the end of the year	Deferred tax assets or liabilities after offsetting at the end of the year	The amount offset at the beginning of the year	Deferred tax assets or liabilities after offsetting at the beginning of the year
Deferred tax assets	15,062,750	423,062,184	19,594,463	410,534,318
Deferred tax liabilities	15,062,750	582,520,293	19,594,463	572,865,342

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

(4) *Deferred tax assets are not recognized for the following deductible temporary differences and deductible tax losses*

Items	Closing balance	Opening balance
Deductible temporary differences	2,695,214,929	2,666,417,453
Deductible tax losses	701,079,895	734,751,915
Total	3,396,294,824	3,401,169,368

(5) *The deductible tax losses which are not recognized as deferred tax assets will expire in the following years*

Year	Closing balance	Opening balance
2022	40,304,190	92,749,520
2023	77,805,741	82,173,463
2024	55,549,260	102,730,946
2025	128,499,687	140,122,291
2026	284,261,600	297,033,457
2027	114,659,417	—
2029	—	8,523,591
2030	—	11,418,647
Total	701,079,895	734,751,915

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

20. Short-term borrowings

Category of short-term borrowings

Item	Closing balance	Opening balance
Mortgaged bank borrowings	13,000,000	13,000,000
Unsecured bank borrowings	722,709,769	629,946,608
Total	735,709,769	642,946,608

Notes to category of short-term borrowings:

Note 1: As at 30 June 2022, part of buildings, machinery and equipment (Note VII (13)) and land use rights (Note VII (16)) of the Group were mortgaged for the borrowings of RMB13,000,000 (31 December 2021: RMB13,000,000).

Note 2: As at 30 June 2022, unsecured bank borrowings included RMB390,000,000 (31 December 2021: RMB629,946,608) guaranteed by the Company for its subsidiaries within the Group.

As at 30 June 2022, the interest rate of short-term borrowings ranges from 1.7% to 3.85% per annum (31 December 2021: from 1.8% to 4.35% per annum).

21. Notes payable

Category	Closing balance	Opening balance
Commercial acceptances notes	123,345,587	54,778,080
Bank acceptances notes	544,219,601	616,215,002
Total	667,565,188	670,993,082

At the end of the Reporting Period, the total amount of notes payable due but unpaid is RMB0.

22. Accounts payable

(1) Disclosure by categories

Item	Closing balance	Opening balance
Payables for construction and equipment	2,913,391,163	2,340,144,973
Payables for production	4,433,475,590	4,772,157,382
Total	7,346,866,753	7,112,302,355

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

22. Accounts payable – *continued*

(2) *Significant accounts payable aged over one year*

Item	Closing balance	Reasons for being outstanding or carried forward
Payables for construction and equipment	277,060,417	The main project etc. has not been settled
Payables for production	136,517,388	The bill has not been cleared yet
Total	413,577,805	/

(3) *Disclosure by aging*

Aging	Closing balance	Opening balance
Within 1 year	6,286,700,902	6,238,836,617
1–2 years	649,987,451	503,909,807
2–3 years	244,748,434	214,470,142
Over 3 years	165,429,966	155,085,789
Total	7,346,866,753	7,112,302,355

23. Contract liabilities

(1) *Contract liabilities*

Item	Closing balance	Opening balance
Advance from customers	769,353,649	847,443,693
Total	769,353,649	847,443,693

(2) *Notes:*

Contract liabilities is mainly the advances payment collected by the Group in accordance with the sales contract of building materials, and the relevant income of the contract will be recognized after the Group performs its performance obligations.

The amount of revenue realized from contract liabilities at the beginning of the period is RMB740,165,751.

The contract liabilities on 30 June 2022 are expected to be recognized as revenue within 1 year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

24. Employee benefits payable

(1) *Disclosure of employee benefits payable*

Item	Opening balance	Addition	Reduction	Closing balance
I. Short-term benefits	279,930,965	1,293,777,790	1,386,490,233	187,218,522
II. Defined contribution plan	6,775,843	134,139,796	134,012,400	6,903,239
III. Termination benefits	—	—	—	—
IV. Long-term employee benefits payable within one year	122,385,197	—	51,649,612	70,735,585
Total	<u>409,092,005</u>	<u>1,427,917,586</u>	<u>1,572,152,245</u>	<u>264,857,346</u>

(2) *Disclosure of short-term benefits*

Item	Opening balance	Addition	Reduction	Closing balance
I. Salaries or wages, bonuses and allowances	241,706,346	933,797,370	1,044,972,871	130,530,845
II. Staff welfare	7,354,011	139,393,466	138,808,479	7,938,998
III. Social insurance	4,238,003	107,863,286	93,270,111	18,831,178
Including: Medical insurance	3,735,936	99,514,211	84,921,317	18,328,830
Injury insurance	417,089	8,132,531	8,092,044	457,576
Maternity insurance	84,978	216,544	256,750	44,772
IV. Housing funds	1,321,347	73,553,382	73,842,614	1,032,115
V. Labor union funds and employee education fee	25,311,258	39,170,286	35,596,158	28,885,386
Total	<u>279,930,965</u>	<u>1,293,777,790</u>	<u>1,386,490,233</u>	<u>187,218,522</u>

(3) *Defined contribution plan*

Item	Opening balance	Addition	Reduction	Closing balance
I. Basic pension insurance	6,397,076	129,091,112	129,101,550	6,386,638
II. Unemployment insurance	378,767	5,048,684	4,910,850	516,601
Total	<u>6,775,843</u>	<u>134,139,796</u>	<u>134,012,400</u>	<u>6,903,239</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

25. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	241,832,416	561,530,002
VAT	206,538,412	208,921,084
Resource tax	19,411,027	27,475,802
Environmental tax	20,403,188	25,061,630
Individual income tax	27,961,045	7,211,063
Others	67,620,843	230,716,886
Total	<u>583,766,931</u>	<u>1,060,916,467</u>

26. Other payables

Summary of other payables

Item	Closing balance	Opening balance
Interest payable	53,735,763	34,819,098
Dividends payable	820,140,317	58,154,514
Other payables	786,755,763	663,221,058
Total	<u>1,660,631,843</u>	<u>756,194,670</u>

Interest payable

Item	Closing balance	Opening balance
Interest on long-term borrowings	4,422,989	12,026,749
Interest on corporate bonds	46,611,959	21,730,154
Interest on short-term borrowings	2,700,815	1,062,195
Total	<u>53,735,763</u>	<u>34,819,098</u>

Dividends payable

Item	Closing balance	Opening balance
Dividends of ordinary shares	783,445,001	42,566,956
Dividends attributable to minority shareholders of CHILANGA Cement PLC	15,695,316	15,587,558
Dividends payable – Shannan Changsheng Highway and Bridge Construction Co., Ltd	21,000,000	—
Total	<u>820,140,317</u>	<u>58,154,514</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

26. Other payables – *continued*

Other payables

(1) *Details of other payables*

Item	Closing balance	Opening balance
Payables for acquisition of equity interests	183,367,631	156,569,856
Amounts due to minority interests	187,986,617	177,377,150
Margin and deposits	271,424,492	221,364,624
Collected or paid for others	31,709,960	6,489,388
Borrowings from government	5,000,000	5,000,000
Others	107,267,063	96,420,040
Total	<u>786,755,763</u>	<u>663,221,058</u>

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

Item	Closing balance	Reasons for being outstanding or carried forward
Amounts due to minority interests	157,377,150	Repayment time has not been agreed
Payables for acquisition of equity interests	145,732,821	Payment criteria is not met
Total	<u>303,109,971</u>	/

27. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,640,384,670	850,880,229
Bonds payable due within one year	—	—
Long-term payables due within one year	408,716,452	329,070,334
Lease liabilities within one year	104,485,649	33,699,621
Total	<u>2,153,586,771</u>	<u>1,213,650,184</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

28. Long-term borrowings

(1) *Categories of long-term borrowings*

Item	Closing balance	Opening balance
Unsecured bank borrowings	7,554,142,908	5,524,806,828
Pledged bank borrowings	306,850,000	403,280,000
Mortgaged bank borrowings	5,197,600	4,717,907
Guaranteed bank borrowings		
Long-term borrowings due within one year :		
Unsecured bank borrowings	-1,515,629,670	-728,020,229
Pledged bank borrowings	-122,860,000	-122,860,000
Mortgaged bank borrowings	-1,895,000	—
 Total	 <u>6,225,805,838</u>	 <u>5,081,924,506</u>

Notes to category of long-term borrowings:

- Note 1: As at 30 June 2022, unsecured bank borrowings of RMB7,554,142,908 include long-term borrowings of RMB4,758,983,36 guaranteed by the Company for subsidiaries of the Group and dollar loans equivalent to RMB1,243,159,548 (31 December 2021: Bank borrowings on credit of RMB5,524,806,828 include long-term borrowings of RMB2,961,113,856 and borrowings in USD equivalent to RMB1,343,692,971). Such unsecured bank borrowings shall be repaid in batches during the period from 2022 to 2030.
- Note 2: As at 30 June 2022, pledged assets for pledged borrowings of RMB306,850,000 (31 December 2021: RMB403,280,000) are equity of the Group's certain subsidiaries. Such pledged borrowings shall be repaid in batches during the period from 2022 to 2025.
- Note 3: As at 30 June 2022, mining rights of a subsidiary (Note VII (16)) are mortgaged for the long-term borrowing of RMB5,197,598 (31 December 2021: 4,717,907). Such mortgaged borrowings shall be repaid in 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

29. Bonds payable

(1) *Bonds payable*

Items	Closing balance	Opening balance
Overseas bond issued in 2020	2,003,486,734	1,901,938,824
Bonds issued to professional investors in 2021 (Phase I)	1,298,211,200	1,297,795,200
Preference shares of subsidiary (Note 1)	134,588,821	128,126,596
Total	3,436,286,755	3,327,860,620

Note 1: In August 2021, the Group's subsidiary Huaxin Hong Kong (Tanzania) Investment Limited entered into a subscription agreement with China-Africa Fund Limited, pursuant to which the Group's subsidiary issued 19.25 million preference shares at a price of USD1 per share for a total cash consideration of USD 19.25 million. These preference shares were issued and paid up in August 2021. The principal terms of the preference shares are as follows:

- Terms on redemption:

If the subsidiary of the Group triggers a specific event (such as a breach of the provisions of the transaction documents by the subsidiary of the Group or a condition such as the change of control or the expiration of the eighth anniversary of the date of settlement), the shareholders of preference shares may submit a written request to the subsidiary of the Group to redeem the preference shares. The redemption price of preference shares is determined based on the unit price per share subscribed by the shareholders and the dividend received prior to the redemption date.

- Dividend policy:

From the date of settlement to the date on which the payment is completed, each shareholder of preference shares is entitled to a dividend of 6%/year of the subscription price per share in preference to the shareholders of ordinary shares. Payment is made only when the Board of Directors decides to distribute the profits, and accrued and unpaid interest is calculated at 6%/year. During the period in which shareholders of ordinary shares hold the ordinary shares after the exercise of the rights to transfer the shares, the Group's subsidiary Huaxin Hong Kong (Tanzania) Investment Limited shall urge the project company (Maweni Limestone Limited) to declare and distribute dividends of not less than 70% of the distributable profits (if any) of each financial year, and the Group's subsidiary also commits to distribute annually all the distributable profits for the year as dividends.

- Terms on transfer of shares:

The shareholders of preference shares are entitled to convert their preference shares into ordinary shares at any time from the date of settlement to the maturity date with no consideration by application. From the date of settlement to the third anniversary of the date of settlement (inclusive), the shareholders of preference shares are entitled to convert their preference shares into ordinary shares at a ratio of 1:1; from the third anniversary of the date of settlement to the sixth anniversary of the date of settlement (inclusive), the shareholders of preference shares are entitled to convert their preference shares into ordinary shares at a ratio of 1:0.8571428; from the sixth anniversary of the date of settlement to the maturity date, the shareholders of preference shares are entitled to convert their preference shares to ordinary shares at a ratio of 1:0.7142857.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

29. Bonds payable – *continued*

(1) *Bonds payable – continued*

Note 1: – continued

- Liquidation priority:

In the event of liquidation, termination or dissolution of a subsidiary of the Group, if there are still any preference shares, the shareholders of preference shares are entitled to receive, in preference to other shareholders, an amount equal to the subscription price per share plus the accumulated but undistributed dividends (including fruits) on such shares (collectively referred to as the “amount of priority liquidation”). After the Group’s subsidiary has paid the amount of priority liquidation to all shareholders of preference shares, the remaining assets shall be distributed to the shareholders of ordinary shares in proportion to their shareholdings.

During the Reporting Period, the Group’s subsidiary does not pay any dividends to the shareholders of preference shares.

(2) *Changes in bonds payable (Excluding preference shares, perpetual bonds and other financial instruments classified as financial liabilities)*

Name of bond	Par		Term of bond	Opening balance	Amortization of premium or discount	Exchange gain or loss	Closing balance	Balance of accrued interest
	value	Issue date						
Overseas bond issued in 2020 (Note 1)	100	19 November 2020	5 years	1,901,938,824	1,350,366	100,197,544	2,003,486,734	41,524,630
Bonds issued to professional investors in 2021 (Phase I) (Note 2)	100	25 August 2021	3 years	1,297,795,200	416,000	–	1,298,211,200	5,087,329
Total	/	/	/	3,199,734,024	1,766,366	100,197,544	3,301,697,934	46,611,959

Note 1: The Company issued of corporate bonds totalling USD 300 million at Singapore Exchange (SGX) on 19 November 2020 at a coupon rate of 2.25%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of five years.

Note 2: As approved by Zheng Jian Xu Ke [2021] No. 2628 of China Securities Regulatory Commission, the Company issued corporate bonds with a total amount not exceeding USD 1300 million on 25 August 2021 at a coupon rate of 3.26%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of three years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

29. Bonds payable – *continued*

(3) *Notes to other financial instruments classified as financial liabilities.*

Changes in financial instruments of preference shares, perpetual bonds, etc.

Outstanding financial instruments	Opening balance		Addition		Reduction		Closing balance	
	Shares	Carrying amount	Shares	Carrying amount	Shares	Carrying amount	Shares	Carrying amount
Preference shares of the subsidiary	19,250,000	128,126,596	–	6,462,225	–	–	19,250,000	134,588,821
Total	19,250,000	128,126,596	–	6,462,225	–	–	19,250,000	134,588,821

30. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	475,627,645	257,279,739
Less: Lease liabilities due within 1 year	<u>-104,485,649</u>	<u>-33,699,621</u>
Total	<u>371,141,996</u>	<u>223,580,118</u>

31. Long-term payables

Summary of long-term payables

Item	Closing balance	Opening balance
Long-term payables	<u>1,254,007,357</u>	<u>463,257,160</u>
Total	<u>1,254,007,357</u>	<u>463,257,160</u>

Long-term payables by nature

Item	Closing balance	Opening balance
Transaction fees of mining rights paid in installments	1,662,723,809	769,068,821
Finance lease payable	–	23,258,673
Transaction fees of mining rights paid by installments due within one year	<u>-408,716,452</u>	<u>-305,811,661</u>
Finance lease payable due within one year	–	<u>-23,258,673</u>
Total	<u>1,254,007,357</u>	<u>463,257,160</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

32. Long-term employee benefits payable

(1) *Long-term employee benefits payable by nature*

Item	Note	Closing balance	Opening balance
I. Compensation for retired staff	Note 1	30,569,545	30,028,742
II. Early-retired employee benefits	Note 2	32,095,444	35,052,846
III. Other long-term employee benefits	Note 3	64,057,845	111,762,003
Less: To be paid within one year		-70,735,585	-122,385,197
Total		55,987,249	54,458,394

Notes:

Note 1: Compensation for retired staff: Pursuant to the Group's policies, the Company and its certain subsidiaries are obliged to pay basic pension insurance, allowances and material and supplementary medical insurance to certain retired employees until they pass away.

Note 2: Early-retired employee benefits: Pursuant to the Group's policies, the Company and certain subsidiaries are obliged to pay the basic wage and social insurance payments for eligible early-retired employees, until the employee reach the statutory retirement age.

Note 3: Long-term employee incentives: Long-term employee incentives represent three batches of three-year long-term incentive plan for core management. The amount of awards granted to the core management under this incentive plan is based on the virtual shares of the Company. (Note XIII. (3)).

33. Provisions

Item	Opening balance	Closing balance	Underlying reason
Provisions for Mine restoration	345,951,659	397,231,413	Mine restoration obligation
Provision for Others	1,521,803	1,000,000	Expected compensation for pending litigation
Total	347,473,462	398,231,413	/

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

34. Deferred income

Item	Opening balance	Addition	Reduction	Closing balance	Underlying reason
Government grants	292,376,076	14,314,000	11,904,525	294,785,551	Government grants related to assets
Total	<u>292,376,076</u>	<u>14,314,000</u>	<u>11,904,525</u>	<u>294,785,551</u>	/

Items involving government grants:

Items of grant	Opening balance	Subsidies increased for the period	Amortization recognized in other income	Closing balance	Related to assets/income
Cement kiln line infrastructure	239,633,939	8,290,000	7,411,688	240,512,251	Related to assets
Energy saving technological transformation	52,742,137	6,024,000	4,492,837	54,273,300	Related to assets
Total	<u>292,376,076</u>	<u>14,314,000</u>	<u>11,904,525</u>	<u>294,785,551</u>	

35. Share capital

	Opening balance	Closing balance
Listed shares without restriction of trading		
A-share	1,361,879,855	1,361,879,855
B-share	734,720,000	—
H-share	—	734,720,000
Total share capital	<u>2,096,599,855</u>	<u>2,096,599,855</u>

Note: On 28 March, 2022, domestically listed foreign shares of the Company were listed on the Main Board of the SEHK Limited by means of introduction. There were no change to the total number of the shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

36. Capital reserve

Item	Opening balance	Addition	Reduction	Closing balance
Share premium	1,811,326,903	—	—	1,811,326,903
Other Capital reserve				
Equity incentive	120,162,971	29,039,764	—	149,202,735
Transferred from capital reserve recognized under the previous accounting system	45,377,303	—	—	45,377,303
Compensation from the government for plant relocation	7,553,919	—	—	7,553,919
Government grants for capital investments	42,818,800	—	—	42,818,800
Changes in special reserve of associates	3,911,852	421,427	—	4,333,279
Total	<u>2,031,151,748</u>	<u>29,461,191</u>	<u>—</u>	<u>2,060,612,939</u>

37. Treasury shares

Item	Opening balance	Addition	Reduction	Closing balance
Treasury share for equity incentive plan	610,051,971	—	—	610,051,971
Total	<u>610,051,971</u>	<u>—</u>	<u>—</u>	<u>610,051,971</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

38. Other comprehensive income

Item	Opening balance	Amount for the current period			Attributable to the minority interest after tax	Closing balance
		Amount incurred before income tax for the period	Less: Income tax expenses	Attributable to owners of the company after tax		
I. Other comprehensive income that cannot be reclassified to profit or loss	30,331,199	-16,781,172	4,195,293	-12,585,879	—	17,745,320
Including: Changes in fair value of other equity instrument investments	30,331,199	-16,781,172	4,195,293	-12,585,879	—	17,745,320
II. Other comprehensive income that will be reclassified to profit or loss	-335,681,331	211,440,671	—	133,754,794	77,685,877	-201,926,537
Exchange differences on translation of financial statements	-335,681,331	211,440,671	—	133,754,794	77,685,877	-201,926,537
Total	-305,350,132	194,659,499	4,195,293	121,168,915	77,685,877	-184,181,217

39. Surplus reserve

Item	Opening balance	Addition	Reduction	Closing balance
Statutory surplus reserve	1,048,299,928	—	—	1,048,299,928
Discretionary surplus reserve	63,580,329	—	—	63,580,329
Total	1,111,880,257	—	—	1,111,880,257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

40. Retained profits

Item	Amount for the current period	Amount for the prior period
Opening balance	22,405,681,711	19,304,701,887
Adjustment of total retained profits at the beginning of the current period (Add +, Less -)	—	—
Retained profits at the beginning of the current period (after adjustment)	22,405,681,711	19,304,701,887
Add: Net profit attributable to the owners of the parent Company in the current period	1,586,839,657	5,363,525,692
Less: Appropriation to statutory surplus reserve	—	—
Ordinary share dividends payable	2,094,949,878	2,262,545,868
Closing balance	21,897,571,490	22,405,681,711

41. Operating income and operating costs

(1) Operating income and operating costs

Item	Amount for current period		Amount for the prior period	
	Income	Costs	Income	Costs
Principal operations	14,231,621,784	10,326,709,591	14,643,007,559	9,662,466,006
Other operations	157,827,179	30,330,969	101,378,513	36,280,970
Total	14,389,448,963	10,357,040,560	14,744,386,072	9,698,746,976

(2) Income from the revenue generated by the contract:

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Sales of cement	9,423,012,454	6,934,646,908	10,920,233,526	7,290,077,076
Sales of concrete	2,002,177,396	1,650,480,490	1,186,932,022	979,643,918
Sales of clinker	859,114,934	751,880,980	1,013,658,687	744,509,865
Sales of aggregate	1,278,877,805	508,685,723	920,012,395	340,686,310
Others	668,439,195	481,015,490	602,170,929	307,548,837
Total	14,231,621,784	10,326,709,591	14,643,007,559	9,662,466,006

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

41. Operating income and operating costs – *continued*

(3) *Notes of performance obligation*

The Group is mainly engaged in sales of building materials and products.

For the revenue arising from the business model which the customers pick up the goods by themselves from the Group, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of deliver the goods; for the revenue arising from the business model which the Group is responsible for delivering the goods to the customers, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of distributing goods to the place designated by the customer. Since the delivery of goods to the customer represents the right to receive the contract consideration unconditionally and the payment is due only depending on the passage of time, the Group acknowledges a receivable when the goods are delivered to the customer.

(4) *Transaction price allocated to the remaining performance obligation*

As at 30 June 2022, the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied is RMB769,353,649, which will be recognized in its entirety as revenue during the next year.

External revenue by geographical area of source:

	Amount for the current period	Amount for the prior period
China	12,576,171,564	13,509,982,921
Central Asia	776,151,871	826,501,205
Cambodia	309,925,438	264,541,570
Africa	674,566,736	143,360,376
Nepal	52,633,354	—
Total	<u>14,389,448,963</u>	<u>14,744,386,072</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

42. Taxes and levies

Item	Amount for the current period	Amount for the prior period
City maintenance and construction tax	24,866,701	31,418,712
Educational surcharge	13,113,929	18,171,555
Resource tax	130,966,209	125,577,380
Property tax	22,761,158	18,206,971
Land use tax	23,183,490	26,221,410
Environmental protection tax	30,059,533	32,653,000
Others	22,966,058	25,834,010
Total	267,917,078	278,083,038

43. Selling and distribution expenses

Item	Amount for the current period	Amount for the prior period
Consumption of materials	227,664,572	235,584,428
Staff costs	272,909,423	226,379,927
Sales expenses	62,592,110	53,667,448
Depreciation and amortization expenses	50,450,982	43,155,468
Others	95,516,205	98,974,741
Total	709,133,292	657,762,012

44. General and administrative expenses

Item	Amount for the current period	Amount for the prior period
Staff costs	393,599,739	389,756,839
Depreciation and amortization expenses	88,238,164	88,240,634
Daily office expenses	89,743,514	87,215,761
Others	152,174,481	112,670,165
Total	723,755,898	677,883,399

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

45. Financial expenses

Item	Amount for the current period	Amount for the prior period
Interest expenditure	149,218,223	134,691,908
Less: Interest income	-44,998,331	-54,748,194
Exchange gains or losses	54,476,345	6,876,943
Others	6,135,671	16,121,404
Total	164,831,907	102,942,061

46. Other income

Item	Amount for the current period	Amount for the prior period
Tax refunds from comprehensive utilization of resources	42,194,824	47,586,787
Amortization of deferred income	11,904,525	13,971,797
Others	43,909,319	51,220,270
Total	98,008,668	112,778,854

Other income recorded in non-recurring profit or loss amounted to RMB53,392,167 in the current period.

47. Investment income

Item	Amount for the current period	Amount for the prior period
Gains from long-term equity investments under equity method	-4,137,669	11,240,371
Investment income of held-for-trading financial assets during the hold period	23,611,779	13,691,597
Interest income of debt investments during the hold period	900,000	900,000
Income(losses) on disposal of long-term equity investments	—	2,499,787
Dividend income from other non-current financial assets during the holding period	917,725	—
Others	—	-263,299
Total	21,291,835	28,068,456

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

48. Gains from changes in fair value

Sources of income from changes in fair value	Amount for the current period	Amount for the prior period
Held-for-trading financial assets	17,811,422	-4,581,752
Held-for-trading financial liabilities	—	-3,587,852
Other non-current financial assets	-1,345,678	-4,740,444
Total	<u>16,465,744</u>	<u>-12,910,048</u>

49. Impairment losses on credit

Item	Amount for the current period	Amount for the prior period
Impairment losses on credit for accounts receivable	43,697,870	12,235,191
Impairment losses on credit for other receivables	-271,913	2,955,637
Total	<u>43,425,957</u>	<u>15,190,828</u>

50. Impairment losses on assets

Item	Amount for the current period	Amount for the prior period
I. Bad debt loss	—	—
II. Losses on decline in value of inventories and impairment loss of contract	8,153,478	2,200,939
III. Impairment loss on long-term equity investment	—	—
IV. Impairment loss on investment property	—	—
V. Impairment losses on fixed assets	—	19,598,668
VI. Impairment loss on materials for construction of fixed assets	—	—
VII. Impairment losses on construction in progress	2,125,174	4,165
Total	<u>10,278,652</u>	<u>21,803,772</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

51. Gains on disposal of assets

Item	Amount for the current period	Amount for the prior period
Losses on disposal of fixed assets	-1,269,886	-2,691,109
Losses on disposal of intangible assets	—	-686,649
Gains on disposal of right-of-use assets	21,791	—
Total	<u>-1,248,095</u>	<u>-3,377,758</u>

52. Non-operating income

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total gains from disposal of non-current assets	531,398	10,866,619	531,398
Including: Gains on disposal of fixed assets	531,398	10,866,619	531,398
Government grants	—	88,800	3,171,104
Others	2,361,049	8,453,670	2,361,049
Total	<u>2,892,447</u>	<u>19,409,089</u>	<u>6,063,551</u>

53. Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total loss on disposal of non-current assets	6,404,592	18,124,767	6,404,592
Including: Losses on retirement of fixed assets	6,404,592	18,124,767	6,404,592
Donations	7,971,480	9,416,981	7,971,480
Others	24,355,789	8,480,848	24,457,789
Total	<u>38,731,861</u>	<u>36,022,596</u>	<u>38,833,861</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

54. Income tax expenses

(1) *Table of income tax expenses*

Item	Amount for the current period	Amount for the prior period
Current tax expenses	456,781,273	717,031,261
Deferred tax expenses	26,378,110	-5,751,183
Total	483,159,383	711,280,078

(2) *Reconciliations of profits before tax and income tax expense*

Item	Amount for the current period
Profit before tax	2,166,050,666
Income tax expense calculated at legal/applicable tax rate	541,512,667
Effect of preferential tax rates applicable to subsidiaries	-79,649,396
Adjustment of income tax for previous periods	—
Non-taxable income	-2,867,989
Effect of non-deductible costs, expenses and losses	16,808,703
Effect of deductible losses of deferred tax assets not recognized in the previous period	-35,176,169
Effect of deductible temporary differences or deductible losses for which deferred tax assets are not recognized for the current period	31,822,203
Others	10,709,364
Income tax expense	483,159,383

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

55. Items in the cash flow statement

(1) *Other cash receipts relating to operating activities*

Item	Amount for the current period	Amount for the prior period
Margin and deposits	139,278,736	132,904,050
Government subsidies	40,738,215	51,784,070
Interest income	44,998,331	54,748,194
Others	19,368,462	12,113,298
Total	244,383,744	251,549,612

(2) *Other cash payments relating to operating activities*

Item	Amount for the current period	Amount for the prior period
Margin and deposits	144,919,094	62,453,474
Office and business promotion expenses	134,081,386	109,886,889
Others	260,366,835	166,728,100
Total	539,367,315	339,068,463

(3) *Other cash receipts relating to investment activities*

Item	Amount for the current period	Amount for the prior period
Recovery of project deposit	4,871,740	—
Refund of equity deposit received	—	5,602,256
Cash held by subsidiary (not acquired by cash payment) on the date of purchase	111,634,822	—
Others	15,211,826	—
Total	131,718,387	5,602,256

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

(4) *Other cash payments relating to investment activities*

Item	Amount for the current period	Amount for the prior period
Intention fund for equity acquisition	55,000,000	—
Payment to non-financial enterprises	186,000,000	—
Others	3,537,125	—
	244,537,125	—
Total	244,537,125	—

(5) *Other cash receipts relating to financing activities*

Item	Amount for the current period	Amount for the prior period
Receipt of non-financial enterprise transactions	4,410,181	—
Total	4,410,181	—

(6) *Other cash payments relating to financing activities*

Item	Amount for the current period	Amount for the prior period
Payment for principal and deposit of finance lease	23,000,000	31,000,000
Payment for the purchase of equities of minority shareholders in previous years	—	6,620,000
Payment of leases	64,640,383	12,526,934
Expenses related to issuance of bonds, acquisition of loans and acquisition of financial lease funds	42,494,471	—
Total	130,134,853	50,146,934

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

56. Supplementary information to the cash flow statement

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

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities :		
Net profit	1,682,891,283	2,665,638,726
Add: Provision for impairment of assets	10,278,652	21,803,772
Allowance for credit impairment	43,425,957	15,190,828
Depreciation of fixed assets	898,626,643	835,544,982
Depreciation of right-of-use assets	33,223,207	15,533,473
Amortization of intangible assets	231,802,550	149,876,968
Amortization of long-term prepaid expenses	36,979,429	30,250,573
Losses on disposal of fixed assets, intangible assets and other long-term assets	1,248,095	3,377,758
Losses on retirement of fixed assets	5,873,194	7,258,149
Gains or losses from changes in fair value	-16,465,744	12,910,049
Financial expenses	209,830,238	134,691,908
Investment income	-21,291,835	-28,068,455
Increase (Decrease) in deferred tax assets	12,527,866	-266,555
Increase (Decrease) in deferred tax liabilities	9,654,951	-5,484,628
Decrease (Increase) in inventories	-266,651,269	-545,088,120
Decrease (Increase) in operating receivables	-878,548,973	-414,897,525
Decrease (Increase) in operating payables	-714,491,101	-592,215,466
Others	-11,904,525	-13,971,797
Net cash flow from operating activities	1,267,008,618	2,292,084,640
2. Net changes in cash and cash equivalents :		
Closing balance of cash	7,003,970,518	7,226,592,187
Less: Opening balance of cash	8,550,475,141	8,420,246,369
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	<u>-1,546,504,623</u>	<u>-1,193,654,182</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

(2) *Net cash paid for acquisition of subsidiaries and other business units*

	Amount
Cash and cash equivalents paid for the business combinations in the current period	23,100,000
Huaxin Concrete (Huangmei) Co., LTD	23,100,000
Less: Cash and cash equivalents held by the subsidiaries at the date of purchase	10,098
Huaxin Concrete (Huangmei) Co., LTD	10,098
Add: Cash or cash equivalents paid for business combinations and acquisition of other operating entities in the prior period	1,860,632
Hainan Xinhongda Building Materials Co. LTD	1,700,000
CHILANGA Cement PLC	788,269
Portland Cement (Malawi) Limited	-627,637
Net cash payments for acquisition of subsidiaries and other business units	<u>24,950,534</u>

(3) *Composition of cash and cash equivalents*

Item	Closing balance	Opening balance
I. Cash	7,003,970,518	8,550,475,141
Including: Cash on hand	867,691	604,954
Cash at bank without restriction	7,003,970,518	8,549,870,187
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	7,003,970,518	8,550,475,141
Including: Cash and cash equivalents with limited use right of the parent company or subsidiaries within the Group	318,971,981	<u>285,964,244</u>

57. Assets with limited ownership or use right

Items	Note	Closing balance	Opening balance
Cash and bank balances	VII (1)	318,971,981	285,964,244
Notes receivable	VII (3)	33,000,000	23,000,000
Financing with receivables	VII (5)	68,400,000	236,214,382
Fixed assets	VII (13)	5,171,715	5,413,440
Intangible assets	VII (16)	10,935,676	11,088,579
Total		436,479,372	<u>561,680,645</u>

Notes :

The equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note VII (28)). As at 30 June 2022, the net book value of such equity amounted to approximately RMB5,342,132,534. (31 December 2021: approximately RMB5,080,267,607).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

58. Foreign currency monetary items

(1) *Foreign currency monetary items*

Item	Closing balance of foreign currency	Exchange rate	RMB balance
Cash and bank balances			
Including: RMB	5,406,651	1.0000	5,406,651
INR	99,450,000	0.0851	8,463,195
USD	243,653,587	6.7114	1,635,256,684
EUR	2,368,768	7.0084	16,601,274
Accounts receivable			
Including: USD	2,586,228	6.7114	17,357,211
Other receivables	—	—	
Including: USD	2,954,441	6.7114	19,828,435
Accounts payable			
Including: USD	2,228,242	6.7114	14,954,623
EUR	387,143	7.0084	2,713,253
Other payables			
Including: USD	377,209	6.7114	2,531,600
Interest payable			
Including: USD	1,235,007	6.7114	4,095,608
Dividends payable			
Including: USD	6,586,042	6.7114	44,201,562
HKD	863,736,097	0.8552	738,667,110
Non-current liabilities due within 1 year			
Including: USD	35,090,000	6.7114	235,503,026
Bonds payable			
Including: USD	20,053,762	6.7114	134,588,821
Long-term borrowings	—	—	
Including: USD	<u>142,230,000</u>	<u>6.7114</u>	<u>954,562,422</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

VIII. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control

Name of acquiree	Acquisition date	Cost of equity acquisition	Proportion of equity interest acquired (%)	Consideration settled/to be settled by	Acquisition consideration	Determination basis of acquisition date	Revenue of the	Net profit of the
							acquiree from the date of acquisition to the period-end	acquiree from the date of acquisition to the period-end
Huaxin Traffic Investment (Chibi) New Building Materials Co. LTD	March 12 2022	69,841,957	51%	—	March 12 2022	Date of change in control	36,029,089	5,749,551
Huaxin Concrete (Huangmei) Co., LTD	April 13 2022	26,000,000	100%	Cash	April 13 2022	Date of change in control	18,420,389	410,922

Note: In March 2022, Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. was included in the consolidation of the Group according to the newly revised Articles of Association.

(2) Acquisition consideration and goodwill

Acquisition consideration	Huaxin Traffic Investment (Chibi) New Building Materials Co. LTD	Huaxin Concrete (Huangmei) Co., LTD
— Cash	—	26,000,000
— Fair value of the equity held on the purchase date	69,841,957	—
— Others	—	—
Total acquisition costs	69,841,957	26,000,000
Less: Fair value of identifiable net assets acquired	69,841,957	26,000,000
Amount of acquisition consideration higher than fair value of identifiable	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

VIII. CHANGES IN SCOPE OF CONSOLIDATION – *continued*

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

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

	Huaxin Traffic Investment (Chibi) New Building Materials Co. LTD		Huaxin Concrete (Huangmei) Co., LTD	
	Fair value on the acquisition date	Carrying amount on the acquisition date	Fair value on the acquisition date	Carrying amount on the acquisition date
Assets :	285,914,415	285,914,415	29,100,098	29,100,098
Cash and bank balances	111,634,822	111,634,822	10,098	10,098
Notes receivable	1,717,000	1,717,000	—	—
Accounts receivable	1,640,263	1,640,263	—	—
Prepayments	3,344,781	3,344,781	—	—
Other receivables	321,709	321,709	—	—
Inventories	7,495,109	7,495,109	—	—
Other current assets	—	—	1,196,703	1,196,703
Fixed assets	101,496,764	101,496,764	23,574,877	23,574,877
Construction in progress	32,413,554	32,413,554	—	—
Intangible assets	25,850,413	25,850,413	4,318,420	4,318,420
Liabilities :	145,436,989	145,436,989	3,100,098	3,100,098
Accounts payable	67,276,139	67,276,139	3,090,000	3,090,000
Contract liability	2,554,542	2,554,542	10,098	10,098
Employee benefits payable	278,077	278,077	—	—
Taxes payable	4,530,416	4,530,416	—	—
Other payables	70,690,276	70,690,276	—	—
Long-term borrowings	107,539	107,539	—	—
Net Assets	140,477,426	140,477,426	26,000,000	26,000,000
Less: Minority interest	70,635,469	70,635,469	—	—
Net assets acquired	<u>69,841,957</u>	<u>69,841,957</u>	<u>26,000,000</u>	<u>26,000,000</u>

2. Changes in the scope of consolidation due to other reasons

The subsidiaries set up in the current period and consolidated mainly included: Huaxin Concrete Xianning Co., Ltd., Huaxin Concrete (Yangxin) Co., Ltd., Huaxin Concrete (Daye) Co., Ltd., Huaxin Concrete (Tianmen) Co., Ltd., Zhenjiang Huaxin Jingfa Concrete Co., Ltd., Changzhou Huaxin Tonghe Concrete Co., Ltd., Changzhou Huaxin Tongli Concrete Co., Ltd., Huaxin Green Building Materials (Wuxue) Co., Ltd., Huaxin Environmental Engineering (Hunan) Co., Ltd., Huaxin Environmental Engineering (Guangdong) Co., Ltd., Huaxin Phosphogypsum (Wuxue) Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES

1. Equity interests in subsidiaries

(1) Components of the Group

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd. (Note 3)	Chibi	Chibi	Production and sales of aggregate	—	51	Equity acquisition
Huaxin Concrete Qianning Co., Ltd. (Note 3)	Qianning	Qianning	Production and sales of concrete	—	100	Set up
Huaxin Concrete (Yangxin) Co., Ltd. (Note 3)	Yangxin	Yangxin	Production and sales of concrete	—	100	Set up
Huaxin Concrete (Daye) Co., Ltd. (Note 3)	Daye	Daye	Production and sales of concrete	—	100	Set up
Huaxin Concrete (Tianmen) Co., Ltd. (Note 3)	Tianmen	Tianmen	Production and sales of concrete	—	100	Set up
Zhenjiang Huaxin Jingfa Concrete Co., Ltd. (Note 3)	Zhenjiang	Zhenjiang	Production and sales of concrete	—	100	Set up
Changzhou Huaxin Tonghe Concrete Co., Ltd. (Note 3)	Changzhou	Changzhou	Production and sales of concrete	—	100	Set up
Changzhou Huaxin Tongli Concrete Co., Ltd. (Note 3)	Changzhou	Changzhou	Production and sales of concrete	—	100	Set up
Huaxin Green Building Materials (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of aggregate	—	59	Set up
Huaxin Concrete (Huangmei) Co., Ltd. (Note 3)	Huangmei	Huangmei	Production and sales of concrete	—	100	Equity acquisition
Huaxin Environmental Engineering (Hunan) Co., Ltd. (Note 3)	Changsha	Changsha	Environmental design and construction and waste disposal	—	100	Set up
Huaxin Environmental Engineering (Guangdong) Co., Ltd. (Note 3)	Guangdong	Guangdong	Environmental design and construction and waste disposal	—	100	Set up
Huaxin Phosphogypsum (Wuxue) Co., Ltd. (Note 3)	Wuxue	Wuxue	Production and sales of lime and gypsum	—	100	Set up
Huaxin Cambodia Trading Co., Ltd.	Cambodia	Cambodia	Cement import and export trade	—	100	Set up
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sales of building materials	100	—	Set up
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of building materials	100	—	Set up
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sales of building materials	100	—	Set up
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sales of building materials	100	—	Set up
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sales of building materials	100	—	Set up
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sales of building materials	67	33	Set up
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Production and sales of building materials	60	40	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sales of building materials	79	–	Set up
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of building materials	70	30	Set up
Huaxin Cement (Xiantao) Co., Ltd.	Xiantao	Xiantao	Production and sales of building materials	80	–	Set up
Huaxin Cement (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sales of building materials	100	–	Set up
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sales of building materials	100	–	Set up
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sales of building materials	100	–	Set up
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of building materials	100	–	Set up
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sales of building materials	100	–	Set up
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sales of building materials	100	–	Set up
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sales of building materials	51	–	Equity acquisition
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sales of building materials	100	–	Set up
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sales of building materials	100	–	Set up
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sales of building materials	100	–	Set up
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sales of building materials	100	–	Set up
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sales of building materials	51	–	Equity acquisition
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of building materials	100	–	Equity acquisition
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sales of building materials	100	–	Set up
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sales of building materials	100	–	Set up
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sales of building materials	100	–	Equity acquisition
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sales of building materials	70	–	Equity acquisition
Huaxin Cement (Danjiangkou) Co., Ltd.	Danjiangkou	Danjiangkou	Production and sales of building materials	–	70	Equity acquisition
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sales of building materials	90	–	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sales of building materials	69	–	Equity acquisition
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sales of building materials	80	–	Equity acquisition
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sales of building materials	60	–	Equity acquisition
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Sangzhi	Production and sales of building materials	80	–	Set up
Huaxin Yovon Cement LLC	Tajikistan	Tajikistan	Production and sales of building materials	–	75	Set up
Huaxin Gayur (Sogd) Cement LLC	Tajikistan	Tajikistan	Production and sales of building materials	–	95	Set up
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sales of building materials	70	–	Equity acquisition
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sales of building materials	70	–	Equity acquisition
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sales of building materials	0.2	99.8	Equity acquisition
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sales of building materials	–	68	Equity acquisition
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of building materials	–	100	Equity acquisition
Yunnan Huaxin Dongjun Cement Co., Ltd.	Kunming	Kunming	Production and sales of building materials	–	100	Equity acquisition
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sales of building materials	–	100	Equity acquisition
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sales of building materials	–	100	Equity acquisition
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Chuxiong	Production and sales of building materials	–	100	Equity acquisition
Yanshan County Yuanda Honghe Co., Ltd.	Honghe	Honghe	Production and sales of building materials	–	100	Equity acquisition
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sales of building materials	–	100	Equity acquisition
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sales of building materials	–	100	Equity acquisition
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sales of building materials	–	100	Equity acquisition
Panzhihua Huaxin Cement Co., Ltd.	Panzhihua	Panzhihua	Production and sales of building materials	–	100	Equity acquisition
Kunming Chongde Cement Co., Ltd	Kunming	Kunming	Production and sales of building materials	–	100	Equity acquisition
Yunnan State-owned Cement Kunming Co., Ltd.	Kunming	Kunming	Production and sales of building materials	–	100	Equity acquisition

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	80	–	Equity acquisition
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	97	–	Equity acquisition
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	100	–	Equity acquisition
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sales of building materials	–	100	Equity acquisition
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sales of building materials	–	70	Equity acquisition
Huaxin Cement Narayani Co., Ltd.	Narayani	Narayani	Production and sales of building materials	–	100	Set up
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of building materials	80	20	Set up
Huaxin Cement Jizzakh Co., Ltd.	Uzbekistan	Uzbekistan	Production and sales of building materials	–	100	Set up
Yuzhno-Kyrgyzskiy Cement CJSC	Kyrgyzstan	Kyrgyzstan	Production and sales of building materials	–	100	Equity acquisition
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Baoshan	Production and sales of building materials	–	80	Equity acquisition
Huaxin Cement (Songming) Co., Ltd.	Kunming	Kunming	Production and sales of building materials	–	100	Set up
Maweni Limestone Limited	Tanzania	Tanzania	Production and sales of building materials	–	100	Equity acquisition
Huaxin Fine Calcium Industry (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sales of building materials	–	100	Set up
CHILANGA Cement PLC	Zambia	Zambia	Production and sales of building materials	–	75	Equity acquisition
Portland Cement (Malawi) Limited	Malawi	Malawi	Production and sales of building materials	–	100	Equity acquisition
Huaxin New Building Materials (Hainan) Co., Ltd.	Wenchang	Wenchang	Production and sales of building materials	–	100	Set up
Wuhan Ganghua Cement Co., Ltd. (Note 2)	Wuhan	Wuhan	Production and sales of slag cement	50	–	Set up
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of concrete	100	–	Set up
Huaxin Concrete (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Jingmen) Co., Ltd.	Jingmen	Jingmen	Production and sales of concrete	–	100	Equity acquisition
Xinyang Huaxin Concrete Co., Ltd.	Xinyang	Xinyang	Production and sales of concrete	–	100	Set up
Tibet Huaxin Building Materials Co., Ltd.	Tibet	Tibet	Production and sales of concrete	–	71.43	Set up
Jiujiang Huaxin Concrete Co., Ltd.	Jiujiang	Jiujiang	Production and sales of concrete	–	100	Set up
Jiujiang Rongda Energy Saving and Environmental Protection Building Materials Co., Ltd.	Jiujiang	Jiujiang	Production and sales of concrete	–	100	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Concrete (Xiaogan) Co., Ltd.	Xiaogan	Xiaogan	Production and sales of concrete	–	100	Set up
Huaxin Concrete Xiangyang Fancheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	–	100	Set up
Huaxin Building Materials Xiangyang Xiangcheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Xianning) Co., Ltd.	Xianning	Xianning	Production and sales of concrete	–	100	Equity acquisition
Zaoyang Huaxin Concrete Co., Ltd.	Zaoyang	Zaoyang	Production and sales of concrete	–	100	Equity acquisition
Huaxin Concrete (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of concrete	–	100	Set up
Hubei Zhushen Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sales of concrete	–	100	Equity acquisition
Huaxin Concrete (Enshi) Co., Ltd.	Enshi	Enshi	Production and sales of concrete	–	100	Set up
Huaxin Concrete (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Jianli) Co., Ltd.	Jianli	Jianli	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sales of concrete	–	51	Equity acquisition
Huaxin Concrete (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	–	84	Equity acquisition
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sales of concrete	100	–	Equity acquisition
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Chongqing	Production and sales of concrete	100	–	Equity acquisition
Huaxin Concrete Yangxin New Material Co., Ltd.	Yangxin	Yangxin	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Yichang) Co., Ltd.	Yichang	Yichang	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Huanggang) Co., Ltd.	Huanggang	Huanggang	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Macheng) Co., Ltd.	Macheng	Macheng	Production and sales of concrete	–	100	Set up
Cambodia Concrete Chakrey Ting Co., Ltd.	Cambodia	Cambodia	Production and sales of concrete	–	100	Set up
Changzhou Huaxin Concrete Co., Ltd.	Changzhou	Changzhou	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Shishou) Co., Ltd.	Shishou	Shishou	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Zigui) Co., Ltd.	Zigui	Zigui	Production and sales of concrete	–	100	Set up
Huaxin Concrete (Qianjiang) Co., Ltd.	Qianjiang	Qianjiang	Production and sales of concrete	–	100	Set up
Nanjing Huaxin Concrete Co., Ltd.	Nanjing	Nanjing	Production and sales of concrete	–	100	Set up
Yancheng Huaxin Concrete Co., Ltd.	Yancheng	Yancheng	Production and sales of concrete	–	100	Set up
Huaxin New Materials Concrete Xiangyang Co. Ltd.	Xiangyang	Xiangyang	Production and sales of concrete	–	100	Set up
Jingjiang Huaxin Concrete Co., Ltd.	Jingjiang	Jingjiang	Production and sales of concrete	–	100	Set up
Changzhou Huaxin Concrete Co., Ltd.	Changzhou	Changzhou	Production and sales of concrete	–	100	Set up
Huaxin (Zhuzhou) New Material Technology Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of concrete	–	100	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	100	–	Set up
Huaxin Environment Engineering (Huangshi) Co., Ltd.	Huangshi	Huangshi	Environmental design and construction and waste disposal	–	70	Set up
Huaxin Environment Engineering (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Xinyang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Fengjie) Co., Ltd.	Fengjie	Fengjie	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Zhuhai) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	–	80	Set up
Huaxin Environment Engineering (Fangxian) Co., Ltd.	Fangxian	Fangxian	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (E'zhou) Co., Ltd.	Ezhou	Ezhou	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yingcheng) Co., Ltd.	Yingcheng	Yingcheng	Environmental design and construction and waste disposal	–	100	Set up
Enping Huaxin Environment Engineering Co., Ltd.	Enping	Enping	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Zigui) Co., Ltd.	Zigui	Zigui	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Youxian) Co., Ltd.	Youxian	Youxian	Environmental design and construction and waste disposal	–	100	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Environment Engineering (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Daye) Co., Ltd.	Daye	Daye	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Loudi	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yunyang) Co., Ltd.	Yunyang	Yunyang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	–	100	Equity acquisition
Wuhan Dragon Mouth Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yidu) Co., Ltd.	Yidu	Yidu	Environmental design and construction and waste disposal	–	100	Set up
Chongqing Fulin Huaxin Environment Engineering Co., Ltd.	Chongqing	Chongqing	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Lijiang) Co., Ltd.	Lijiang	Lijiang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yichang) Co., Ltd.	Yichang	Yichang	Environmental design and construction and waste disposal	100	–	Set up
Huaxin Environment (Shiyan) Renewable Resources Utilization Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	–	100	Set up
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	–	80	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., Ltd.	Yangxin	Yangxin	Environmental design and construction and waste disposal	–	100	Set up
Huaxin (Nanzhang) Renewable Resources Utilization Co., Ltd.	Nanzhang	Nanzhang	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Wuhan South Taizihu Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Huaxin Environmental Engineering (Badong) Co., Ltd.	Badong	Badong	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Shannan Huaxin Environmental Engineering Co., Ltd.	Shannan	Shannan	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Huaxin Environmental Engineering (Changyang) Co., Ltd.	Changyang	Changyang	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Huaxin (Changyang) Renewable Resource Utilization Co., Ltd.	Changyang	Changyang	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Huaxin Environmental Engineering (Yunnan) Co., Ltd.	Kunming	Kunming	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Chongqing Huaxin Renewable Resource Utilization Co., Ltd.	Chongqing	Chongqing	Industrial solid wastes	–	100	Set up
Huaxin Environmental Engineering (Hefeng) Co., Ltd.	Hefeng	Hefeng	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Huaxin Zhongnan (Wuhan) Environmental Protection Technology Co., Ltd.	Wuhan	Wuhan	Industrial solid waste, hazardous waste disposal and recycling	–	55	Set up
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of aggregate	–	100	Set up
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sales of aggregate	–	100	Set up
Huaxin Aggregate (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of aggregate	–	70	Set up
Huangshi Huaxin Green Building Materials Co., Ltd.	Huangshi	Huangshi	Production and sales of aggregate	58	–	Equity acquisition
Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of aggregate	–	51	Set up
Huaxin Light Construction Aggregate (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of aggregate	–	100	Set up
Huaxin New Materials (Zigui) Co., Ltd.	Zigui	Zigui	Production and sales of new materials	–	100	Set up
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sales of new materials	100	–	Set up
Chongqing Huaxin New Building Materials Co., Ltd.	Chongqing	Chongqing	Production and sales of new materials	–	100	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin New Building Materials (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of new materials	–	60	Set up
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of new materials	–	100	Set up
Huaxin New Building Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of new materials	–	65	Set up
Fumin Park New Building Materials Co., Ltd.	Fumin	Fumin	Production and sales of new materials	–	70	Set up
Huaxin New Building Materials Xiangyang Co., Ltd.	Xiangyang	Xiangyang	Production and sales of new materials	–	100	Set up
Huaxin Seepage-proofing and Energy-saving Special New Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of new materials	–	100	Set up
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd	Lijiang	Lijiang	Production and sales of new materials	–	70	Set up
Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of new materials	–	100	Set up
Huaxin New Building Materials (Luonan) Co., Ltd.	Luonan	Luonan	Production and sales of new materials	–	55	Set up
Huaxin New Building Materials (Kunming) Co., Ltd.	Kunming	Kunming	Production and sales of new materials	–	100	Set up
Huaxin New Materials (Enshi) Co., Ltd.	Enshi	Enshi	Production and sales of new materials	–	100	Set up
Hainan Xinhongda Building Materials Co., Ltd.	Haikou	Haikou	Production and sales of new materials	–	100	Equity acquisition
Huaxin New Materials (Yidu) Co., Ltd.	Yidu	Yidu	Production and sales of new materials	–	100	Set up
New Gayur New Building Materials Co., Ltd.	Tajikistan	Tajikistan	Production and sales of new materials	–	85	Set up
Huaxin Fortress New Building Materials (Daye) Co., Ltd	Daye	Daye	Production and sales of new materials	–	100	Set up
Hubei Dailing future Environmental Packaging Technology Co., Ltd.	Huangshi	Huangshi	Production and sales of cement packaging bags	100	–	Set up
Huaxin Packaging (Chibi) Co., Ltd.	Chibi	Chibi	Production and sales of cement packaging bags	–	100	Set up
Huaxin Packaging (E'zhou) Co., Ltd	Ezhou	Ezhou	Production and sales of cement packaging bags	–	100	Set up
Huaxin Packaging (Zhuzhou) Co., Ltd	Zhuzhou	Zhuzhou	Production and sales of cement packaging bags	–	100	Set up
Huaxin Packaging (Quxian) Co., Ltd.	Quxian	Quxian	Production and sales of cement packaging bags	–	100	Set up
Cambodia Zoretta Packaging Co., Ltd.	Cambodia	Cambodia	Production and sales of cement packaging bags	–	100	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	–	Set up
Xiangyang Huaxin Logistics Co., Ltd.	Xiangyang	Xiangyang	Loading and unloading, warehousing and other services	–	100	Set up
Kunming Huaxin Logistics Co., Ltd.	Kunming	Kunming	Loading and unloading, warehousing and other services	–	100	Equity acquisition
Chongqing Huaxin Logistics Co., Ltd.	Chongqing	Chongqing	Loading and unloading, warehousing and other services	–	100	Equity acquisition
Huaxin Logistics (Zigui) Co., Ltd.	Zigui	Zigui	Loading and unloading, warehousing and other services	–	100	Set up
Zhuzhou Huaxin Logistics Co., Ltd.	Zhuzhou	Zhuzhou	Loading and unloading, warehousing and other services	–	100	Set up
Wuhan Huaxin Changshankou Logistics Co., Ltd.	Wuhan	Wuhan	Loading and unloading, warehousing and other services	–	100	Set up
Huangshi Huaxin (Huangshi) Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	–	Set up
Hubei Huaxin Environmental Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	–	100	Set up
Huaxin Gayur Logistics Co., Ltd.	Tajikistan	Tajikistan	Loading and unloading, warehousing and other services	–	100	Set up
Yidu Honghua Xintong Logistics Co., Ltd.	Yidu	Yidu	Loading and unloading, warehousing and other services	–	100	Equity acquisition
Hainan Baihuitong Supply Chain Technology Co., Ltd.	Haikou	Haikou	Loading and unloading, warehousing and other services	–	100	Set up
Yangxin County Fuhua Handling Co., Ltd. (Note 3)	Yangxin	Yangxin	Loading and unloading, warehousing and other services	–	100	Set up
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Wuhan	Investment	100	–	Set up
Huaxin Concrete Co., Ltd.	Wuhan	Wuhan	Investment	100	–	Set up
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	100	–	Set up

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(1) *Components of the Group – continued*

Name of significant subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin (Hong Kong) International Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment	100	–	Set up
Success Eagle Cement (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Investment	–	65	Equity acquisition
Huaxin Hong Kong (Cambodia) Investment Co., Ltd	Hong Kong	Hong Kong	Investment	–	100	Set up
Huaxin Hong Kong (Central Asia) Investment Co., Ltd. (Note 1)	Hong Kong	Hong Kong	Investment	–	51	Set up
Huaxin Narayani Investment (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100	–	Set up
Yunnan Huaxin Building Materials Investment Co., Ltd.	Kunming	Kunming	Investment	100	–	Equity acquisition
Somerset Mauritius Investment Co., Ltd.	Mauritius	Mauritius	Investment	100	–	Equity acquisition
HX International(Tanzania) Limited.	Tanzania	Tanzania	Investment	–	100	Set up
NETNIX LIMITED	Cyprus	Cyprus	Investment	–	100	Equity acquisition
Huaxin Hong Kong Tanzania Co., Ltd.	Hong Kong	Hong Kong	Investment	–	100	Set up
Huaxin Cement International Finance Company Limited	Hong Kong	Hong Kong	Investment	–	100	Set up
Huaxin (Hainan) Investment Co., Ltd.	Haikou	Haikou	Investment	60	40	Set up
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	Huangshi	Huangshi	Building materials engineering design, etc.	99	–	Set up
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100	–	Set up
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	–	100	Set up
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	100	–	Set up
Nanzhang Huaxin Xinrui Hotel Management Co., Ltd.	Nanzhang	Nanzhang	Accommodation services	–	99	Set up
Stone Group LLC	Kyrgyzstan	Kyrgyzstan	Management and staff dispatch services	–	100	Equity acquisition
Power Assets LLC	Kyrgyzstan	Kyrgyzstan	Land and house lease services	–	100	Equity acquisition

Note 1: The Group effectively holds 51% of equity interest of Huaxin Hong Kong (Central Asia) Investment Limited. The approval mechanism of the board of directors of Huaxin Hong Kong (Central Asia) Investment is simple majority, and the Group is eligible to assign three out of the five directors. Hence, the Group obtains control of Huaxin Hong Kong (Central Asia) Investment Co., Ltd.

Note 2: Wuhan Ganghua Cement Co., Ltd. is included in the scope of consolidation since the Group has the right to govern its operation decision making.

Note 3: These companies are established or acquired by the Group in 2022, and are included in the scope since 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

1. Equity interests in subsidiaries – *continued*

(2) Significant non-wholly subsidiaries

Subsidiaries	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Closing balance of minority interests
Huaxin Hong Kong (Central Asia) Investment Limited	49%	61,260,978	3,316,250	530,322,847
Cambodian Cement Chakrey Ting Factory Co., Ltd.	32%	3,493,073	—	233,629,081
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49%	2,700,411	—	161,403,745
Huaxin Cement (Daye) Co., Ltd.	30%	-169,148	—	218,996,253
Huaxin Cement (Tibet) Co., Ltd.	21%	-1,160,471	21,000,000	210,798,304
Chilanga Cement Plc	25%	8,593,208	—	238,607,938

(3) Main financial information of the above significant subsidiaries with minority interests

Subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Huaxin Hong Kong (Central Asia) Investment Limited	256,687,865	750,843,637	1,007,531,502	83,966,968	28,379,431	112,346,399	203,187,463	674,019,648	877,207,111	143,050,778	45,434,007	188,484,785
Cambodian Cement Chakrey Ting Factory Co., Ltd.	362,928,158	619,962,549	982,890,707	177,487,920	75,311,910	252,799,830	293,087,154	610,535,411	903,622,565	144,181,874	76,170,295	220,352,169
Huaxin Hongta Cement (Jinghong) Co., Ltd.	120,866,179	309,372,116	430,238,295	93,774,364	7,068,532	100,842,896	140,377,362	323,720,595	464,097,957	133,037,532	7,176,069	140,213,601
Huaxin Cement (Daye) Co., Ltd.	269,788,966	785,261,233	1,055,050,200	220,564,089	104,498,600	325,062,690	227,161,721	822,350,189	1,049,511,910	216,187,575	102,772,998	318,960,573
Huaxin Cement (Tibet) Co., Ltd.	617,250,906	1,098,819,464	1,716,070,370	523,193,714	226,391,552	749,585,266	613,682,124	1,112,217,312	1,725,899,436	401,545,816	253,238,543	654,784,359
Chilanga Cement Plc	341,629,833	1,040,315,711	1,381,945,544	163,606,057	263,907,736	427,513,793	195,099,432	1,025,027,001	1,220,126,433	61,378,917	266,075,372	327,454,289

Subsidiaries	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Huaxin Hong Kong (Central Asia) Investment Limited	345,933,988	98,991,129	195,642,668	101,134,930	408,933,855	158,535,609	151,200,843	149,163,571
Cambodian Cement Chakrey Ting Factory Co., Ltd.	319,233,193	10,915,853	46,820,482	75,115,768	259,911,725	50,944,000	42,201,391	62,848,080
Huaxin Hongta Cement (Jinghong) Co., Ltd.	174,052,129	5,511,043	5,511,043	-4,628,739	204,062,642	29,645,190	29,645,190	-3,678,921
Huaxin Cement (Daye) Co., Ltd.	281,520,326	-563,828	-563,828	39,188,190	315,208,777	37,587,395	37,587,395	-16,950,121
Huaxin Cement (Tibet) Co., Ltd.	223,674,344	-4,629,974	-4,629,974	36,286,781	554,479,009	133,864,666	133,864,666	184,912,425
Chilanga Cement Plc	299,691,802	34,372,830	61,759,607	15,583,171	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

2. Equity interests in joint ventures or associates

(1) *Joint ventures or associates*

Name	Place of business	Place of registration	Nature of business	ownership interest		Accounting treatment for investments in joint ventures or associates	Registered capital	Is it strategic to the activities of the Group
				Directly	Indirectly			
Associates								
Tibet High-tech Building Materials Group Co., Ltd.	Tibet	Tibet	Production and sales of building materials	43%	–	Equity method	272,760,000	Yes
Shanghai Wan'an Huaxin Cement Co., Ltd.	Shanghai	Shanghai	Production and sales of building materials	49%	–	Equity method	100,000,000	No
Zhangjiajie Tianzi Concrete Co., Ltd.	Sangzhi	Sangzhi	Production and sales of concrete	30%	–	Equity method	10,000,000	No
Chenfeng Intelligent Equipment Hubei Co., Ltd	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	45%	–	Equity method	10,000,000	No

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

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

(2) *Key financial information of significant associates*

	Closing balance/ Amount for current period Tibet High-tech Building Materials Co., Ltd.	Opening balance/ Amount for prior period Tibet High-tech Building Materials Co., Ltd.
Current Assets	644,056,283	591,133,978
Non-current Assets	827,091,046	864,692,460
Total Assets	1,471,147,329	1,455,826,438
Current Liabilities	339,689,103	294,735,832
Non-current Liabilities	163,325,836	187,636,346
Total Liabilities	503,014,939	482,372,178
Minority interests	128,674,470	128,417,825
Equity interest attributable to the shareholders of the parent company	839,457,920	845,036,435
Share of net assets calculated based on the proportion of shareholding	360,966,906	363,365,667
Adjustment	-6,408,339	-6,408,339
– Goodwill	–	–
– Unrealized profits from internal transactions	-6,408,339	-6,408,339
– Others	–	–
Carrying amount of equity investments in associates	354,558,567	356,957,328
Fair value of equity investments in associates with a publicly quoted price	–	–
Operating income	244,139,104	320,946,808
Net profit	-6,474,885	17,319,252
Net profit from discontinuing operations	–	–
Other comprehensive income	–	–
Total comprehensive income	-6,474,885	17,319,252
Dividends received from associates in the current year	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

IX. EQUITY INTERESTS IN OTHER ENTITIES – *continued*

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

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

	Closing balance/ Amount for the current period	Opening balance/ Amount for the prior period
Joint ventures		
Gross carrying amount of investments	–	72,779,017
Total amounts calculated based on proportion of ownership interest:		
– Net profit	–2,937,060	5,132,795
– Other comprehensive income	–	–
– Total comprehensive income	–2,937,060	5,132,795
Associates		
Gross carrying amount of investments	95,496,105	93,876,526
Total amounts calculated based on proportion of ownership interest:		
– Net profit	1,619,579	–1,081,744
– Other comprehensive income	–	–
– Total comprehensive income	<u>1,619,579</u>	<u>–1,081,744</u>

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Group's major financial instruments include cash and bank balances, held-for-trading financial assets, notes receivable, financing with receivables, accounts receivable, other receivables, debt investments, long-term receivables, other equity instrument investments, other non-current financial assets, borrowings, notes payable, accounts payable, other payables, bonds payable and long-term payables, etc. Details of these financial instruments are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

	Closing balance	Opening balance
RMB		
Financial assets		
Measured at FVTPL		
Held-for-trading financial assets	100,040,273	711,964,323
Other non-current financial assets	24,997,582	26,343,260
Measured at FVTOCI		
Financing with receivables	379,930,781	761,050,910
Other equity instrument investments	39,085,894	55,867,066
Measured at amortized cost		
Cash and bank balances	7,322,942,499	8,836,439,385
Notes receivable	278,706,448	145,430,152
Accounts receivable	1,337,440,333	956,580,152
Other receivables	422,718,044	356,013,351
Debt investments	7,500,000	7,500,000
Long-term receivables	112,745,496	35,934,266
Financial liabilities		
Measured at FVTPL		
Bonds payable (preference shares)	134,588,821	128,126,596
Measured at amortized cost		
Short-term borrowings	735,709,769	642,946,608
Notes payable	667,565,188	670,993,082
Accounts payable	7,346,866,753	7,112,302,355
Other payables	1,660,631,843	756,194,670
Non-current liabilities due within 1 year	2,153,586,771	1,213,650,184
Lease liabilities	371,141,996	223,580,118
Long-term borrowings	6,225,805,838	5,081,924,506
Bonds payable (other than preference shares)	3,301,697,934	3,199,734,024
Long-term payables	1,254,007,357	463,257,160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

The Group adopts sensitivity analysis technique to analyze the impact of reasonable and possible variations of risk variables on current profit or loss and shareholders' equity. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the followings are based on the assumption that the change in each risk variable is on a stand-alone basis.

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. Several of the Group's subsidiaries have purchases and sales denominated in USD while the Group's other principal activities are denominated and settled in RMB. The balance of other foreign currencies is small, including HKD, EUR and RUB, and has no significant impact on the Group's currency risk.

The Finance Department of the Head Office of the Group monitors the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, to reduce the currency risks to the greatest extent; therefore, the Group is likely to avoid currency risks by signing forward exchange contracts or currency swaps. In the first six month of 2022 and 2021, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2022 and 31 December 2021, for companies of the Group whose functional currency is not USD, the financial assets and financial liabilities denominated in USD are translated into RMB as follows:

	Closing balance	Opening balance
Cash and bank balances	1,635,256,684	1,466,930,263
Accounts receivable	17,357,211	29,971,432
Other receivables	19,828,435	595,025
Accounts payable	14,954,623	53,620,102
Other payables	2,531,600	3,728,184
Interest payable	4,095,608	7,824,865
Dividends payable	44,201,562	—
Bonds payable	134,588,821	128,126,596
Borrowings	1,190,065,448	1,273,418,561

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1.1 Market risk – *continued*

1.1.1. Currency risk – *continued*

Sensitivity analysis on currency risk

Where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and owners' equity:

Items	Change in exchange rate	Amount for the current period		Amount for the prior period	
		Effect on profit before tax	Effect on shareholders' equity	Effect on profit before tax	Effect on shareholders' equity
USD	5% appreciation	14,100,233	10,575,175	24,015,251	18,011,438
USD	5% depreciation	-14,100,233	-10,575,175	-24,015,251	-18,011,438

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

The Group's cash flow interest rate risk of financial instruments relates primarily to floating-rate Long-term bank borrowings. As at 30 June 2022, the balance of the Group's long-term borrowings at floating rate was RMB7,866,190,507 (31 December 2021: RMB5,863,740,824) (please refer to Note VII (20), Note VII (28)). Financial liabilities with floating rates expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Finance Department of the Head Office of the Group continues to monitor the Group's interest rate level. Increase in interest rates will increase the costs of new interest-bearing liabilities and the interest expenses with respect to the Group's outstanding floating rate liabilities, and therefore have a material adverse effect on the Group's financial results. The management will make adjustments which are likely to mitigate interest rate risks through interest rate swaps in accordance with the latest market conditions. In the current period, the Group has entered into interest rate swap agreements with China Merchants Bank Hong Kong Branch and HSBC Bank Hong Kong Branch respectively to reduce interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1.1 Market risk – *continued*

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

Sensitivity analysis on interest rate risk

As at 30 June 2022, where all other variables are held constant and the borrowing rate determined at floating rate increases or decreases by 100 base points, the reasonably possible changes in the interest rate may have the following effect on the pre-tax profit and shareholders' equity:

RMB

Change in interest rate	Amount for the current period		Amount for the prior period	
	Effect on profit before tax	Effect on shareholders' equity	Effect on profit before tax	Effect on shareholders' equity
Benchmark interest rate increased by 1%	-78,661,905	-58,996,429	-42,218,406	-31,663,804
Benchmark interest rate reduced by 1%	78,661,905	58,996,429	42,218,406	31,663,804

1.1.3. Other price risk

The Group's investments classified as other equity instrument investments and other non-current financial assets are measured at fair value at each balance sheet date. As at 30 June 2022, the other equity instrument investments and other non-current financial assets held by the Group were not significant, therefore, the risk of changes in the security market the Group exposed to was not significant.

1.2 Credit risk

As at 30 June 2022, the maximum exposure to credit risk which will cause a financial loss to the Group is arising from the failure to discharge an obligation by the counterparties, which specifically includes cash and bank balances (Note(1)), notes receivable (Note(3)), accounts receivable (Note(4)), financing with receivables (Note(5)), other receivables (Note(7)), long-term receivables and debt investments, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

The Group's risk exposure is distributed in many different regions and involves a number of clients, therefore, the Group does not have significant concentration of credit risks. As at 30 June 2022, the balance of amounts due from the Group's top five clients amounts to RMB146,449,442(31 December 2021: RMB86,924,239) · representing 9% (31 December 2021 : 7%) of the balance of the Group's accounts receivable. In addition, the Group has no other credit risk exposure concentrated on a single financial asset or a portfolio of financial assets sharing similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1.2 Credit risk – *continued*

The table below details the credit risk exposure of the Group's financial assets and other items:

Items	Note	12-month or lifetime ECL	Account balance
Financial assets measured at amortized cost			
– Cash and bank balances	Note VII (1)	12-month ECL	7,322,942,499
– Notes receivable	Note VII (3)	Lifetime ECL	278,706,448
– Accounts receivable	Note VII (4)	Lifetime ECL (not credit-impaired)	1,449,319,629
		Lifetime ECL (credit-impaired)	97,367,601
		Sub-total	9,148,336,177
– Other receivables	Note VII (7)	12-month ECL	421,085,530
		Lifetime ECL (credit-impaired)	104,312,187
		Sub-total	525,397,717
– Long-term receivables		Lifetime ECL (not credit-impaired)	112,745,496
– Debt investments		Lifetime ECL (not credit-impaired)	7,500,000
		Lifetime ECL (credit-impaired)	2,000,000
		Sub-total	122,245,496
Financial assets at FVTOCI			
– Financing with receivables	Note VII (5)	12-month ECL	379,930,781

The Group manages credit risks by portfolios, which mainly refer to accounts receivable. The Group's bank deposits are mainly deposited in banks with high credit rating. The Group believes that the credit risk is lower and there will be no significant losses due to the default of the counterparties.

The Group believes that the accepting bank for the bank acceptances has a high credit rating and there is no significant credit risk.

For other receivables, most of them are security fund, deposits, deposits for equity acquisition and petty cash for employees. The Group believes that the credit risk is low and there will be no significant losses due to the default of the counterparties. For borrowings and out-of-pocket expenses, the Group has made appropriate provision for ECL based on the repayment abilities and willingness of the counterparties.

The Group defines relevant policies for accounts receivable to control credit risk exposure. The Group assesses the credit qualification of the client and sets up the corresponding credit period and credit limit based on the financial status of the client, the possibility of obtaining guarantee from a third party, credit record and other factors such as the current market conditions. The Group will regularly monitor the credit records of clients. For clients with poor credit records, the Group will use written reminders, shorten credit period or cancel credit limit to ensure that the Group's overall credit risk is controlled at a certain level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

1.3 Liquidity risk

The Group has established an internal cash pool management system, and entered into cash pool management agreements with Bank of China, China Merchants Bank, China Construction Bank and Agricultural Bank of China. The Company gathers the balances of the bank accounts of certain subsidiaries to the bank account of the Company at regular time or in real time every day and manages the limits on the balances of the bank accounts of the subsidiaries to achieve overall allocation of funds within the Group, improve the efficiency of fund scale and reduce liquidity risk. Each subsidiary within the Group is responsible for its own cash flow forecast. Based on the cash flow forecasts of each subsidiary, the finance department of the headquarter of the Group continuously monitors the short-term and long-term capital demands at the Group level to ensure the maintenance of sufficient cash reserves. At the same time, it continuously monitors the compliance with the provisions of the loan agreement and acquires the loan commitment from the major financial institutions to meet short-term and long-term capital demands.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	RMB				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Short-term borrowings	746,829,355	—	—	—	746,829,355
Notes payable	667,565,188	—	—	—	667,565,188
Accounts payable	7,346,866,753	—	—	—	7,346,866,753
Other payables	1,660,631,843	—	—	—	1,660,631,843
Long-term borrowings	1,896,889,524	2,464,819,275	3,702,914,185	444,999,179	8,509,622,163
Bonds payable	102,639,159	102,639,159	3,376,872,512	145,908,318	3,728,059,148
Long-term payables	408,716,452	652,429,848	264,563,634	14,847,144	1,340,557,078
Lease liabilities	104,485,649	85,682,495	217,125,663	165,700,488	572,994,295
Total	12,934,623,923	3,305,570,777	7,561,475,994	771,455,129	24,573,125,823

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XI. DISCLOSURE OF FAIR VALUE

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

RMB

Items	Closing fair value			Total
	Level 1	Level 2	Level 3	
I. Continuous fair value measurement				
(I) Held-for-trading financial assets	66,575,331	33,464,942	—	100,040,273
1. Financial assets at fair value through profit or loss	66,575,331	33,464,942	—	100,040,273
(1) Investment in debt instruments	—	—	—	—
(2) Investment in equity instruments	—	—	—	—
(3) Derivative financial assets	—	—	—	—
(4) Interest rate swaps	—	33,464,942	—	33,464,942
(5) Short-term minority interests held in Zambia	66,575,331	—	—	66,575,331
2. Financial assets designated as at fair value through profit or loss	—	—	—	—
(1) Investment in debt instruments	—	—	—	—
(2) Investment in equity instruments	—	—	—	—
(II) Other investment on debt	—	—	—	—
(III) Other equity instrument investments	—	—	39,085,894	39,085,894
(IV) Investment property	—	—	—	—
(V) Biological assets	—	—	—	—
(VI) Other non-current financial assets	24,997,582	—	—	24,997,582
(VII) Financing with receivables	—	—	379,930,781	379,930,781
Total assets continuously measured at fair value	91,572,913	33,464,942	419,016,675	544,054,530
(VIII) Trading financial liabilities				
1. Financial liabilities at fair value through profit or loss	—	—	—	—
Trading bonds issued	—	—	—	—
Derivative financial liabilities	—	—	—	—
Other	—	—	—	—
2. Financial liabilities designated as at fair value through profit or loss	—	—	—	—
(IX) Bonds payable	—	—	134,588,821	134,588,821
1. Bonds payable — Preference shares	—	—	134,588,821	134,588,821
Total liabilities continuously measured at fair value	—	—	134,588,821	134,588,821
II. Non-continuous fair value measurement	—	—	—	—
Total assets not continuously measured at fair value	—	—	—	—
Total liabilities not continuously measured at fair value	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XI. DISCLOSURE OF FAIR VALUE – *continued*

2. **Basis for determining the market price of Level 1 fair value measurement items on recurring and non-recurring bases**

The market prices of the above items measured at Level 1 fair value are determined based on the closing price of stock at 30 June 2022.

3. **Valuation techniques and qualitative and quantitative information of key inputs adopted for Level 2 fair value measurement items on recurring and non-recurring bases**

The fair value of the above interest rate swaps is determined based on the notice of market value at 30 June 2022.

4. **Valuation techniques and qualitative and quantitative information of key inputs adopted for Level 3 fair value measurement items on recurring and non-recurring bases**

Items measured at Level 3 fair value held by the Group are as follows:

Items	Financing with receivables	Other equity instrument investments	Bonds payable (preference shares)
Closing fair value	379,930,781	39,085,894	134,588,821
Valuation techniques	Discounted cash flow method	Comparative method of listed companies	Discounted cash flow method
Inputs	Discount rate –3.5%	Liquidity discount –0.8	Note VII (29)(3)

5. **The reconciliation information of opening and closing carrying amounts of items measured at Level 3 fair value on recurring and non-recurring bases**

Items	1 January 2022	Issue amount	Addition	Reduction	Total profit or loss	30 June 2022
					Amount included in profit or loss	Amount included in other comprehensive income
Financial assets at FVTOCI						
– Other equity instrument investments	55,867,066	–	–	–	–	39,085,894
– Financing with receivables	761,050,910	–	–	–	–	379,930,781
Financial liabilities at FVTOCI						
– Bonds payable (preference shares)	128,126,596	–	–	–	6,462,225	134,588,821

6. **Fair value of financial assets and financial liabilities not measured at fair value**

The Group's financial assets and liabilities not measured at fair value mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, bank borrowings, notes payable, accounts payable, bonds payable (other than preference shares), other financial liabilities, etc. As at 30 June 2022, there is no significant difference between the carrying amount and the fair value of the Company's financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XII. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

Name of major shareholders	Place of registration	Nature of business	Registered capital	Proportion of ownership interest of the major shareholders in the Company (%)	Proportion of voting rights of major shareholders in the Company (%)
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	EUR 100,000	41.46	41.46
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, Holchin B.V. maintains 41.46% voting rights of the company.

2. The Company's subsidiaries

See Note IX(1) for details of the Company's subsidiaries.

3. The Company's joint associates

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

4. Other related parties

Other related parties	Relationship with the Company
Holcim Ltd.	The ultimate holding company of Holchin B.V.
Mbeya Cement Company Limited	Controlled by Holcim Ltd.
PanAfrican Cement	Controlled by Holcim Ltd.
LafargeHolcim distribution	Controlled by Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Holcim Ltd.
FinancièreLafargeSAS	Controlled by Holcim Ltd.
Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
Chongqing Lafarge Cement Co. LTD	Controlled by Holcim Ltd.
Dujiangyan Lafarge Cement Co. LTD	Controlled by Holcim Ltd.
Lafarge China Cement Co. LTD	Controlled by Holcim Ltd.
Holcim Trading Ltd	Controlled by Holcim Ltd.
Lafarge Industries South Africa (Pty) Ltd	Controlled by Holcim Ltd.
Lafarge S.A.	Controlled by Holcim Ltd.
Lafarge Cement Zimbabwe Limited	Controlled by Holcim Ltd.
LafargeHolcim España S.A.U.	Controlled by Holcim Ltd.
Bamburi Cement Limited	Controlled by Holcim Ltd.
Hima CementLtd.	Controlled by Holcim Ltd.
Holcim Group Services Ltd	Controlled by Holcim Ltd.
Holcim Technology Ltd	Controlled by Holcim Ltd.
Hubei Huaxin Real Estate Co. LTD	Related party of associated natural person
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Subsidiary of the Group's associate

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

5. Related party transactions

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

Purchases of goods/receipts of services

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Huaxin Group Co., Ltd.	Comprehensive service fees	3,190,098	3,113,208
Dujiangyan Lafarge Cement Co. LTD	Purchase of spare parts	601,593	—
LafargeHolcim distribution	Purchase of materials	—	3,515,429
Mbeya Cement Company Limited	Purchase of materials	468,154	—
Holcim Trading Ltd	Purchase of materials	125,449	—
Lafarge Industries South Africa (Pty) Ltd	Purchase of materials	404	—
Lafarge S.A.	Purchase of materials	374,613	—
Lafarge Cement Zimbabwe Limited	Purchase of materials	7,080	—
LafargeHolcim España S.A.U.	Purchase of materials	667,129	—
Bamburi Cement Limited	Purchase of materials	417,972	—
Hima CementLtd.	Purchase of materials	1,980,531	—
Holcim Group Services Ltd	Service fees	1,026,238	—

Sales of goods/provision of services

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of spare parts	8,235,152	12,988,071
Dujiangyan Lafarge Cement Co. LTD	Sales of packaging materials	1,135,938	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

5. Related party transactions – *continued*

(2) *Leases with related parties*

The Group as a lessee

Name of lessor	Category of leased assets	The rent paid	
		Amount for the current period	Amount for the prior period
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	6,781,693	6,557,559

(3) *Remuneration for key management personnel*

Item	Amount for the current period	Amount for the prior period
Remuneration for key management personnel	10,522,057	40,866,650

6. Amounts due to/from related parties

(1) *Amounts due from related parties*

Items	Related parties	Closing balance		Opening balance	
		Account balance	Bad debt provision	Account balance	Bad debt provision
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	5,161,548	–	1,974,656	–
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	1,009,216	–	1,009,216	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

(2) Amounts due to related parties

Items	Related parties	Closing balance	Opening balance
Prepayment	Lafarge Cement Zimbabwe Limited	31,788	—
Accounts payable	LafargeHolcim distribution	2,331,024	2,401,412
Accounts payable	Holcim Trading Ltd	672,264	—
Accounts payable	Lafarge Industries South Africa (Pty) Ltd	801	—
Accounts payable	Lafarge S.A.	471,701	—
Accounts payable	LafargeHolcim España S.A.U.	194,375	—
Accounts payable	Bamburi Cement Limited	650,714	—
Accounts payable	Holcim Group Services Ltd	512,364	—
Accounts payable	Hima CementLtd.	3,224,831	—
Accounts payable	Holcim Technology Ltd	825	—
Other payables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	20,704,932	15,224,013
Other payables	LAFARGE ASIA SDN BHD	410,394	410,394
Other payables	Huaxin Group Co., Ltd.	7,491	23,684

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XIII. SHARE-BASED PAYMENTS

1. Equity-settled share-based payments

The method for determining the fair value of the equity instruments on the grant date	Fair value determined based on the share price granted to the Japanese Company
The basis of determining the number of equity instruments expected to be vested	At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may unlock, the company's performance conditions and individual performance assessment and evaluation of incentive targets, etc. and revises the number of equity instruments expected to be unlocked. At the date expected to be unlocked, the number of equity instruments finally expected to be unlocked is consistent with the number of equity instruments actually to be unlocked.
Reasons for the significant difference between the estimate in the current period and that in the prior period	None
The cumulative amounts of equity-settled share-based payments recognized into capital reserves	145,056,171
The total amount of recognized expenses paid by equity-settled shares in the current period	29,039,764

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XIII. SHARE-BASED PAYMENTS – *continued*

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

On 25 September 2020, the Company granted a total of 22,689,338 zero-priced restricted shares to the core employees through the resolution of the Second extraordinary general meeting of shareholders of 2020 on the Company's 2020–2022 Core Employee Stock Ownership Plan (Draft) and Its Summary. The restricted shares mentioned above will be repurchased by the Company from the secondary market at an average price of RMB26.88 per share. The stock ownership plan includes two parts: Plan A and Plan B. Plan A refers to the long-term incentive plan linked to the annual performance assessment of the Company from 2020 to 2022, including A-0, A-1, A-2 and A-3 batches, which are awarded, assessed and unlocked by stages. Plan B refers to the Company's long-term incentive plan linked to the milestone performance assessment from 2020 to 2022, with one-time award, one-time assessment and one-time unlock. As at 30 June 2022, the Group has completed the grants of 5,038,246 shares for Plan A-0. The restricted sale period of restricted shares for Plan A-0 is 36, 48 and 60 months from the date of transfer of restricted shares to the employee stock ownership plan, and the restricted sale period will be released at the ratio of 33%, 33% and 34% respectively. As at 30 June 2022, 1,161,328 shares of A-1 plan were granted. The lock-up period of the conditional shares of A-1 plan are 24 months, 36 months, 48 months since the conditional shares were transferred to the incentivized staff. As at 30 June 2022, –839,868 shares in A-2 plan was adjusted. As at 30 June 2022, 14,880,609 shares have been granted for Plan B. The restricted sale period of Plan B is 48 months from the date of transfer of restricted shares to the employee stock ownership plan. When 100% of the appraisal targets are met, the unlock ratio is 100%; when 90% of the appraisal targets are met, the unlock ratio is 87.5%; and when 80% of the appraisal targets are met, the unlock ratio is 75%.

2. Cash-settled share-based payments

Methodology for determining the fair value of liabilities assumed by the company
on the basis of shares or other equity instruments

The accumulated amounts of liabilities arising from cash-settled share-based payments	64,057,845
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The total expenses recognized for cash settled share based payment in the current period	—
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As at 2 December 2016, according to the “Long-term Incentive Plan of Huaxin Cement Co., Ltd. for Core Management Staff from 2017 to 2019” approved by the 20th meeting of the 8th Board of Directors and the achievement of performance target of the Group from 2017 to 2019 under the incentive plan, the core management would be granted certain number of virtual shares of the Company. At the end of the third years after grant date (“the settlement date”), the core management can receive a cash bonus calculated by the share price at the settlement date multiplied by the number of the granted virtual shares. If the share price at the settlement date is over 200% of the share price of the grant date, the cash bonus should be calculated at 200% of share price of the grant date; if the share price at the settlement date is lower than 50% of the share price at the grant date, the cash bonus should be calculated at 50% of share price at the grant date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XIV. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Significant external commitments existing at the balance sheet date, and the nature and amount of the commitments

Capital commitments

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	3,062,616,731	2,825,031,865
– Commitment for Equity investment	<u>1,000,000,000</u>	<u>–</u>

2. Pending litigation

- (1) In September 2020, Moncement Building Materials LLC (“Moncement”) filed an application for arbitration with the ICC, claiming that the Group had breached relevant warranty obligations and maintenance obligations as stipulated in the EPC Agreement and related supplementary agreement for the construction of the cement production line from 2013 to 2017, and thus requested the Group to compensate for the losses caused to Moncement and all arbitration costs due to the breach of warranty obligations and maintenance obligations by the Group (amounting to USD 35,724,579.38) and pay interest at the rate of 10% per annum from the date of application for the arbitration to the date of actual payment for the compensation. The management of the Group is of the view that: (1) The technical advice given by the consulting company engaged by Moncement was not reliable. The EPC Contract clearly stated that the contract shall be governed by GB building standards, therefore, the European, Mongolian and Russian building standards on which the technical advice was based were not applicable to the EPC Agreement; (2) The steel grade adopted by the Group was in compliance with the requirements of the GB building standards agreed in the EPC Contract; (3) The wind load data used for the design by the Group was provided by Moncement, which was in compliance with the requirements of EPC Contract; (4) Moncement didn’t provide any evidence to demonstrate the deficiencies in the interfaces of the preheating tower. As at the date on which the financial statements are authorized for issue, this arbitration case has not been heard yet. The management believes that the outcome is not predictable, which does not meet the criteria that it is probable that economic benefits will flow out of the enterprise, therefore, no provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XIV. COMMITMENTS AND CONTINGENCIES – *continued*

2. Pending litigation – *continued*

- (2) In July 2021, the Group received an arbitration notice from Wuhan Arbitration Committee in relation to the application for arbitration by Wuhan Qingshan State-owned Capital Investment and Operation Holding Group Co., Ltd. (“Qingshan State-owned Capital Operation Company”) to Wuhan Arbitration Committee, claiming that it paid RMB26,000,000 on behalf of the Group for the relocation of residents for construction of a cement powder plant and a mixing plant project in Qingshan District, Wuhan City in June 2007, and the Group agreed to repay the principal amount of RMB6,000,000, RMB10,000,000 and RMB10,000,000 in instalments on 31 December 2008, 31 December 2009 and 31 December 2010. It requested the Group to repay the principal amount of RMB26,000,000 and pay liquidated damages at the base daily interest rate of 0.021% from the date of overdue repayment to the date of actual payment. The Group is of the view that according to the borrowing agreement entered into in June 2007, the Group built a cement grinding plant in Qingshan District and enjoyed the relevant preferential tax policies after its formal operation, with the refunded VAT on the comprehensive utilization of product resources as the main source of repayment and the incentive fund as a supplement to repayment, which were transferred directly to Qingshan State-owned Capital Operation Company by the VAT Refund Department and Incentive Fund Granting Department. As Qingshan State-owned Capital Operation Company failed to properly relocate the residents in the sanitary protection zone, the cement grinding plant did not pass the environmental protection inspection during construction and could not start production and operation. As at the date on which the financial statements are authorized for issue, the arbitration committee has not announced the outcome of the arbitration yet. The management believes that the outcome is not predictable, which does not meet the criteria that it is probable that economic benefits will flow out of the enterprise, therefore, no provision has been made.

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Description of other events after the balance sheet date

In accordance with the Proposal on the Public Issuance of Corporate Bonds in 2021 approved by the 2nd Extraordinary Shareholders’ General Meeting 2021, the company successfully issued the first corporate bonds linked to low-carbon transformation on the SSE on 19 July 2022. The issuance scale is RMB900 million in two types. The scale of type 1 is RMB500 million with 3 years and 2.99% coupon rate; that of type 2 is RMB400 million with 5 years and 3.39% coupon rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XVI. OTHER IMPORTANT MATTERS

1. Segment information

(1) *Determination basis and accounting policies of reporting segments*

As operating income, expenses, assets and liabilities of the Group are primarily attributable to manufacturing and sales of cement and related products, the Group considers that the business of various companies in the Group have obvious similarities. Thus, no segment information of the Group is presented after considering the internal organization structure, management requirement and the internal financial reporting system within the Group.

(2) *Financial information of reporting segments*

Non-current assets by geographical location

	Closing balance	Opening balance
China	35,388,452,430	30,701,575,970
Central Asia	2,859,922,813	1,655,462,979
Africa	913,063,341	1,925,165,724
Cambodia	619,994,421	731,558,724
Nepal	1,008,158,870	957,030,129
Total	40,789,591,875	35,970,793,526

The above non-current assets do not include debt investments, other equity instrument investments, other non-current financial assets, long-term receivables and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XVII. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure by aging

	Closing balance	Opening balance
Within 1 year		
1-6 months	949,516,784	857,465,222
6-12 months	80,107,294	18,477,768
Subtotal, within 1 year	1,029,624,078	875,942,990
1-2 years	15,237,655	27,603,660
2-3 years	7,100,967	3,599,573
Over 3 years	16,968,526	19,141,880
Total	1,068,931,226	926,288,103

(2) Disclosure by bad debt provision methods

Category	Closing balance				Opening balance					
	Account balance		Bad debt provision		Account balance		Bad debt provision		Carrying amount	
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)		
									Carrying amount	
Receivables for which bad debt provision is assessed on an individual basis	1,011,036,497	95	19,280,273	2	991,756,224	895,248,506	97	20,108,874	2	875,139,632
Receivables for which bad debt provision is assessed on a portfolio basis	57,894,729	5	4,622,661	8.00	53,272,068	31,039,597	3	2,880,911.00	9	28,158,686
Including :										
Category of cement receivable	37,253,238	/	4,589,237	12	32,664,001	26,940,893	/	2,843,151	11	24,097,742
Category of other business receivable	20,641,491	/	33,424	0	20,608,067	4,098,704	/	37,760	1	4,060,944
Total	1,068,931,226	/	23,902,934	/	1,045,028,292	926,288,103	/	22,989,785	/	903,298,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

1. Accounts receivable – *continued*

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

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

Category of cement receivable:

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
1–6 months	27,141,888	1,357,094	5
6–12 months	1,450,853	174,102	12
1–2 years	8,433,114	2,867,259	34
2–3 years	227,383	120,513	53
Over 3 years	–	–	–
Total	<u>37,253,238</u>	<u>4,518,968</u>	<u>12</u>

Category of other business receivable

Name	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
1–6 months	18,233,192	–	–
6–12 months	1,851,230	–	–
1–2 years	557,069	33,424	6
2–3 years	–	–	–
Over 3 years	–	–	–
Total	<u>20,641,491</u>	<u>33,424</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

1. Accounts receivable – *continued*

(3) *Bad debt provision*

Category	Opening balance	Changes for the year		Closing balance	
		Provision	Recovery or reversal		Write-off or elimination
Bad debt provision for accounts receivable	22,989,785	3,586,640	-1,523,491	-1,150,000	23,902,934
Total	<u>22,989,785</u>	<u>3,586,640</u>	<u>-1,523,491</u>	<u>-1,150,000</u>	<u>23,902,934</u>

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

Item	Write-off amount
Accounts receivable written off	<u>1,150,000</u>

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

Item	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Subsidiary A	53,170,633	5	—
Subsidiary B	47,569,581	4	—
Subsidiary C	41,127,671	4	—
Subsidiary D	37,876,104	4	—
Subsidiary E	36,917,877	3	—
Total	<u>216,661,866</u>	<u>20</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

2. Other receivables

Summary of other receivables

Items	Closing balance	Opening balance
Interests receivable	—	—
Dividends receivable	79,000,000	208,190,000
Other receivables	4,343,864,140	4,108,876,529
Total	4,422,864,140	4,317,066,529

(1) *Disclosure by aging*

Aging	Closing balance	Opening balance
Within 1 year	1,374,362,491	1,326,758,452
1–2 years	1,060,382,046	1,103,184,328
2–3 years	858,664,695	736,660,629
Over 3 years	1,097,397,464	989,226,736
Less: Credit loss allowance	46,942,556	46,953,616
Total	4,343,864,140	4,108,876,529

(2) *Classification by nature*

Nature	Closing balance	Opening balance
Amounts due from subsidiaries and related parties	4,354,195,413	4,129,067,980
Margin and deposits	36,048,109	22,797,458
Others	563,174	3,964,707
Total	4,390,806,696	4,155,830,145

(3) *Bad debt provision*

Category	Opening balance	Changes for the period		Closing balance
		Provision	Recovery or reversal	
Bad debt provision for other receivables	46,953,616	19,575	-30,634	46,942,557
Total	46,953,616	19,575	-30,634	46,942,557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

2. Other receivables – *continued*

Summary of other receivables – continued

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

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance
Subsidiary F	Amounts due from subsidiaries	713,189,582	Within 1 year, 1-2 years, 2-3 years	16.24
Subsidiary G	Amounts due from subsidiaries	453,621,075	Within 1 year, 1-2 years	10.33
Subsidiary H	Amounts due from subsidiaries	351,064,584	Within 1 year, 1-2 years	8.00
Subsidiary I	Amounts due from subsidiaries	239,622,819	Within 1 year, 1-2 years, 2-3 years	5.46
Subsidiary J	Amounts due from subsidiaries	214,797,472	Within 1 year, 1-2 years	4.89
Total	—	<u>1,972,295,532</u>		<u>44.92</u>

3. Long-term equity investments

Item	Closing balance			Opening balance		
	Account balance	Impairment provision for long-term equity investments	Carrying amount	Account balance	Impairment provision for long-term equity investments	Carrying amount
Subsidiaries	11,803,123,034	42,000,000	11,761,123,034	11,529,823,034	42,000,000	11,487,823,034
Associates	445,344,620	—	445,344,620	449,116,249	—	449,116,249
Total	<u>12,248,467,654</u>	<u>42,000,000</u>	<u>12,206,467,654</u>	<u>11,978,939,283</u>	<u>42,000,000</u>	<u>11,936,939,283</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

3. Long-term equity investments — *continued*

(1) *Subsidiaries*

Subsidiaries	Opening balance	Additional investment	Decrease in investment	Closing balance	Balance of impairment provision
Huaxin Aggregate Co., Ltd.	258,100,000	—	—	258,100,000	—
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	—	—	91,601,080	—
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	—	—	20,000,000	—
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	—	—	1,000,000,000	—
Huaxin (Huangshi) Logistics Co., Ltd.	20,000,000	—	—	20,000,000	—
Huaxin Concrete (Wuhan) Co., Ltd.	110,502,159	68,300,000	—	178,802,159	—
Huaxin Concrete Co., Ltd.	130,000,000	65,000,000	—	195,000,000	—
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	—	—	363,802,268	—
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	—	—	500,000	—
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	—	—	197,590,806	—
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	—	—	220,000,000	—
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	—	—	140,000,000	—
Huaxin Cement (Daye) Co., Ltd.	420,100,753	—	—	420,100,753	—
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	—	—	180,000,000	—
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	—	—	65,550,000	—
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	—	—	99,437,031	—
Huaxin Cement (Enping) Co., Ltd.	674,058	—	—	674,058	—
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	—	—	40,200,000	—
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	—	—	30,124,664	—
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	—	—	200,000,000	—
Huaxin Cement (Hefeng) National Materials Co., Ltd.	44,700,483	—	—	44,700,483	—
Huaxin Cement (Huangshi) Bulk Storage and transportation Co., Ltd.	20,000,000	—	—	20,000,000	—
Huaxin Cement (Huangshi) Co., Ltd.	680,000,000	—	—	680,000,000	—
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	—	—	20,000,000	—
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	—	—	70,800,000	—
Huaxin Cement Research and Design Co.,Ltd.	990,000	—	—	990,000	—
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	—	—	140,000,000	—
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	—	—	180,000,000	—
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	—	—	65,000,000	—
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	—	—	240,000,000	—
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	—	—	120,000,000	—
Huaxin Cement (Suizhou) Co., Ltd.	24,600,000	—	—	24,600,000	—
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	—	—	190,000,000	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

3. Long-term equity investments – *continued*

(1) *Subsidiaries – continued*

Subsidiaries	Opening balance	Additional investment	Decrease in investment	Closing balance	Balance of impairment provision
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,136	–	–	14,658,136	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	60,000,000	–	–	60,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	388,623,689	–	–	388,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co., Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co., Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Lafarge Shui On Cement Co., Ltd.	253,300,000	–	–	253,300,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Huangshi Huaxin Green Building Materials Co., Ltd.	600,000,000	–	–	600,000,000	–
Huaxin (Hainan) Investment Co., Ltd.	442,000,000	140,000,000	–	582,000,000	–
Total	11,529,823,034	273,300,000	–	11,803,123,034	42,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

3. Long-term equity investments — *continued*

(2) Associates

	Opening balance	Changes for the period Investment profit or loss recognized under equity method	Other equity changes	Closing balance
Associates				
Tibet High-tech Building Materials Co., Ltd.	356,957,328	-2,820,188	421,427	354,558,567
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,158,921	-1,372,868	—	90,786,053
Total	<u>449,116,249</u>	<u>-4,193,056</u>	<u>421,427</u>	<u>445,344,620</u>

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

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

4. Operating income and operating costs

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Main operations	258,265,962	232,995,583	403,237,277	362,348,142
Other operations	<u>2,097,533,418</u>	<u>2,064,252,085</u>	<u>1,689,125,023</u>	<u>1,545,444,133</u>
Total	<u>2,355,799,380</u>	<u>2,297,247,668</u>	<u>2,092,362,300</u>	<u>1,907,792,275</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

5. Investment income

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	1,102,780,000	2,355,763,032
Income from long-term equity investments under equity method	-4,193,056	6,934,284
Investment income of held-for-trading financial assets during the hold period	23,611,778	13,691,597
Dividend income of other equity instrument investments during the hold period	—	-263,299
Dividend income of other non-current financial assets during the hold period	917,725	—
Total	<u>1,123,116,447</u>	<u>2,376,125,614</u>

XVIII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

Item	Amount
Profit or loss on disposal of non-current assets	-4,960,646
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	55,813,845
Profit or loss on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, other than those used in the effective hedging activities relating to normal operating business	40,077,522
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment	3,111,514
Other non-operating income or expenses other than the above	-32,126,863
Effect of income tax	11,459,039
Effect of minority interests	-364,138
Total	<u>50,820,470</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

XVIII. SUPPLEMENTARY INFORMATION – *continued*

2. Return on net assets and earnings per share (“EPS”)

Profit for the Reporting Period	Weighted	EPS	
	average return on net assets (%)	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	5.75	0.77	0.77
Net profit after deduction of non-recurring profit or loss attributable to ordinary shareholders of the Company	<u>5.57</u>	<u>0.74</u>	<u>0.74</u>