



**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**

# 2023

## INTERIM REPORT

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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
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
Model Code	means	Model Code for Securities Transactions by Directors of Listed Issuers
Reporting Period	means	From 1 January to 30 June 2023
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
RMX	means	Ready-mixed Concrete
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. CORPORATE 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

Joint Company Secretary	Mr. Ye Jiaying (Secretary to the Board) Ms. Lee Mei Yi
Tel	0086 27 87773898
Fax	0086 27 87773992
E-mail	investor@huaxincem.com
Securities Affairs Representative	Ms. Wang Lu
Tel	0086 27 87773898
Fax	0086 27 87773992
E-mail	investor@huaxincem.com

## 3. BASIC INFORMATION

Registered location of the Company	No. 600 East Daqi Avenue, Huangshi City, Hubei Province
Administrative location of the Company	Tower B, Huaxin Tower, 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 administrative location	430073
Website of the Company	www.huaxincem.com
E-mail	investor@huaxincem.com

## 4. INFORMATION DISCLOSURE AND PLACE AVAILABLE

Press 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

Demand for cement is highly relevant to the national economic development and fixed asset investment and it's highly cyclical. In the first half of 2023, Chinese economy has recovered towards the upturn. In the first half of the year, GDP increased by 5.5% as compared against the same period of last year, and the growth rate was 6.3% in the second quarter. From January to June, fixed asset investment (excluding farmers) amounted to RMB24.31 trillion, representing an increase of 3.8% over the same period of last year, among which the nationwide infrastructure investment, which was highly relevant to the cement demand, increased by 7.2% period-over-period while the real estate investment dropped by 7.9%.

In the first half of 2023, the accumulated cement output of the enterprises above scale was 953 million tons, the lowest for 12 years. Under the circumstances of the waning demand and overcapacity, competition became fierce, the overall cement price weakened, hitting the low point for 5 years despite of cost decrease in cement fuels. In addition, against the backdrop of energy conservation, consumption reduction and carbon reduction, the cost of cement remained high and the performance of the industry kept a downward trend.

Data source: National Statistics Bureau and China Cement Association.

### 2. The Company's principal businesses

At the beginning of the listing on the SSE, the Company was engaged in manufacturing and sale of cement, cement technical services, research, manufacturing, installation and maintenance of cement equipment, as well as cement import and export trade. For the past 20 years, through integration development, eco business transformation strategy, overseas development strategy and new building material business expansion, the Company expanded its businesses to production and sales of RMX, aggregates, production and sale of cement based high-tech building materials, cement kiln co-processing of waste materials, EPC for both domestic and international cement projects, equipment business and project contracting regarding cement kiln co-processing technology. Starting as a local cement plant, Huaxin has developed into a global building material group with integrated development throughout the whole industry chain. Its businesses cover 16 provinces/cities/municipalities and 14 overseas countries with over 300 subsidiaries in cement, RMX, aggregate, eco business, equipment engineering and new building materials.

The Company ranks among Chinese Manufacturing Industry Top 500 and Fortune China Top 500. As of 30 June 2023, the Company owned a total cement capacity of 122 million tons/year (grinding capacity, capacity in joint ventures are included), cement equipment manufacturing capacity of 50,000 tons/year, commercial concrete capacity of 89.90 million m<sup>3</sup>/year(including leasing), aggregate capacity of 240 million tons/year, composite eco wall material of 540 million units/year, aerated block (board) 950,000 m<sup>3</sup>/year, mortar production capacity of 1.62 million tons/year, UHPC 400,000 tons/year, civil building curtain wall slab of 800,000 m<sup>2</sup>/year, industrial anti-corrosion tile production of 3 million m<sup>2</sup>/year, lime production of 690,000 tons/year, cement packaging bag production of 700 million bags/year and wastes disposal capacity of 15.98 million tons/year (including projects approved but yet to be operated).

# MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2023, revenue of cement business accounts for 62% of the Company's total revenue, and 44% of the total net profit attributable to the shareholders of the Company, the lead in all businesses of the Company. Non-cement business ratio gained place gradually, the revenue of which accounts for 38% of the Company's total revenue, and 56% of the total net profit attributable to the shareholders of the Company, contributing an important growth point to the profit.

## II. COMPETITIVE STRENGTH DURING THE REPORTING PERIOD

Established in 1907, the Company has a long history and profound cultural heritage, and it is one of the top 100 large scale companies listed in "China's 500 Most Valuable Brands". Since being listed on the SSE in 1994, the Company remains committed to the philosophy of "Innovation-driven development, leading the industry", "Operating ongoing business with perseverance". With 30 years of continuous and healthy development, the Company has been equipped with advantages such as scale and complete industry chain, green and low carbon development, technological innovation, trade name and brand, product quality, strategic layout, cutting-edge intelligent management and professional, stable and efficient management team through independent innovation, scientific decision-making, energy saving and pollution reduction and low-carbon circular economy.

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

Please refer to the part "3. COMPETITIVE STRENGTH DURING THE REPORTING PERIOD" of "Chapter III Company Business" in 2022 Annual Report for details.

## III. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

In the first half of 2023, 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 promoted integrated development, steadily promoted 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 2023, due to the increase in the sales volume of cement overseas, the Company registered the sales volume of cement and clinker of 29.9514 million tons, an increase of 2.13% as compared with the same period of last year. (among which: the sales volume of cement and clinker in domestic plants decreased by 0.76% against the same period of last year). As a result of business integration, the sales volume of aggregate was 50.5124 million tons, representing an increase of 103.30% as compared against the same period of last year; and that of RMX was 10.9497 m<sup>3</sup>, representing a period-to-period increase of 82.31%. In the meantime, the Company continued to promote eco-friendly business development, controlled energy consumption and reduced costs. Therefore, wastes received amounted to 1.94 million tons, representing a period-to-period increase of 11%. During the Reporting Period, the operating income was RMB15.832 billion, representing an increase of 10.02%. Due to the period-to-period decrease in the selling price and sales volume of domestic cement and clinker, net profit attributable to shareholders of the Company was RMB1.193 billion, representing a decrease by 24.85% as compared with the same period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the cement business achieved RMB9.76 billion operating revenue, a decrease of 5.04% compared with the same period of last year, in which the operating revenue of domestic cement business was RMB7.462 billion, representing a decrease of 12.41% against the same period of last year; the operating revenue of overseas cement business was RMB2.302 billion, representing an increase of 30.57%. Non-cement business operating revenue was RMB5.836 billion, spiking 49.19% year on year. In terms of profit, the selling price of cement products decreased RMB24.60/ton to RMB326/ton year on year, and the cost shed RMB10.47/ton to RMB251.62/ton, resulting in the decrease of gross margin per ton of RMB14.13/ton to RMB74.37/ton; as for aggregate, the average selling price decreased RMB8.65/ton to RMB42.81/ton while the cost was up by RMB3.03/ton to RMB23.49/ton, leading to the decrease of gross margin of RMB11.68/ton to RMB19.32/ton; the selling price of RMX decreased RMB43.48/m<sup>3</sup> to RMB289.88/m<sup>3</sup>, and the cost decreased RMB22.67/m<sup>3</sup> to RMB252.14/m<sup>3</sup>, resulting in the decrease of gross margin per m<sup>3</sup> of RMB20.81/m<sup>3</sup> to 37.74 RMB/m<sup>3</sup>. As the sales volume of aggregate and RMX increased, non-cement business's contribution to the EBITDA for the first of half of this year exceeded 50%, becoming a major pillar of stable performance.

During the Reporting Period, the Company adhered to green and low carbon development, putting continuous efforts in saving energy, reducing emission, reducing consumption and cost. Through 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 2023, the TSR of domestic kiln lines with AFR reached 22.16%, representing an increase of 10.12 percentage points as compared with the corresponding period in 2022, and traditional thermal consumption of clinker products decreased by 57.58 kcal/kg; in the first half of 2023, the comprehensive consumption per unit clinker of 33 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 business and overseas development to enhance competitiveness. In terms of cement business, the acquisition of 59.58% equities of Oman Cement Company was completed, and Dar grinding station of Tanzania was commissioned after upgrading, which added cement grinding capacity of 4.4 million tons/year. With respect to aggregate business, Wuxue, Changyang projects were put into operation, Chibi, Chenzhou and Xinyang aggregate projects were upgraded to increase production, adding 31.50 million tons/year net capacity. In terms of RMX business, the Company further promoted light asset operation, adding 28 RMX projects with the capacity of 21.15 million m<sup>3</sup>/year in Jiangsu, Hainan, Hubei, Hunan, Yunnan.

During the Reporting Period, the Company actively promoted digital projects to support the strategy implementation of overseas development and integration transformation. By utilizing the Digital Management Control Center and optimizing the functions of the Control Center, the Company established its core competitiveness along Yangtze River with the focus on efficiency, cost and service, hence realizing a new model of industry chain synergy; the Company continued to promote the digitalization of overseas infrastructure, ERP system to dock with domestic system, and coordinate the Finance, Audit Departments to enhance the risk prevention capability of overseas business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

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

Unit: RMB

	<b>Amount for the current period</b>	Amount for the prior period	Change (%)
Operating income	<b>15,831,572,500</b>	14,389,448,963	10.02
Operating costs	<b>11,971,182,161</b>	10,357,040,560	15.58
Selling and distribution expenses	<b>691,696,836</b>	709,133,292	-2.46
General and administrative expenses	<b>802,033,113</b>	723,755,898	10.82
Financial expenses	<b>245,237,036</b>	164,831,907	48.78
Research and development expenses	<b>58,342,983</b>	45,693,691	27.68
Net cash flows from operating activities	<b>2,127,167,281</b>	1,267,008,618	67.89
Net cash flows from investing activities	<b>-2,221,519,537</b>	-3,121,618,364	28.83
Net cash flows from financing activities	<b>-2,054,800,997</b>	226,934,452	-1,005.46

- (1) The increase of the financial expenses in the first half of 2023 as compared to the corresponding period in 2022 was mainly due to the increase of the interest expenditure.
- (2) The increase of the net cash flows from operating activities in the first half of 2023 as compared to the corresponding period in 2022 was due to the increase of the turnover efficiency of working capital.
- (3) The decrease of the net cash flows from financing activities in the first half of 2023 as compared to the corresponding period in 2022 was because capital expenditure projects decreased, and borrowings reduced. The liabilities with interests decreased because they were matured and paid.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Assets and Liabilities

Unit: RMB

	Closing balance	Percentage of amount at the end of the Reporting Period to the total asset (%)	Opening balance	Percentage of amount at the end of the last period to the total asset (%)	Change over the end of last period (%)	Remarks
Held-for-trading financial assets	<b>1,519,104</b>	—	41,711,538	0.06	-96.36	Liquidation of interest rate swap
Notes receivable	<b>326,222,154</b>	<b>0.50</b>	545,960,470	0.85	-40.25	Increase notes transfer
Accounts receivable	<b>2,168,543,120</b>	<b>3.31</b>	1,382,631,200	2.15	56.84	Scale of RMX business expanded
Right-of-use assets	<b>1,763,558,225</b>	<b>2.69</b>	979,311,070	1.52	80.08	Leasing of RMX increased
Other payables	<b>1,443,195,375</b>	<b>2.20</b>	915,096,046	1.42	57.71	H share dividends to be distributed
Lease liabilities	<b>1,323,512,847</b>	<b>2.02</b>	759,905,754	1.18	74.17	Leasing of RMX increased
Long-term employee benefits payables	<b>63,948,399</b>	<b>0.10</b>	47,606,682	0.07	34.33	M&A increased

# 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 RMB32.062 billion, and total equity attributable to shareholders of the Company was RMB27.719 billion.

As at the end of the Reporting Period, total liabilities were RMB33.500 billion, and liabilities with interests was RMB14.530 billion. Analysis on the bank loans as of the end of the Reporting Period are as follows:

Unit: RMB

	Closing balance	Opening balance
Within 1 year	<b>2,759,660,780</b>	2,786,503,163
1-2 years	<b>2,697,294,180</b>	2,421,597,318
2-5 years	<b>4,106,559,584</b>	4,206,408,619
Above 5 years	<b>454,729,500</b>	654,082,887
Total	<b><u>10,018,244,044</u></b>	<b><u>10,068,591,987</u></b>

Apart from the above loans, the Group has corporate bonds of RMB4.512 billion due in 2 to 6 years.

Asset liability ratio of the Company (total liabilities/total assets) decreased to 51.1% at the end of the Reporting Period from 52.0% 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

	<b>Closing balance</b>
Cash and bank balances	298,064,699
Notes receivable	2,020,000
Financing from accounts receivable	400,499
Fixed assets	5,556,870
Intangible assets	22,265,201
<b>Total</b>	<b>328,307,269</b>

Equities of some subsidiaries of the Group have been pledged to bank for long term borrowings (Notes VII (28)). As of 30 June 2023, book value of net asset balance equivalent to those equities was approximately RMB5,273,086,977 (31 December 2022: approximately RMB4,829,073,769), in which RMB4,527,632,382 was still in progress or have been discharged of pledge.

For details, please refer to the Notes VII (1),VII (3), VII (5), VII (59).

## *(3) Risks of foreign exchange rate fluctuation*

The foreign exchange rate mainly involves US dollar and Oman Rial. Several of the Group's subsidiaries have purchases and sales denominated in USD dollars while the Group's other principal activities are denominated and settled in RMB. The balance of other foreign currencies is relatively small, including Zambia Kwacha, Malawi Kwacha 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. During the Reporting Period, the Group entered into forward foreign exchange contracts to manage foreign exchange risk exposure.

For details, please refer to the Notes X (3) Foreign exchange risk.

## *(4) Significant investment and capital expenditure*

In the first half of 2023, the Group invested RMB1.819 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (5) External equity investment

Unit: RMB

	Closing balance	Opening balance	Change (%)
Other equity instrument investment	<b>962,012,073</b>	1,012,850,323	-5.02
Other non-current financial assets	<b>28,258,999</b>	25,067,265	12.73
Long term equity investment	<b>468,628,363</b>	438,886,647	6.78

## (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).

## V. OUTLOOK FOR THE SECOND HALF OF 2023

In the second half of 2023 when there is insufficient domestic demand under complex and severe situation, the national government will stay true to the general principle of pursuing progress while ensuring stability and prioritizing high-quality development. It will scientifically implement macro policies, expand domestic demand and channel economy circle. The fundamentals of recovery of the Chinese economy remain unchanged.

In the second half of 2023, it's predicted that the investment on the infrastructure will still be the major focus for stable economic growth. The real estate market is expected to stabilize as policies promoting the healthy development of the industry will take effect, such as increasing the supply of the construction and supply of guaranteed housing, and actively promoting the reconstruction of urban villages. The demand of cement may witness seasonal rebound, however, severe overcapacity and intensified competition will not change dramatically. The profit of the whole industry urgently requires exploring the new mindset of cutting capacity and enhanced awareness of rational competition appropriate for the high-quality development of the industry.

In the second half of 2023, the Company will stand firm on the operational mindset, taking stronger measures to implement the four strategies and key tasks. Specifically, stabilizing the price of domestic cement business, ensuring quantity and increasing efficiency. In terms of aggregate business, enhancing production, stabilizing price and increasing profit. For concrete business, reducing costs and controlling risks to increase revenue, while for the overseas business, stabilizing production and prices to improve performance.

# SIGNIFICANT MATTERS

## 1. CONNECTED TRANSACTION RELATED TO DAILY OPERATION

During the Reporting Period, the Company has no connected transactions related to daily operations.

## 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 RMB10,175,850,331, accounting for 36.71% of the net assets of the Company.

## 3. OTHER SIGNIFICANT MATTERS

- (1) On 23 May 2023, the Company received the approval on Huaxin Cement's Public Issuance of Corporate Bonds to Professional Investors issued by the China Securities Regulatory Commission (CSRC). According to the approval, CSRC agreed to register the application of the Company's public issuance of corporate bonds with a face value of not more than RMB3 billion to professional investors (it can be issued in installments). The issuance is now in progress as planned.
- (2) On 9 June 2023 and 20 July 2023, the 25th Meeting of the Tenth Board of Directors of the company and the Third Extraordinary Shareholders General Meeting in 2023 respectively considered and approved the Proposal on the Repurchase and Cancellation of Partial Shares in the 2020-2022 Core Employees Stock Ownership Plan (the ESOP). According to the performance result, the Company will repurchase at the price of 0/share and cancel 17,604,206 shares under the ESOP that cannot be vested due to failure in achieving the performance target. On 28 August 2023, the Company completed the cancellation of these shares.
- (3) On 13 March 2023, Huaxin (Hong Kong) International Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Investment Authority SPC to purchase 59.98% equity interest of the Oman Cement Company SAOG at the consideration of USD 193.1 million (adjustable, based on the audited closing financial statements net cash and working capital). On 5 April 2023, the acquisition of the 59.58% equity was completed. On 2 July 2023, the tender offer to the remaining shareholders of Oman Cement Company SAOG was completed. The transaction has been completed. At a total consideration of USD 210.8 million, through Abra Holdings Ltd, its indirectly wholly-owned subsidiary, the Company holds 64.66% equity interests in Oman Cement Company SAOG.
- (4) On 27 June 2023, Huaxin (Hong Kong) International Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with INTERCEMENT TRADING INVERSIONES, S.A.U. to purchase 100% equity interest in Natal Portland Cement Company (Pty) Ltd. at a consideration of USD 231.6 million (adjustable, based on the audited closing financial statements net cash and working capital). The transaction is now in progress as planned.
- (5) During the Reporting Period, the Company was not involved in any significant litigation or arbitration.
- (6) During the Reporting Period, the Company nor its subsidiaries had purchased, sold and redeemed listed securities of the Company.

# CHANGES IN SHARES AND SHAREHOLDERS

## 1. STRUCTURE OF SHARES

During the Reporting Period, there were no changes in the total number of shares and the structure of the Company.

## 2. SHAREHOLDERS

(1) To the best knowledge of the Company, as at 30 June 2023, the total number of registered shareholders of the Company was 63,229, among which, the number of A Shares shareholders was 63,226, the number of H Shares shareholders was 3.

(2) Shareholding of the top 10 registered shareholders of the Company as at 30 June 2023

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	32,077,416	1.53
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	17,733,786	0.85
The National Social Security Fund 413 Combination	A Shares	15,900,000	0.76
Agriculture Bank of China — ICBC Credit Suisse Innovation Drive Share Securities Investment Fund	A Shares	15,300,037	0.73
ICBC Credit Suisse Fund — Chinese Life Insurance Co., Ltd. — Participating Insurance — ICBC Credit Suisse Fund China Life Equity Balanced Equity Portfolio Single Asset Management Plan (available for sale)	A Shares	11,335,516	0.54
China Railway Wuhan Bureau Group Co., Ltd.	A Shares	11,289,600	0.54

Notes: 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 2023, 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 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 share	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	417,902,467	56.88	19.93
		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	384,210,624	52.29	18.33
		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	384,210,624	52.29	18.33
		Total	<u>835,543,825</u>		<u>39.85</u>
State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government	Interest of controlled corporation	A Shares	338,060,739	24.82	16.12
Huangshi State-owned Assets Management Company Limited	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

# CHANGES IN SHARES AND SHAREHOLDERS

Full name of shareholders	Nature of interest	Class of share	Number of shares	Approximate % of shares held in the relevant class	Approximate % of shares held in the total amount of share capital
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
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 2023.

Save as disclosed above, as at 30 June 2023, 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. CHANGE ON THE PROFILE OF DIRECTOR, SUPERVISOR AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The non-executive Director, Ms. Tan Then Hwee, has been appointed as the Holcim Head of Learning and Development since January 2023.

The Supervisor, Mr. Zhu Yaping, has been appointed as the deputy general manager of the Overseas Region and country manager of Oman on 15 March 2023.

The non-executive Director, Mr. Jiang Hong, has been appointed as an independent director of Wonders Information Co., Ltd. on 26 July 2023.

## 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 2023, 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	Type 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	565,696	0.0770	0.0270
Liu Fengshan	Beneficial owner	A Shares	161,500	0.0119	0.0077
		H Shares	120,600	0.0164	0.0058
Ming Jinhua	Beneficial owner	H Shares	36,500	0.0050	0.0017
Zhang Lin	Beneficial owner	A Shares	11,600	0.0009	0.0009
		H Shares	148,400	0.0202	0.0071
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 2023.

Save as disclosed above, as at 30 June 2023, 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. INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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 under the Hong Kong Listing Rules and the Policy on the holding and transfer of securities by the Directors, supervisors and senior management of the Company as the code and guideline for securities transactions of 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 and the Company's code of conduct in relation to securities transactions by Directors during the Reporting Period.

## 5. EMPLOYEE

As at 30 June 2023, the Company had 19,654 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. With the evaluation of the total remuneration package, the Company sets reasonable key performance indicators for different businesses, organically linking employees' performance with remuneration. Therefore, the remuneration increase brought by the improvement in financial performance can be felt by employees and they can be motivated.

During the Reporting Period, the Company launched diversified and differentiated offline and online training programs for different levels and types of employees. The Company continued to organize mini-MBA, senior management, mid-level management, elementary management, project management and online management training programs to continuously enhance the leadership capability of our management personnel at all levels. The Company launched trainings in probity, safety, technology, finance, procurement, logistics and other professional functions to continuously improve the consciousness of probity and professional skills of our employees; The Company will continuously build a professional in-house trainer team, conduct a diversified activities through the Trainer's Club, and foster a culture of teaching over learning. In support the overseas expansion, the Company launched online English language training to create a new bilingual online learning platform.

# OTHER INFORMATION

## 1. REVIEW OF UNAUDITED INTERIM RESULT

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 suggestions to the Board. The Audit Committee has reviewed the interim results for the six months ended 30 June 2023 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 has complied with the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules of the Stock Exchange during the Reporting Period.

## 4. UTILIZATION OF CORPORATE BONDS

As of 31 December 2022, the Company had unutilised proceeds from the overseas bonds issued in 2020 of RMB347 million. As of the end of the Reporting Period, the proceeds had been fully utilised in accordance with the designed purpose of the bonds.

## 5. SIGNIFICANT SUBSEQUENT EVENTS

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 material subsequent events.

# FINANCIAL STATEMENTS (UNAUDITED)

## I. AUDITOR'S REPORT

The financial statements have not been audited.

## II. FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

30 June 2023

Unit: RMB

	NOTE VII	Closing balance	Opening balance
<b>Current assets</b>			
Cash and bank balances	1	5,552,644,820	7,038,341,792
Held for trading financial assets	2	1,519,104	41,711,538
Notes receivable	3	326,222,154	545,960,470
Accounts receivable	4	2,168,543,120	1,382,631,200
Receivables financing	5	440,987,622	527,248,935
Prepayments	6	443,687,627	353,870,798
Other receivables	7	616,783,284	477,956,891
Inventories	8	3,686,327,929	3,405,122,012
Other current assets	9	819,230,599	677,454,529
<b>Total current assets</b>		<b>14,055,946,259</b>	<b>14,450,298,165</b>
<b>Non-current assets</b>			
Debt investments		7,500,000	7,500,000
Long-term receivables	10	130,106,796	131,594,447
Long-term equity investments	11	468,628,363	438,886,647
Other equity investments	12	962,012,073	1,012,850,323
Other non-current financial assets		28,258,999	25,067,265
Fixed assets	13	26,342,150,511	22,720,804,975
Construction in progress	14	4,693,485,846	6,575,465,631
Right-of-use assets	15	1,763,558,225	979,311,070
Intangible assets	16	14,528,804,274	15,182,751,513
Development expenditures		50,736,970	45,429,082
Goodwill	17	635,076,504	618,543,411
Long-term prepaid expenses	18	770,909,159	817,417,303
Deferred tax assets	19	448,809,898	387,429,400
Other non-current assets		676,505,026	848,327,033
<b>Total non-current assets</b>		<b>51,506,542,644</b>	<b>49,791,378,100</b>
<b>TOTAL ASSETS</b>		<b>65,562,488,903</b>	<b>64,241,676,265</b>

# FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED BALANCE SHEET — *continued*

30 June 2023

Unit: RMB

	NOTE VII	Closing balance	Opening balance
<b>Current liabilities</b>			
Short-term borrowings	20	706,300,000	593,415,661
Notes payable	21	748,840,928	729,227,787
Accounts payable	22	7,409,905,544	8,366,283,316
Contract liabilities	23	748,180,890	681,610,930
Employee benefits payable	24	165,246,080	131,081,719
Taxes payable	25	550,672,065	692,510,079
Other payables	26	1,443,195,375	915,096,046
Non-current liabilities due within one year	27	4,617,236,825	4,427,049,341
Other current liabilities		91,233,353	88,609,421
<b>Total current liabilities</b>		<b>16,480,811,060</b>	<b>16,624,884,300</b>
<b>Non-current liabilities</b>			
Long-term borrowings	28	7,224,034,426	7,282,088,824
Bonds payable	29	4,511,667,894	4,426,286,852
Lease liabilities	30	1,323,512,847	759,905,754
Long-term payables	31	2,411,172,569	2,837,076,467
Long-term employee benefits payable	32	63,948,399	47,606,682
Provisions	33	425,487,269	442,260,626
Deferred income	34	282,301,933	291,877,454
Deferred tax liabilities	19	672,343,598	586,568,845
Other non-current liabilities	35	104,940,000	104,940,000
<b>Total non-current liabilities</b>		<b>17,019,408,935</b>	<b>16,778,611,504</b>
<b>TOTAL LIABILITIES</b>		<b>33,500,219,995</b>	<b>33,403,495,804</b>
<b>Shareholders' Equity</b>			
Share capital	36	2,096,599,855	2,096,599,855
Capital reserves	37	2,080,731,537	1,975,889,177
Less: Treasury shares	38	610,051,971	610,051,971
Other comprehensive income	39	-131,765,072	-175,257,484
Specialized reserves	40	37,644,851	37,644,851
Surplus reserves	41	1,111,880,257	1,111,880,257
Retained profit	42	23,133,736,300	23,009,600,343
<b>Total equity attributable to shareholders of the Company</b>		<b>27,718,775,757</b>	<b>27,446,305,028</b>
Non-controlling interests		4,343,493,151	3,391,875,433
<b>Total Shareholders' Equity</b>		<b>32,062,268,908</b>	<b>30,838,180,461</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>65,562,488,903</b>	<b>64,241,676,265</b>

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# FINANCIAL STATEMENTS (UNAUDITED)

## BALANCE SHEET OF THE COMPANY

30 June 2023

Unit: RMB

	Note XVII	Closing balance	Opening balance
<b>Current assets</b>			
Cash and bank balances		2,523,899,331	3,371,482,031
Held for trading financial assets		—	41,711,538
Notes receivable		2,100,000	2,657,000
Accounts receivable	1	916,108,020	1,064,169,857
Receivables financing		13,896,316	6,006,461
Prepayments		297,556,324	202,336,689
Other receivables	2	5,547,576,218	4,853,948,075
Inventories		238,353,168	317,520,810
Non-current assets maturing within one year		1,580,000	1,580,000
Other current assets		90,575,707	30,437,969
<b>Total current assets</b>		<b>9,631,645,084</b>	<b>9,891,850,430</b>
<b>Non-current assets</b>			
Long-term receivables		70,355,216	61,595,884
Long-term equity investments	3	13,634,939,621	13,291,077,272
Other equity investments		962,012,073	1,012,850,323
Other non-current financial assets		28,258,999	25,067,265
Fixed assets		486,780,033	514,953,103
Construction in progress		83,788,294	67,298,137
Right-of-use assets		46,891,859	49,684,572
Intangible assets		109,425,634	110,473,423
Development expenditures		19,999,516	19,235,220
Long-term prepaid expenses		9,760,107	10,875,947
Deferred tax assets		31,824,938	7,589,057
<b>Total non-current assets</b>		<b>15,484,036,290</b>	<b>15,170,700,203</b>
<b>TOTAL ASSETS</b>		<b>25,115,681,374</b>	<b>25,062,550,633</b>

# FINANCIAL STATEMENTS (UNAUDITED)

## BALANCE SHEET OF THE COMPANY – *continued*

30 June 2023

Unit: RMB

	Note XVII	Closing balance	Opening balance
<b>Current liabilities</b>			
Notes payable		472,055,387	190,606,110
Accounts payable		283,405,586	273,190,074
Contract liabilities		39,335,681	30,761,067
Employee benefits payable		23,162,652	28,132,478
Taxes payable		112,089,202	131,701,323
Other payables		7,378,335,429	6,772,872,313
Non-current liabilities due within one year		370,722,433	928,941,258
<b>Total current liabilities</b>		<b>8,679,106,370</b>	<b>8,356,204,623</b>
<b>Non-current liabilities</b>			
Long-term borrowings		1,015,280,000	961,060,000
Bonds payable		2,197,570,500	2,196,795,791
Lease liabilities		36,434,379	35,343,333
Long-term employee benefits payable		13,559,328	13,559,328
Provisions		6,864,253	6,864,253
Deferred income		6,104,167	6,875,000
<b>Total non-current liabilities</b>		<b>3,275,812,627</b>	<b>3,220,497,705</b>
<b>TOTAL LIABILITIES</b>		<b>11,954,918,997</b>	<b>11,576,702,328</b>
<b>Shareholders' Equity</b>			
Share capital		2,096,599,855	2,096,599,855
Capital reserves		2,394,001,651	2,381,459,845
Less: Treasury shares		610,051,971	610,051,971
Other comprehensive income		-40,060,045	-1,931,357
Surplus reserves		1,111,880,257	1,111,880,257
Retained profit		8,208,392,630	8,507,891,676
<b>Total Shareholders' Equity</b>		<b>13,160,762,377</b>	<b>13,485,848,305</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>25,115,681,374</b>	<b>25,062,550,633</b>

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

Unit: RMB

	Note VII	Amount for the current period	Amount for the prior period
I. Total operating income	43	<b>15,831,572,500</b>	14,389,448,963
Including: Operating income		<b>15,831,572,500</b>	14,389,448,963
II. Total operating costs		<b>14,091,669,921</b>	12,268,372,426
Including: Cost of sales	43	<b>11,971,182,161</b>	10,357,040,560
Taxes and surcharges	44	<b>323,177,792</b>	267,917,078
Selling expenses	45	<b>691,696,836</b>	709,133,292
Administrative expenses	46	<b>802,033,113</b>	723,755,898
Research and development expenses		<b>58,342,983</b>	45,693,691
Finance costs	47	<b>245,237,036</b>	164,831,907
Including: Interest expenses		<b>315,768,191</b>	149,218,223
Interest income		<b>58,883,536</b>	44,998,331
Add: Other income	48	<b>78,804,926</b>	98,008,668
Investment income	49	<b>34,284,849</b>	21,291,835
Including: Income (losses) from investments in associates and joint ventures	49	<b>348,987</b>	-4,137,667
(Losses) gains from changes in fair value	50	<b>-38,519,804</b>	16,465,744
Impairment losses on credit	51	<b>-51,365,463</b>	-43,425,957
Impairment losses of assets	52	<b>-7,975,582</b>	-10,278,652
Gains (losses) on disposal of assets	53	<b>5,309,799</b>	-1,248,095
III. Operating profit		<b>1,760,441,304</b>	2,201,890,080
Add: Non-operating income	54	<b>6,448,493</b>	2,892,447
Less: Non-operating expenses	55	<b>28,622,956</b>	38,731,861
IV. Profit before taxes		<b>1,738,266,841</b>	2,166,050,666
Less: Income tax expenses	56	<b>388,324,122</b>	483,159,383
V. Net profit		<b>1,349,942,719</b>	1,682,891,283
(i) Classified by the continuity of operation			
1. Net profit from continuing operations		<b>1,349,942,719</b>	1,682,891,283
(ii) Classified by the ownership			
1. Net profit attributable to the owners of the company		<b>1,192,560,395</b>	1,586,839,657
2. Non-controlling interests		<b>157,382,324</b>	96,051,626



# FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED INCOME STATEMENT – *continued*

For the six months ended 30 June 2023

Unit: RMB

	Note XVII	Amount for the current period	Amount for the prior period
VI. Other comprehensive income, net of tax	39	<b>106,086,375</b>	198,854,792
(1) Other comprehensive income attributable to owners of the Company, net of tax		<b>43,492,412</b>	121,168,915
(i) Other comprehensive income that cannot be reclassified to profit or loss		<b>-38,128,688</b>	-12,585,879
1. Changes in fair value of other equity Instrument investments		<b>-38,128,688</b>	-12,585,879
(ii) Other comprehensive income to be reclassified into profit or loss		<b>81,621,100</b>	133,754,794
1. Exchange differences on translation of financial statements denominated in foreign currencies		<b>81,621,100</b>	133,754,794
(2) Other comprehensive income attributable to non-controlling interests, net of tax	39	<b>62,593,963</b>	77,685,877
VII. Total comprehensive income		<b>1,456,029,094</b>	1,881,746,075
(1) Total comprehensive income attributable to owners of the Company		<b>1,236,052,807</b>	1,708,008,572
(2) Total comprehensive income attributable to non-controlling interests		<b>219,976,287</b>	173,737,503
VIII. Earnings per share			
(i) Basic earnings per share		<b>0.58</b>	0.77
(ii) Diluted earnings per share		<b>0.57</b>	0.77

During the Reporting Period, net income realized by the combining parties prior to a business combination under the same control was 0 yuan, Net income realized by the consolidated party in the previous period was 0 yuan.

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# FINANCIAL STATEMENTS (UNAUDITED)

## INCOME STATEMENT OF THE COMPANY

For the six months ended 30 June 2023

Unit: RMB

	Note XVII	Amount for the current period	Amount for the prior period
I. Operating income	4	<b>1,727,451,377</b>	2,355,799,380
Less: Cost of sales	4	<b>1,608,422,922</b>	2,297,247,668
Taxes and surcharges		<b>10,668,994</b>	8,494,082
Selling expenses		<b>8,441,019</b>	10,563,569
Administrative expenses		<b>118,243,855</b>	114,426,153
Research and development expenses		<b>20,580,616</b>	10,333,939
Finance costs		<b>-16,297,375</b>	-24,807,506
Including: Interest expenses		<b>99,262,871</b>	107,769,636
Interest income		<b>80,216,296</b>	84,213,688
Add: Other income		<b>1,070,833</b>	6,129,371
Investment income	5	<b>825,941,415</b>	1,123,116,447
Including: (Losses) Income from investments in associates and joint ventures		<b>-1,713,962</b>	-634,081
(Losses) gains from changes in fair value		<b>-38,519,804</b>	16,465,744
Impairment losses on credit		<b>-7,997,477</b>	-2,052,090
Impairment gains on assets		<b>154,334</b>	540,091
Gains on disposal of assets		<b>—</b>	2,407
II. Operating profit		<b>758,040,647</b>	1,083,743,445
Add: Non-operating income		<b>282,910</b>	544,767
Less: Non-operating expenses		<b>924,483</b>	451,927
III. Profit before tax		<b>757,399,074</b>	1,083,836,285
Less: Income tax expenses		<b>-11,526,318</b>	-17,518,760
IV. Net profit		<b>768,925,392</b>	1,101,355,045
(i) Net profit from continuing operations		<b>768,925,392</b>	1,101,355,045
V. Other comprehensive income, net of tax		<b>-38,128,688</b>	-12,585,879
(i) Other comprehensive income that cannot be reclassified to profit or loss		<b>-38,128,688</b>	-12,585,879
1. Changes in fair value of other equity instrument investments		<b>-38,128,688</b>	-12,585,879
VI. Total comprehensive income		<b>730,796,704</b>	1,088,769,166

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023

Unit: RMB

	Note VII	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities</b>			
Cash receipts from the sale of goods and the rendering of services		14,420,847,563	13,666,422,401
Receipts of tax refunds		25,993,271	47,465,337
Other cash receipts relating to operating activities	57	327,124,718	244,383,744
Sub-total of cash inflows from operating activities		14,773,965,552	13,958,271,482
Cash payments for goods purchased and services received		8,992,651,327	9,128,445,040
Cash payments to and on behalf of employees		1,351,385,852	1,417,101,170
Payments of various types of taxes		1,641,378,037	1,606,349,339
Other cash payments relating to operating activities	57	661,383,055	539,367,315
Sub-total of cash outflows from operating activities		12,646,798,271	12,691,262,864
Net Cash Flow from Operating Activities		2,127,167,281	1,267,008,618
<b>II. Cash Flows from Investing Activities</b>			
Cash receipts from disposal and recovery of investments		2,231,088,671	3,093,000,000
Cash receipts from investment income		36,890,482	20,035,077
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		15,611,513	13,075,326
Net cash receipts from disposal of subsidiaries and other business units		—	—
Other cash receipts relating to investing activities	57	145,236,441	131,718,387
Sub-total of cash inflows from investing activities		2,428,827,107	3,257,828,790
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,818,834,799	3,650,384,164
Cash payments to acquire investments		2,200,000,000	2,459,575,331
Net cash payments for acquisition of subsidiaries and other business units	58	595,877,042	24,950,534
Other cash payments relating to investing activities	57	35,634,803	244,537,125
Sub-total of cash outflows from investing activities		4,650,346,644	6,379,447,154
Net Cash Flow from Investing Activities		-2,221,519,537	-3,121,618,364

# FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED CASH FLOW STATEMENT – *continued*

For the six months ended 30 June 2023

Unit: RMB

	Note VII	Amount for the current period	Amount for the prior period
<b>III. Cash Flows from Financing Activities</b>			
Cash receipts from capital contributions		20,655,906	139,000,000
Cash receipts from borrowings		1,867,518,405	2,738,373,470
Other cash receipts relating to financing activities	57	12,872,717	4,410,181
Sub-total of cash inflows from financing activities		1,901,047,028	2,881,783,651
Cash repayments of borrowings		2,621,362,885	816,720,321
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,103,916,346	1,707,994,025
Other cash payments relating to financing activities	57	230,568,794	130,134,853
Sub-total of cash outflows from financing activities		3,955,848,025	2,654,849,199
Net Cash Flow from Financing Activities		-2,054,800,997	226,934,452
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		76,006,894	81,170,671
<b>V. Net Increase in Cash and Cash Equivalents</b>			
Add: Opening balance of cash and cash equivalents	58	-2,073,146,359	-1,546,504,623
	58	6,616,021,778	8,550,475,141
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	58	4,542,875,419	7,003,970,518

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# FINANCIAL STATEMENTS (UNAUDITED)

## CASH FLOW STATEMENT OF THE COMPANY

For the six months ended 30 June 2023

Unit: RMB

	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities</b>		
Cash receipts from the sale of goods and the rendering of services	2,201,164,011	2,859,538,153
Receipts of tax refunds	1,373,748	2,344,176
Other cash receipts relating to operating activities	171,574,254	226,055,611
Sub-total of cash inflows from operating activities	<u>2,374,112,013</u>	<u>3,087,937,940</u>
Cash payments for goods purchased and services received	1,414,936,795	2,659,309,586
Cash payments to and on behalf of employees	151,334,946	175,502,826
Payments of various types of taxes	55,434,244	61,106,319
Other cash payments relating to operating activities	342,098,522	760,058,932
Sub-total of cash outflows from operating activities	<u>1,963,804,507</u>	<u>3,655,977,663</u>
Net Cash Flow from Operating Activities	<u>410,307,506</u>	<u>-568,039,723</u>
<b>II. Cash Flows from Investing Activities</b>		
Cash receipts from disposal and recovery of investments	2,200,000,000	3,093,000,000
Cash receipts from investment income	753,391,813	1,252,005,077
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	3,983,404	1,349,823
Net cash receipts from disposal of subsidiaries and other business units	—	—
Other cash receipts relating to investing activities	1,739,850,000	1,090,186,632
Sub-total of cash inflows from investing activities	<u>4,697,225,217</u>	<u>5,436,541,532</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	26,673,592	23,066,982
Cash payments to acquire investments	2,200,000,000	230,000,000
Net cash payments for acquisition of subsidiaries and other business units	320,000,000	2,393,000,000
Other cash payments relating to investing activities	2,002,472,140	2,573,984,011
Sub-total of cash outflows from investing activities	<u>4,549,145,732</u>	<u>5,220,050,993</u>
Net Cash Flow from Investing Activities	<u>148,079,485</u>	<u>216,490,539</u>

# FINANCIAL STATEMENTS (UNAUDITED)

## CASH FLOW STATEMENT OF THE COMPANY – *continued*

For the six months ended 30 June 2023

Unit: RMB

	Amount for the current period	Amount for the prior period
<b>III. Cash Flows from Financing Activities</b>		
Cash receipts from borrowings	600,000,000	200,000,000
Other cash receipts relating to financing activities	1,608,356,331	4,668,089,430
Sub-total of cash inflows from financing activities	2,208,356,331	4,868,089,430
Cash repayments of borrowings	1,097,930,000	115,430,000
Cash payments for distribution of dividends or profits or settlement of interest expenses	684,065,682	1,440,291,737
Other cash payments relating to financing activities	1,829,169,739	4,524,643,088
Sub-total of cash outflows from financing activities	3,611,165,421	6,080,364,825
Net Cash Flow from Financing Activities	-1,402,809,090	-1,212,275,395
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	-1,239,234	22,116,735
<b>V. Net Increase in Cash and Cash Equivalents</b>	-845,661,333	-1,541,707,844
Add: Opening balance of cash and cash equivalents	3,365,759,061	5,151,662,429
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	2,520,097,728	3,609,954,585

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2023

Unit: RMB

	For the six months ended 30 June 2023									Total shareholders' equity
	Attributable to owners of the Company							Non-controlling interests		
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialized reserves	Surplus reserve	Retained profits			
I. Balance at the end of the prior period	2,096,599,855	1,975,889,177	610,051,971	-175,257,484	37,644,851	1,111,880,257	23,009,600,343	27,446,305,028	3,391,875,433	30,838,180,461
II. Balance at the beginning of the year	2,096,599,855	1,975,889,177	610,051,971	-175,257,484	37,644,851	1,111,880,257	23,009,600,343	27,446,305,028	3,391,875,433	30,838,180,461
III. Movements during the year	-	104,842,360	-	43,492,412	-	-	124,135,957	272,470,729	951,617,718	1,224,088,447
(1) Total comprehensive income	-	-	-	43,492,412	-	-	-	1,236,052,807	219,976,287	1,456,029,094
(2) Capital contribution and reduction from shareholders	-	104,842,360	-	-	-	-	-	104,842,360	816,587,940	921,430,300
1. Capital contributions by owners	-	-	-	-	-	-	-	-	936,819,474	936,819,474
2. Share-based payments recognized in owners' equity	-	12,703,595	-	-	-	-	-	12,703,595	-	12,703,595
3. Others	-	92,138,765	-	-	-	-	-	92,138,765	-120,231,534	-28,092,769
(3) Profit distribution	-	-	-	-	-	-	-1,068,424,438	-1,068,424,438	-84,946,509	-1,153,370,947
Dividend to shareholders	-	-	-	-	-	-	-1,068,424,438	-1,068,424,438	-84,946,509	-1,153,370,947
(4) Specific reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriated during the year	-	-	-	-	137,938,809	-	-	-	-	-
2. Using during the year	-	-	-	-	137,938,809	-	-	-	-	-
IV. Balance at the end of the year	2,096,599,855	2,080,731,537	610,051,971	-131,765,072	37,644,851	1,111,880,257	23,133,736,300	27,718,775,757	4,343,493,151	32,062,268,908

# FINANCIAL STATEMENTS (UNAUDITED)

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

For the six months ended 30 June 2023

Unit: RMB

	For the six months ended 30 June 2022									
	Attributable to owners of the Company							Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialized reserves	Surplus reserve	Retained profits			
I. Balance at the end of the prior period	2,096,599,855	2,031,151,748	610,051,971	-305,350,132	-	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308
II. Balance at the beginning of the year	2,096,599,855	2,031,151,748	610,051,971	-305,350,132	-	1,111,880,257	22,405,681,711	26,729,911,468	2,647,925,840	29,377,837,308
III. Movements during the year	-	29,461,191	-	121,168,915	-	-	-508,110,221	-357,480,115	333,854,119	-23,625,996
(1) Total comprehensive income	-	-	-	121,168,915	-	-	-	1,708,008,572	173,737,503	1,881,746,075
(2) Capital contribution and reduction from shareholders	-	29,461,191	-	-	-	-	-	29,461,191	211,392,869	240,854,060
1. Capital contributions 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
(3) Profit distribution	-	-	-	-	-	-	-2,094,949,878	-2,094,949,878	-51,276,253	-2,146,226,131
Dividend to shareholders	-	-	-	-	-	-	-2,094,949,878	-2,094,949,878	-51,276,253	-2,146,226,131
IV. Balance at the end of the year	<u>2,096,599,855</u>	<u>2,060,612,939</u>	<u>610,051,971</u>	<u>-184,181,217</u>	<u>-</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>

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin



# FINANCIAL STATEMENTS (UNAUDITED)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the six months ended 30 June 2023

Unit: RMB

	For the six months ended 30 June 2023						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	
I. Balance at the end of the prior period	2,096,599,855	2,381,459,845	610,051,971	-1,931,357	1,111,880,257	8,507,891,676	13,485,848,305
II. Balance at the beginning of the year	2,096,599,855	2,381,459,845	610,051,971	-1,931,357	1,111,880,257	8,507,891,676	13,485,848,305
III. Movements during the year	-	12,541,806	-	-38,128,688	-	-299,499,046	-325,085,928
(1) Total comprehensive income	-	-	-	-38,128,688	-	768,925,392	730,796,704
(2) Capital contribution and reduction from shareholders	-	12,541,806	-	-	-	-	12,541,806
1. Capital contributions by owners	-	-	-	-	-	-	-
2. Share-based payments recognized in owners' equity	-	12,703,595	-	-	-	-	12,703,595
3. Others	-	-161,789	-	-	-	-	-161,789
(3) Profit distribution	-	-	-	-	-	-1,068,424,438	-1,068,424,438
Dividend to shareholders	-	-	-	-	-	-1,068,424,438	-1,068,424,438
(4) Specific reserve	-	-	-	-	-	-	-
1. Appropriated during the year	-	-	-	-	-	-	-
2. Using during the year	-	-	-	-	-	-	-
IV. Balance at the end of the year	2,096,599,855	2,394,001,651	610,051,971	-40,060,045	1,111,880,257	8,208,392,630	13,160,762,377

# FINANCIAL STATEMENTS (UNAUDITED)

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

For the six months ended 30 June 2023

Unit: RMB

	Share capital	Capital reserve	For the six months ended 30 June 2022			Retained profits	Total shareholders' equity	
			Treasury shares	Less: Treasury shares	Other comprehensive income			
I. Balance at the end of the prior period	2,096,599,855	2,429,495,032	610,051,971		30,331,199	1,111,880,257	8,364,839,311	13,423,093,683
II. Balance at the beginning of the year	2,096,599,855	2,429,495,032	610,051,971		30,331,199	1,111,880,257	8,364,839,311	13,423,093,683
III. Movements during the year	–	12,037,333	–		(12,585,879)	–	(993,594,833)	(994,143,379)
(1) Total comprehensive income	–	–	–		(12,585,879)	–	1,101,355,045	1,088,769,166
(2) Capital contribution and reduction from shareholders	–	12,037,333	–		–	–	–	12,037,333
1. Capital contributions by owners	–	–	–		–	–	–	–
2. Share-based payments recognized in owners' equity	–	11,615,906	–		–	–	–	11,615,906
3. Others	–	421,427	–		–	–	–	421,427
(3) Profit distribution	–	–	–		–	–	(2,094,949,878)	(2,094,949,878)
Dividend to shareholders	–	–	–		–	–	(2,094,949,878)	(2,094,949,878)
(4) Specific reserve	–	–	–		–	–	–	–
1. Appropriated during the year	–	–	–		–	–	–	–
2. Using during the year	–	–	–		–	–	–	–
IV. Balance at the end of the year	<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>

Legal representative:  
Li Yeqing

Financial controller:  
Chen Qian

Accounting supervisor:  
Wu Xin

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## III. BASIC INFORMATION

### 1. Summary of the company

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

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

These financial statements were approved by a resolution of the board of directors of the Company on 24 August 2023.

### 2. Consolidation scope of consolidated financial statements

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

## IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 1. Basic of the financial statements

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

### 2. Going concern

The financial statements are presented on a going concern basis.

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

As at 30 June 2023, the Group’s current assets were RMB14,055,946,259 and current liabilities were RMB16,480,811,060, the amount of current assets was less than the amount of current liabilities. When evaluating whether the Group has sufficient financial resources to continue its operations, the management of the Group has taken its liquid working capital position in the future and financial resources into consideration, mainly including the net cash flows generated by operating activities and the availability of sufficient bank line of credit.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 2. Going concern – *continued*

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

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 30 June 2023 and their financial performance and cash flows for the half year.

### 2. Accounting period

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

### 3. Functional currency

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

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

### 4. Business combinations

The Group only has business combinations not under common control.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 4. Business combinations – *continued*

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

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

### 5. Consolidated financial statements

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

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

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

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

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

### 6. Cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 8. Financial instruments

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 8. Financial instruments – *continued*

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

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

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

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 8. Financial instruments – *continued*

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

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

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

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

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

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

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

#### *Impairment of financial instruments*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 8. Financial instruments – *continued*

#### *Impairment of financial instruments – continued*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 8. Financial instruments – *continued*

#### *Derivative financial instruments*

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

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

#### *Transfers of financial assets*

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

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

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

### 9. Inventories

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 9. Inventories – *continued*

The Group adopts a perpetual inventory system.

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

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

### 10. Contract assets

#### (1) *Methods and criteria for recognizing contract assets*

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

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

#### (2) *Method of determining and accounting for expected credit losses on contract assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 11. Long-term equity investments

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 11. Long-term equity investments – *continued*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 11. Long-term equity investments – *continued*

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

### 12. Fixed assets

#### (1) *Confirmation conditions*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 12. Fixed assets – *continued*

#### (2) Depreciation method

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

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

### 13. Construction in progress

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

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

### 14. Borrowing costs

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

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

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred;
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 14. Borrowing costs – *continued*

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

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

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

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

### 15. Right-of-use assets

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 16. Intangible assets

#### *Measurement, useful life, impairment*

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

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

The useful life of each intangible assets is as follows:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 17. Impairment of long-term assets

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 18. Long-term deferred expenditures

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

### 19. Contract liabilities

#### *Recognition of contract liabilities*

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

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

### 20. Employee benefits

#### *Short-term benefits*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 20. Employee benefits – *continued*

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

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

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

### 21. Lease liabilities

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 22. Provisions

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

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

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

### 23. Share-based payments

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 23. Share-based payments – *continued*

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

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

### 24. Preference shares and other financial instruments

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 25. Revenue from contracts with customers

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

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

##### *Sales contracts of goods*

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

##### *Contracts for rendering of services*

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

##### *Significant financing component*

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 25. Revenue from contracts with customers – *continued*

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

##### *Warranty obligations*

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

### 26. Assets related to contractual cost

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 27. Government grants

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

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

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

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

### 28. Deferred income tax

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 28. Deferred income tax – *continued*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 29. Leases

#### (1) *Methods of determining leases and accounting treatment under the new leasing standards*

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

##### *As a lessee*

Except for the Short-term lease and low-value asset lease, the Group recognizes the use right assets and lease liabilities for the lease, refer to Notes V. 15 and V. 21.

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

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

##### *As a lessor*

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

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

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

##### Sale and leaseback transactions

The Group will estimate and determine whether the asset transfer under the sale and leaseback transactions shall be treated as a sale according to Note V. 25.

##### As a lessee

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 30. Profit distribution

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

### 31. Production safety cost

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

### 32. Fair value measurement

The Group measures its Derivative financial instruments and equity instruments investments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

### 33. Other significant accounting judgments and estimates

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 33. Other significant accounting judgments and estimates – *continued*

#### *Judgments*

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

#### *Business model*

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

#### *Characteristics of contract cash flow*

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

#### *Uncertainty of estimation*

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

#### *Impairment of financial instruments*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 33. Other significant accounting judgments and estimates – *continued*

#### *Uncertainty of estimation – continued*

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

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

##### *Impairment of goodwill*

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

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

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

##### *Deferred income tax assets*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## V. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – *continued*

### 33. Other significant accounting judgments and estimates – *continued*

#### *Uncertainty of estimation – continued*

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

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

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

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

##### *Provisions – Mine restoration obligations*

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

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

In accordance with Interpretation No. 16 of the Accounting Standards for Business Enterprises ("ASBE") ("ASBE [2022] No. 31", hereinafter referred to as "Interpretation No. 16"), "Accounting for Deferred Taxes on Assets and Liabilities Arising from Individual Transactions for which the Initial Recognition Exemption Does Not Apply" has been effective since 1 January 2023, allowing enterprises to implement it earlier from the year of issuance. The Group implemented the above accounting policy since 1 January 2023. The implementation of this provision had no significant impact on the Group's financial position and results of operations.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## VI. TAXATION

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

Categories of taxes	Tax basis	Tax rates
Value-added tax (VAT)	Except for the local tax rate applicable to the overseas company in accordance with the tax law, output tax shall be calculated according to the corresponding tax rate for the taxable income of the general taxpayers of the Group, and VAT shall be calculated and paid according to the difference after deducting the allowable deduction of input tax for the current period. Among them, the sand, soil and stone used in the sales of construction materials and the production of construction materials of the Group are simply taxed according to the sales revenue, with a levy rate of 3%. Concrete companies are simply taxed according to the sales revenue, with a levy rate of 3%. Sales of other commodities are calculated as output tax at a rate of 13%. Small scale taxpayers according to the sales revenue simply levy, the levy rate is 3%. The VAT rate for transportation services and professional and technical services is 6%.	3%, 6%, 13%
City maintenance and construction tax	It is levied at 7%, 5% and 1% of actual VAT paid.	1%, 5%, 7%
Education surcharge	It is levied at 3% of actual VAT paid.	3%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## VI. TAXATION – *continued*

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

Categories of taxes	Tax basis	Tax rates
Property tax	It is levied based on the values of properties owned or used by the Group at the percentages prescribed by the tax laws. The tax of self-occupied properties is levied according to the values of the properties at an annual tax rate of 1.2%, which is calculated and paid based on the original value of the property less 10%–30% of that value; the tax of lease out properties is levied according to the rent at an annual tax rate of 12%, which is calculated and paid based on the rental income.	1.2%, 12%
Land use tax	It is levied based on the land areas occupied by the Group for production and operations, at the annual tax amount per sq.m. for the respective land use tax levels prescribed by local government.	—
Individual income tax	Individual income tax is withheld and paid under the tax laws based on salaries and other personal incomes paid to employees of the Group.	—
Land appreciation tax	It is levied at four-level excess progressive tax rates ranging from 30% to 60% on the appreciation of land value for any land use right and buildings on the ground or other structures annexed thereto from which VAT arises as a result of the transfer of ownership by the Group at a consideration.	—
Resource tax	Under the relevant tax laws of the PRC, it is levied to the minerals exploited by the Group on a quantity basis or price basis.	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## VI. TAXATION – *continued*

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

Categories of taxes	Tax basis	Tax rates
Corporate income tax	Except for the overseas subsidiaries adopt the local corporate income tax and the income tax concessions entitled to by some of the enterprises comprising the Group as below, the Group's corporate income tax is levied at the tax rate of 25% based on the taxable profit.	15%, 25%

### 2. Tax Concessions

#### 2.1 Corporate income tax

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

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

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

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

The Group's subsidiary Huaxin Cement Technology Management (Wuhan) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2020. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% for the year (2022: 15%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## VI. TAXATION – *continued*

### 2. Tax Concessions – *continued*

#### 2.1 Corporate income tax – *continued*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## VI. TAXATION – *continued*

### 2. Tax Concessions – *continued*

#### 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%.

## VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

	Closing balance	Opening balance
Cash on hand	2,409,502	1,100,172
Bank deposits	4,540,465,917	6,549,623,633
Other cash and bank balances	1,009,769,401	487,617,987
<b>Total</b>	<b>5,552,644,820</b>	<b>7,038,341,792</b>
among others: total deposits outside the country	1,456,971,349	1,152,053,351

Other notes:

<b>Other cash and bank balances</b>	Closing balance	Opening balance
Deposits for mine land reclamation	158,306,155	134,135,878
Deposits for letter of guarantee	17,789,762	20,987,510
Deposits for acceptance bills and letter of credit	119,062,813	160,128,771
Deposit for auction of mining rights	–	100,003,372
Cash in transit between domestic and overseas subsidiaries within the group	–	65,297,973
Fixed deposit	711,704,702	–
Other deposits	2,905,969	7,064,483
<b>Total</b>	<b>1,009,769,401</b>	<b>487,617,987</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 2. Held for trading financial assets

	Closing balance	Opening balance
Derivative financial asset – Interest rate swap	–	41,711,538
Others	<u>1,519,104</u>	<u>–</u>
Total	<u><u>1,519,104</u></u>	<u><u>41,711,538</u></u>

### 3. Notes receivable

#### (1) *Classification of notes receivable*

	Closing balance	Opening balance
Bank Acceptance Bill	<u>326,222,154</u>	545,960,470
Less: Provision for bad debts of notes receivable	<u>–</u>	<u>–</u>
Total	<u><u>326,222,154</u></u>	<u><u>545,960,470</u></u>

#### (2) *Among them, pledged notes receivable are as follows:*

	Pledged notes receivable at the end of the period
Bank Acceptance Bill	<u>2,020,000</u>
Total	<u><u>2,020,000</u></u>

#### (3) *Bills endorsed or discounted but not yet due at the balance sheet date are as follows:*

	Derecognised	Not Derecognised
Bank Acceptance Bill	<u>–</u>	<u>292,448,965</u>
Total	<u><u>–</u></u>	<u><u>292,448,965</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 4. Accounts receivable

#### (1) *An ageing analysis of accounts receivable is as follows:*

Ageing analysis of accounts receivable	Closing balance	Opening balance
Within 6 months	<b>1,781,603,416</b>	1,130,096,842
6 to 12 months	<b>325,091,044</b>	164,377,772
Subtotal within 1 year	<b>2,106,694,460</b>	1,294,474,614
1 to 2 years	<b>136,515,523</b>	129,150,787
2 to 3 years	<b>57,912,324</b>	34,853,374
Over 3 years	<b>96,052,534</b>	102,009,512
Less: Provision for bad debts of accounts receivable	<b>228,631,721</b>	177,857,087
Total	<b>2,168,543,120</b>	1,382,631,200

#### (2) *Disclosure by bad debt accrual method*

	Closing balance					Opening balance				
	Balance of carrying amount		Provision for bad debts		Carrying value	Balance of carrying amount		Provision for bad debts		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Receivables for which bad debt provision is assessed on an individual basis	99,947,502	4	96,975,649	97	2,971,853	98,103,130	6	95,999,329	98	2,103,801
Receivables for which bad debt provision is assessed on a portfolio basis	2,297,227,339	96	131,656,072	6	2,165,571,267	1,462,385,157	94	81,857,758	6	1,380,527,399
Among others:										
Category of cement receivable:	469,497,456	/	60,760,105	/	408,737,351	183,447,115	/	24,530,689	/	158,916,426
Category of concrete receivable	1,346,572,826	/	65,557,923	/	1,281,014,903	903,041,479	/	46,640,148	/	856,401,331
Category of other business receivables	481,157,057	/	5,338,044	/	475,819,013	375,896,563	/	10,686,921	/	365,209,642
Total	<b>2,397,174,841</b>	<b>/</b>	<b>228,631,721</b>	<b>/</b>	<b>2,168,543,120</b>	<b>1,560,488,287</b>	<b>/</b>	<b>177,857,087</b>	<b>/</b>	<b>1,382,631,200</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 4. Accounts receivable – *continued*

#### (2) *Disclosure by bad debt accrual method – continued*

Receivables for which bad debt provision is assessed on an individual basis are as follows:

	Balance of carrying amount	Closing balance		
		Provision for bad debts	Expected credit loss rate (%)	Reasons for provision
Client A	11,551,093	11,551,093	100	Low probability of recovery
Client B	9,028,779	9,028,779	100	Low probability of recovery
Client C	6,047,509	6,047,509	100	Low probability of recovery
Client D	5,254,652	5,254,652	100	Low probability of recovery
Client E	5,052,525	5,052,525	100	Low probability of recovery
Other client	63,012,944	60,041,091	95	Low probability of recovery
<b>Total</b>	<b>99,947,502</b>	<b>96,975,649</b>	<b>97</b>	<b>/</b>

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

Category of cement receivable:

	Balance of carrying amount	Closing balance	
		Provision for bad debts	Expected credit loss rate (%)
Within 6 months	402,808,913	40,280,891	10
6–12 months	45,103,842	9,922,845	22
1 to 2 years	17,125,403	6,678,907	39
2 to 3 years	5,911	3,015	51
Over 3 years	4,453,387	3,874,447	87
<b>Total</b>	<b>469,497,456</b>	<b>60,760,105</b>	<b>—</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 4. Accounts receivable – *continued*

#### (2) Disclosure by bad debt accrual method – *continued*

Category of concrete receivable:

	Balance of carrying amount	Closing balance Provision for bad debts	Expected credit loss rate (%)
Within 6 months	998,821,366	29,964,641	3
6 to 12 months	232,808,853	9,312,354	4
1 to 2 years	87,497,425	12,249,640	14
2 to 3 years	17,863,239	7,323,928	41
Over 3 years	9,581,943	6,707,360	70
Total	<u>1,346,572,826</u>	<u>65,557,923</u>	–

Category of other business receivables:

	Balance of carrying amount	Closing balance Provision for bad debts	Expected credit loss rate (%)
Within 6 months	379,973,136	–	–
6 to 12 months	47,178,350	471,784	1
1 to 2 years	30,012,099	900,363	3
2 to 3 years	22,035,284	2,203,528	10
Over 3 years	1,958,188	1,762,369	90
Total	<u>481,157,057</u>	<u>5,338,044</u>	–

#### (3) Movement in provision for bad debts:

	Opening balance	Amount of change for the period			Closing balance
		Provision for the year	Reversal for the year	Write-off for the year	
Bad debts of accounts receivable	<u>177,857,087</u>	<u>82,724,568</u>	<u>30,913,790</u>	<u>1,036,144</u>	<u>228,631,721</u>
Total	<u>177,857,087</u>	<u>82,724,568</u>	<u>30,913,790</u>	<u>1,036,144</u>	<u>228,631,721</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 4. Accounts receivable – continued

#### (4) Accounts receivable written off during the period:

	Amount of write-off
Accounts receivable actually written off	1,036,144

#### (5) The top 5 of the balance of accounts receivable were as follows:

	Closing balance	Proportion in total accounts receivable (%)	Provision for bad debts	Net amount
First	43,608,036	2	4,730,935	38,877,101
Second	33,785,722	1	6,406,719	27,379,003
Third	26,655,712	1	2,665,571	23,990,141
Fourth	24,667,450	1	4,598,003	20,069,447
Fifth	24,268,577	1	875,008	23,393,569
Total	<u>152,985,497</u>	—	<u>19,276,236</u>	<u>133,709,261</u>

### 5. Receivables financing

	Closing balance	Opening balance
Bank acceptance bills	<u>440,987,622</u>	<u>527,248,935</u>
Total	<u>440,987,622</u>	<u>527,248,935</u>

The pledged receivables financing of the Group is as follows:

	Closing balance	Opening balance
Bank acceptance bills	<u>400,499</u>	<u>26,413,178</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 5. Receivables financing – *continued*

As at 30 June 2023, the pledged but not yet expired bank acceptance bills amounted to RMB400,499 (31 December 2022: RMB26,413,178). For details of discounting and pledge of bank acceptance bills, please refer to Note VII. 59.

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

	<b>Derecognized</b>	<b>Not Derecognized</b>
Bank acceptance bills	<u>1,928,574,873</u>	<u>–</u>

As at 30 June 2023, the Group endorsed the undue bill receivable to its suppliers to settle trade payables or discounted to banks for cash. The Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred and therefore derecognized these bill receivable and amounts due to suppliers in full. The Group's continuous involvement in these derecognized undue bill receivable is limited to the extent that the issuance banks of these undue bills are unable to settle the amounts due to the bill holders. As at 30 June 2023, the maximum exposure to loss from its continuous involvement represents the amounts of undue bill receivable endorsed by the Group to its suppliers or discounted to banks, which amounted to RMB1,928,574,873 (31 December 2022: RMB1,931,042,708).

### 6. Prepayments

(1) *An aging analysis of prepayments is as follows:*

	Closing balance		Opening balance	
	Balance of carrying amount	Proportion (%)	Balance of carrying amount	Proportion (%)
Within 1 year	412,926,927	93	327,897,519	93
1 to 2 years	16,498,540	4	10,180,466	3
2 to 3 years	6,479,019	1	7,317,320	2
Over 3 years	7,783,141	2	8,475,493	2
Total	<u>443,687,627</u>	<u>100</u>	<u>353,870,798</u>	<u>100</u>

As at 30 June 2023, there was no significant prepayments aging over 1 year. (31 December 2022 Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 6. Prepayments – *continued*

(2) *The top 5 of the balance of prepayment:*

	Closing balance	Percentage of total amount (%)
First	54,137,624	12
Second	36,719,989	8
Third	14,467,759	3
Fourth	8,353,171	2
Fifth	8,469,897	2
Total	<u>122,148,440</u>	<u>27</u>

### 7. Other receivables

	Closing balance	Opening balance
Interests receivable	22,267,460	356,508
Dividends receivable	–	–
Other receivables	<u>594,515,824</u>	<u>477,600,382</u>
Total	<u>616,783,284</u>	<u>477,956,890</u>

#### *Other receivables*

(1) *An aging analysis of other receivables is as follows:*

	Closing balance	Opening balance
Within 1 year	370,164,649	287,787,935
1 to 2 years	105,116,745	86,909,680
2 to 3 years	27,869,306	36,579,929
Over 3 years	193,145,936	168,565,924
Less: Provision for bad debts of other receivables	<u>101,780,812</u>	<u>102,243,085</u>
Total	<u>594,515,824</u>	<u>477,600,383</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 7. Other receivables – *continued*

#### *Other receivables – continued*

(2) *Other receivables are classified by nature as follows:*

	Closing balance	Opening balance
Loans and out-of-pocket expenses	230,857,563	254,794,390
Margin and deposits	207,974,029	262,543,690
Petty cash	9,211,797	8,829,589
Other	248,253,247	53,675,799
Total	<u>696,296,636</u>	<u>579,843,468</u>

(3) *Movement in provision for bad debts:*

	Opening balance	Amount of change during the period			Closing balance
		Provision for the year	Reversal for the year	Write-off for the year	
Bad debt provision for other receivables	102,243,085	12,473	467,787	6,959	101,780,812
Total	<u>102,243,085</u>	<u>12,473</u>	<u>467,787</u>	<u>6,959</u>	<u>101,780,812</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 7. Other receivables – *continued*

#### *Other receivables – continued*

(4) *The top 5 of the balance of other receivables:*

	Nature	Closing balance	Aging	Proportion in total balance of other receivables (%)	Closing balance of provision for bad debts
First	Disposal of assets	162,411,200	Within 1 year	23	—
Second	Equity acquisition proceeds	45,000,000	1 to 2 years	6	—
Third	Government loans	38,927,223	Over 3 years	6	38,927,223
Fourth	Margin and deposits	38,600,000	Within 1 year, 1 to 2 years, 2 to 3 years	6	—
Fifth	Inter-enterprise loans	35,000,000	Within 1 year	5	—
Total	/	<u>319,938,423</u>	/	<u>46</u>	<u>38,927,223</u>

### 8. Inventories

#### (1) *Classification of inventories*

	Closing balance			Opening balance		
	Balance of carrying amount	Provision for decline in value/ impairment	Carrying value	Balance of carrying amount	Provision for decline in value/ impairment	Carrying value
Raw materials	975,742,031	157,890	975,584,141	1,079,394,528	248,377	1,079,146,151
Work in progress	760,164,617	165,122	759,999,495	813,687,931	165,122	813,522,809
Finished goods	1,208,469,807	—	1,208,469,807	1,049,131,023	—	1,049,131,023
Spare parts	861,265,077	118,990,591	742,274,486	575,607,905	112,285,876	463,322,029
Total	<u>3,805,641,532</u>	<u>119,313,603</u>	<u>3,686,327,929</u>	<u>3,517,821,387</u>	<u>112,699,375</u>	<u>3,405,122,012</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 8. Inventories – *continued*

#### (2) Provision for decline in value of inventories:

	Opening balance	Increase during the year Provision	Decrease during the year Reversal	Write-off and others	Closing balance
Raw materials	248,377	–	90,487	–	157,890
Work in progress	165,122	–	–	–	165,122
Finished goods	–	–	–	–	–
Spare parts	112,285,876	16,563,005	8,496,936	1,361,354	118,990,591
Total	112,699,375	16,563,005	8,587,423	1,361,354	119,313,603

### 9. Other current assets

	Closing balance	Opening balance
Retained input VAT and prepaid income tax	779,838,567	642,158,558
Others	39,392,032	35,295,971
Total	819,230,599	677,454,529

### 10. Long-term receivables

	Closing balance			Opening balance		
	Balance of carrying amount	Provision for bad debts	Carrying value	Balance of carrying amount	Provision for bad debts	Carrying value
Loans	129,450,000	–	129,450,000	129,450,000	–	129,450,000
Others	656,796	–	656,796	2,144,447	–	2,144,447
Total	130,106,796	–	130,106,796	131,594,447	–	131,594,447

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 11. Long-term equity investments

	Opening balance	Changes for the period			Closing balance	Closing balance of impairment provision
		Investment income or loss recognized under the equity method	Other equity changes	Other		
I. Joint venture	–	–	–	–	–	–
II. Associates						
Tibet High-tech Building Materials Group Co., Ltd.	345,368,185	-759,300	-161,789	–	<b>344,447,096</b>	–
Shanghai Wan'an Huaxin Cement Co., Ltd.	90,786,053	-954,662	–	–	<b>89,831,391</b>	–
Zhangjiajie Tianzi Concrete Co., Ltd.	2,687,409	444,599	–	–	<b>3,132,008</b>	–
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	–	–	-45,000	–	–
Mondi Oman LLC	–	1,618,350	–	29,599,518	<b>31,217,868</b>	–
Subtotal	<u>438,886,647</u>	<u>348,987</u>	<u>-161,789</u>	<u>29,554,518</u>	<b><u>468,628,363</u></b>	–
Total	<u>438,886,647</u>	<u>348,987</u>	<u>-161,789</u>	<u>29,554,518</u>	<b><u>468,628,363</u></b>	–



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 12. Investment in other equity instruments

	Initial investment cost	Changes in fair value accumulated in other comprehensive income	Fair value	Equity instruments held of dividend income for the year
Equity investment in unlisted companies 1	11,724,466	43,356,513	55,080,979	—
Equity investment in unlisted companies 2	<u>1,000,000,000</u>	<u>-93,069,105</u>	<u>906,930,895</u>	—
Total	<u>1,014,500,266</u>	<u>-52,488,193</u>	<u>962,012,073</u>	—

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

### 13. Fixed assets

	Closing balance	Opening balance
Fixed assets	<b>26,332,148,241</b>	22,713,408,318
Disposal of fixed assets	<u>10,002,270</u>	<u>7,396,657</u>
Total	<u><b>26,342,150,511</b></u>	<u>22,720,804,975</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 13. Fixed assets – *continued*

#### (1) Fixed assets

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
I. Original price					
1. Opening balance	18,032,658,256	22,479,965,845	315,334,664	492,897,822	41,320,856,587
2. Addition	3,324,655,715	3,967,422,361	31,878,339	27,706,137	7,351,662,552
(1) Purchase	16,298,953	7,873,624	2,211,327	2,030,543	28,414,447
(2) Transferred from construction in progress	1,945,931,995	1,319,546,110	4,933,396	7,136,112	3,277,547,613
(3) Business combinations	1,261,770,025	2,419,713,054	22,211,820	14,724,688	3,718,419,587
(4) Translation differences of financial statements denominated in foreign currencies	100,654,742	220,289,573	2,521,796	3,814,794	327,280,905
3. Reduction	18,447,736	54,925,136	11,261,679	10,691,635	95,326,186
(1) Disposal or retirement	18,447,736	54,925,136	11,261,679	10,691,635	95,326,186
4. Closing balance	<u>21,338,866,235</u>	<u>26,392,463,070</u>	<u>335,951,324</u>	<u>509,912,324</u>	<u>48,577,192,953</u>
II. Accumulated depreciation					
1. Opening balance	5,243,882,654	12,282,713,922	231,270,797	349,234,190	18,107,101,563
2. Addition	1,060,949,593	2,556,080,413	29,125,480	35,497,184	3,681,652,670
(1) Provision	336,310,167	671,645,873	9,377,785	18,567,302	1,035,901,127
(2) Business combinations	688,905,259	1,798,518,478	18,199,519	14,348,059	2,519,971,315
(3) Translation differences of financial statements denominated in foreign currencies	35,734,167	85,916,062	1,548,176	2,581,823	125,780,228
3. Reduction	2,757,987	30,396,795	2,828,664	6,893,271	42,876,717
(1) Disposal or retirement	2,757,987	30,396,795	2,828,664	6,893,271	42,876,717
4. Closing balance	<u>6,302,074,260</u>	<u>14,808,397,540</u>	<u>257,567,613</u>	<u>377,838,103</u>	<u>21,745,877,516</u>
III. Provision for impairment					
1. Opening balance	291,349,159	208,532,555	200,334	264,658	500,346,706
2. Addition	—	—	—	—	—
(1) Provision	—	—	—	—	—
3. Reduction	1,179,510	—	—	—	1,179,510
(1) Disposal or retirement	1,179,510	—	—	—	1,179,510
4. Closing balance	<u>290,169,649</u>	<u>208,532,555</u>	<u>200,334</u>	<u>264,658</u>	<u>499,167,196</u>
IV. Carrying value					
1. At the end of the year	<u>14,746,622,326</u>	<u>11,375,532,975</u>	<u>78,183,377</u>	<u>131,809,563</u>	<u>26,332,148,241</u>
2. At the beginning of the year	<u>12,497,426,443</u>	<u>9,988,719,368</u>	<u>83,863,533</u>	<u>143,398,974</u>	<u>22,713,408,318</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 13. Fixed assets – *continued*

#### (2) Fixed assets that are temporarily idle are as follows:

	Original price	Accumulated depreciation	Provision for impairment losses	Carrying value
Buildings	657,798,289	420,505,567	3,814,296	233,478,426
Machinery and equipment	941,098,160	833,016,074	3,735,949	104,346,137
Office equipment	8,096,163	7,704,713	—	391,450
Transportation equipment	23,334,856	23,334,856	—	—
Total	<u>1,630,327,468</u>	<u>1,284,561,210</u>	<u>7,550,245</u>	<u>338,216,013</u>

#### (3) Fixed assets leased under operating leases are as follows:

	Buildings	Machinery	Office equipment	Transportation equipment	Total
Original price	21,613,672	15,977,124	1,140,721	1,075,921	39,807,438
Lease back	6,586,481	3,141,484	111,547	—	9,839,512
Closing balance	15,027,191	12,835,640	1,029,174	1,075,921	29,967,926
Accumulated depreciation	—	—	—	—	—
Opening balance	11,763,455	15,270,258	1,100,944	1,032,885	29,167,542
Provision	726,706	55,432	1,104	—	783,242
Lease back	4,512,357	2,927,513	101,040	—	7,540,910
Closing balance	7,977,804	12,398,177	1,001,008	1,032,885	22,409,874
Carrying value at the end of the year	<u>7,049,387</u>	<u>437,463</u>	<u>28,166</u>	<u>43,036</u>	<u>7,558,052</u>
At the beginning of the year	<u>9,850,217</u>	<u>706,866</u>	<u>39,777</u>	<u>43,036</u>	<u>10,639,896</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 14. Construction in progress

	Closing balance	Opening balance
Construction in progress	4,582,095,135	6,457,406,302
Materials for construction of fixed assets	111,390,712	118,059,329
Total	<u>4,693,485,846</u>	<u>6,575,465,631</u>

### Construction in progress

#### (1) Construction in progress

	Closing balance			Opening balance		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Huaxin Aggregate Series Project	402,250,501	–	402,250,501	168,685,149	–	168,685,149
Huaxin Integrated Series Project	360,725,532	–	360,725,532	320,927,576	–	320,927,576
Wuxue Industrial Park has an annual output of 30 million tons of mechanical sand and gravel project	334,162,925	–	334,162,925	450,095,359	–	450,095,359
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	331,553,446	–	331,553,446	2,333,601,120	–	2,333,601,120
Huaxin Environmental Engineering Series Project	293,521,811	–	293,521,811	273,965,578	–	273,965,578
Huangshi Cement Supporting Project	265,625,210	–	265,625,210	253,654,853	–	253,654,853
Huaxin Packaging Series Project	124,350,032	–	124,350,032	112,696,862	–	112,696,862
Wuxue Cement wharf renovation and Expansion Project	108,725,518	–	108,725,518	82,328,919	–	82,328,919
Series Project of Huaxin Industrial Park	67,313,041	–	67,313,041	54,936,600	–	54,936,600
Fuchi Terminal Project	10,098,919	–	10,098,919	438,975,207	–	438,975,207
Others	2,273,498,671	10,269,530	2,283,768,201	1,957,269,549	10,269,530	1,967,539,079
Total	<u>4,571,825,605</u>	<u>10,269,530</u>	<u>4,582,095,135</u>	<u>6,447,136,772</u>	<u>10,269,530</u>	<u>6,457,406,302</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 14. Construction in progress – *continued*

#### *Construction in progress – continued*

(2) *Changes of major construction in progress are as below:*

	Budget	Opening balance	Increase during the year	Transferred to fixed assets in the year	Other decrease	closing balance	Percentage of project investment in budget(%)	Progress of works	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Capitalization rate of interest for the year (%)	Source of funding
Huaxin Aggregate Series Project	4,388,719,238	168,685,149	457,510,192	208,215,338	15,729,502	402,250,501	N/A	N/A	14,309,055	3,458,736	3.99	Self-owned funds and bank borrowings
Huaxin Integrated Series Project	1,500,341,300	320,927,576	39,837,324	39,368	–	360,725,532	N/A	N/A	–	–	–	Self-owned funds
Wuxue Industrial Park has an annual output of 30 million tons of mechanical sand and gravel project	974,452,400	450,095,359	306,497,734	422,430,168	–	334,162,925	78%	78%	1,594,167	1,594,167	3.20	Self-owned funds and bank borrowings
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	9,957,000,000	2,333,601,120	96,049,601	2,098,097,276	–	331,553,446	88%	88%	71,465,040	5,258	3.06	Self-owned funds and bank borrowings
Huaxin Environmental Engineering Series Project	826,811,342	273,965,578	19,556,233	–	–	293,521,811	N/A	N/A	1,850,355	1,366,466	3.95	Self-owned funds and bank borrowings
Huangshi Cement Supporting Project	3,469,670,000	253,654,853	11,970,357	–	–	265,625,210	98%	98%	–	–	–	Self-owned funds
Huaxin Packaging Series Project	384,347,000	112,696,862	12,253,170	–	600,000	124,350,032	N/A	N/A	–	–	–	Self-owned funds
Wuxue Cement wharf renovation and Expansion Project	154,497,100	82,328,919	26,396,598	–	–	108,725,518	70%	70%	–	–	–	Self-owned funds
Series Project of Huaxin Industrial Park	562,572,500	54,936,600	12,376,441	–	–	67,313,041	N/A	N/A	–	–	–	Self-owned funds
Fuchi Terminal Project	539,140,000	438,975,207	104,332,258	533,208,545	–	10,098,919	101%	101%	–	–	–	Self-owned funds
Others	N/A	1,967,539,079	358,922,294	15,556,917	27,136,254	2,283,768,201	N/A	N/A	–	–	–	N/A
<b>Total</b>	<b>22,757,550,880</b>	<b>6,457,406,302</b>	<b>1,445,702,203</b>	<b>3,277,547,613</b>	<b>43,465,757</b>	<b>4,582,095,135</b>	<b>/</b>	<b>/</b>	<b>89,218,617</b>	<b>6,424,627</b>	<b>/ /</b>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 14. Construction in progress – continued

#### Construction in progress – continued

(3) Provision for impairment of construction in progress:

	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for the provision
Fangxian County Project of Huaxin Environmental Engineering	1,520,583	—	—	1,520,583	The project has been suspended because the relocation work cannot be carried out
Loudi Project of Huaxin Environmental Engineering	5,473,353	—	—	5,473,353	The project has been suspended due to invalidation of initial planning
Mining Rights Project of Enping Company	1,892,993	—	—	1,892,993	The project has been suspended due to invalidation of safe production permit of mining
Mining rights of Heshangbao, Zigui	485,436	—	—	485,436	The project has been suspended due to invalidation of initial planning
Hainan Xinhongda Project	897,165	—	—	897,165	Performance not meeting expectations
Total	<u>10,269,530</u>	<u>—</u>	<u>—</u>	<u>10,269,530</u>	/

#### Materials for construction of fixed assets

	Closing balance			Opening balance		
	Account balance	Impairment provision	Carrying value	Account balance	Impairment provision	Carrying value
Special equipment	<u>111,390,712</u>	<u>—</u>	<u>111,390,712</u>	<u>118,059,329</u>	<u>—</u>	<u>118,059,329</u>
Total	<u>111,390,712</u>	<u>—</u>	<u>111,390,712</u>	<u>118,059,329</u>	<u>—</u>	<u>118,059,329</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 15. Right-of-use assets

	Land use right and mine use right	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	Total
I. Original price					
1. Opening balance	367,562,632	374,906,684	372,644,142	356,783	1,115,470,241
2. Addition	321,824,286	267,089,266	435,713,180	418,562	1,025,045,294
(1) New leased-in	305,364,935	266,962,118	435,713,180	405,181	1,008,445,414
(2) Translation differences of financial statements denominated in foreign currencies	1,064,239	127,148	—	—	1,204,768
(3) Business combinations	15,395,112	—	—	—	15,395,112
3. Reduction	5,072,286	11,669,832	121,783,508	139,026	138,664,652
(1) Disposal or retirement	5,072,286	11,669,832	121,783,508	139,026	138,664,652
(2) Other	—	—	—	—	—
4. Closing balance	<u>684,314,632</u>	<u>630,326,118</u>	<u>686,573,814</u>	<u>636,319</u>	<u>2,001,850,883</u>
II. Accumulated depreciation					
1. Opening balance	56,833,840	46,454,743	32,722,561	148,027	136,159,171
2. Addition	46,096,210	37,430,452	31,802,258	133,114	115,462,034
(1) Provision	42,255,784	37,418,513	31,802,258	127,562	111,604,117
(2) Translation differences of financial statements denominated in foreign currencies	205,522	11,939	—	5,552	223,013
(3) Business combinations	3,634,904	—	—	—	3,634,904
3. Reduction	756,689	1,094,047	11,338,785	139,026	13,328,547
(1) Disposal	756,689	1,094,047	11,338,785	139,026	13,328,547
(2) Other	—	—	—	—	—
4. Closing balance	<u>102,173,361</u>	<u>82,791,148</u>	<u>53,186,034</u>	<u>142,115</u>	<u>238,292,658</u>
III. Carrying value					
1. At the end of the year	582,141,271	547,534,970	633,387,780	494,204	1,763,558,225
2. At the beginning of the year	<u>310,728,792</u>	<u>328,451,941</u>	<u>339,921,581</u>	<u>208,756</u>	<u>979,311,070</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 16. Intangible assets

	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Original price						
1. Opening balance	3,500,417,326	12,694,047,327	565,426,793	168,200,597	294,634,392	17,222,726,435
2. Addition	35,561,668	33,531,172	4,480,817	–	24,946,997	98,520,654
(1) Purchase	–	3,507,280	4,482,417	–	390,945	8,380,642
(2) Internal Research and development	–	–	–	–	–	–
(3) Business combinations	–	–	–	–	20,531,269	20,531,269
(4) Transferred from construction in progress	21,671,471	–	–	–	903,440	22,574,911
(5) Translation differences of financial statements denominated in foreign currencies	13,890,197	30,023,892	–1,600	–	3,121,343	47,033,832
3. Reduction	–	171,127,268	–	–	2,919,342	174,046,610
(1) Disposal	–	171,127,268	–	–	2,919,342	174,046,610
4. Closing balance	<u>3,535,978,994</u>	<u>12,556,451,231</u>	<u>569,907,610</u>	<u>168,200,597</u>	<u>316,662,047</u>	<u>17,147,200,479</u>
II. Accumulated amortization						
1. Opening balance	613,848,915	937,427,857	149,467,615	63,778,064	226,209,726	1,990,732,177
2. Addition	38,192,970	471,693,645	30,159,698	7,382,225	31,096,131	578,524,669
(1) Provision	37,732,204	470,500,433	30,159,698	7,382,225	13,245,205	559,019,765
(2) Business combinations	–	–	–	–	16,630,007	16,630,007
(3) Translation differences of financial statements denominated in foreign currencies	460,766	1,193,212	–	–	1,220,919	2,874,897
3. Reduction	–	–	–	–	103,386	103,386
(1) Disposal	–	–	–	–	103,386	103,386
4. Closing balance	<u>652,041,885</u>	<u>1,409,121,502</u>	<u>179,627,313</u>	<u>71,160,289</u>	<u>257,202,471</u>	<u>2,569,153,460</u>
III. Provision for impairment losses						
1. Opening balance	6,102,538	23,524,969	–	–	19,615,238	49,242,745
2. Addition	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–
3. Reduction	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–
4. Closing balance	<u>6,102,538</u>	<u>23,524,969</u>	<u>–</u>	<u>–</u>	<u>19,615,238</u>	<u>49,242,745</u>
IV. Carrying value						
1. At the end of the year	2,877,834,571	11,123,804,760	390,280,297	97,040,308	39,844,338	14,528,804,274
2. At the beginning of the year	<u>2,880,465,873</u>	<u>11,733,094,501</u>	<u>415,959,178</u>	<u>104,422,533</u>	<u>48,809,428</u>	<u>15,182,751,513</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 17. Goodwill

#### (1) *Gross value of goodwill*

	Opening balance	Increase business combinations	Decrease Disposals	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.	79,313,263	—	—	79,313,263
CHILANGA Cement PLC	87,794,908	—	—	87,794,908
Yueyang County Yonggu Concrete Co.	8,119,042	—	—	8,119,042
Hainan Huaxin Ronghui Concrete Co., Ltd	5,809,669	—	—	5,809,669
Hainan Huaxin Dacheng Concrete Co.	—	16,533,093	—	16,533,093
<b>Total</b>	<b>748,171,583</b>	<b>16,533,093</b>	<b>—</b>	<b>764,704,676</b>

#### (2) *Impairment losses of goodwill measured as follows:*

	Opening balance	Increase Provision	Decrease Disposals	Closing balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	—	—	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	—	21,492,135
Hainan Xinhongda Building Materials Co., Ltd.	38,578,269	—	—	38,578,269
<b>Total</b>	<b>129,628,172</b>	<b>—</b>	<b>—</b>	<b>129,628,172</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 18. Long-term deferred expenditures

	Opening balance	Addition	Amortization	Closing balance
Mine development cost	142,164,060	4,191,853	18,728,946	<b>127,626,967</b>
Relocation expenses	467,558,944	—	23,249,117	<b>444,309,827</b>
Others	207,694,299	6,997,131	15,719,065	<b>198,972,365</b>
Total	<u>817,417,303</u>	<u>11,188,984</u>	<u>57,697,128</u>	<u><b>770,909,159</b></u>

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

#### (1) Deferred income tax assets

	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	<b>320,309,131</b>	<b>58,327,734</b>	298,079,144	53,269,637
Difference between the fair value and the tax cost of identifiable assets of business combination	<b>1,093,769,167</b>	<b>255,065,254</b>	619,381,463	183,907,098
Temporary differences arising from expense recognition	<b>326,152,308</b>	<b>79,476,367</b>	327,305,181	79,764,585
Unrealized profit arising from elimination of intra-group transactions	<b>259,906,425</b>	<b>66,220,849</b>	270,407,424	67,601,856
Deductible tax losses	<b>448,441,491</b>	<b>103,529,753</b>	262,968,180	59,998,535
Provision for staff welfare	<b>109,142,473</b>	<b>24,251,135</b>	97,268,792	21,282,715
Changes in fair value of other equity instruments	<b>95,160,467</b>	<b>23,790,117</b>	44,322,216	11,080,554
Others	<b>30,865,510</b>	<b>7,716,379</b>	30,865,510	7,716,379
Total	<u><b>2,683,746,972</b></u>	<u><b>618,377,588</b></u>	<u>1,950,597,910</u>	<u>484,621,359</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

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

#### (2) *Deferred income tax liabilities*

	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Capitalization of interest on general borrowings	133,054,578	33,263,644	129,092,745	32,273,186
Changes in fair value of other equity instrument investments	43,356,513	10,839,128	45,447,873	11,361,968
Changes in fair value of other non-current assets	24,397,272	6,099,319	21,205,538	5,301,385
Valuation appreciation on assets in business combination not involving enterprises under common control	1,278,146,437	322,477,217	1,315,571,953	328,892,988
Depreciation difference of fixed assets between accounting and tax basis	2,159,176,847	433,737,463	1,125,940,448	260,008,875
Others	208,649,118	35,494,517	250,360,656	45,922,402
Total	<u>3,846,780,765</u>	<u>841,911,288</u>	<u>2,887,619,213</u>	<u>683,760,804</u>

#### (3) *Deferred income tax assets and deferred income tax liabilities are presented at the net amount after eliminated:*

	Amount of deferred income tax assets and liabilities offset at the end of the period	Closing balance of deferred income tax assets or liabilities after offset	Deferred income tax assets and liabilities offset at beginning of period	Opening balance of deferred tax assets or liabilities after offset
Deferred income tax assets	169,567,690	448,809,898	97,191,959	387,429,400
Deferred income tax liabilities	169,567,690	672,343,598	97,191,959	586,568,845

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

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

#### (4) *Details of unrecognized deferred income tax assets*

	Closing balance	Opening balance
Deductible temporary differences	2,098,436,517	2,043,187,879
Deductible losses	1,068,547,831	889,771,714
Total	<u>3,166,984,348</u>	<u>2,932,959,593</u>

#### (5) *The deductible losses that are not recognised as deferred income tax assets will expire in the following years:*

	Closing balance	Opening balance	Note
2023	7,656,056	56,428,025	
2024	89,921,568	90,288,507	
2025	43,422,508	43,711,507	
2026	85,876,919	90,335,363	
2027	558,995,546	570,202,790	
2028	251,486,450	—	
2029	—	8,364,466	
2030	6,444,305	11,273,465	
2031	14,908,507	—	
2032	4,259,084	19,167,591	
2033	5,576,888	—	
Total	<u>1,068,547,831</u>	<u>889,771,714</u>	/

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 20. Short-term borrowings

#### (1) *Classification of short-term borrowings*

	Closing balance	Opening balance
Mortgaged borrowings (note 1)	31,000,000	31,000,000
Credit borrowings (note 2)	539,300,000	448,156,960
Guaranteed borrowings	136,000,000	114,258,701
Total	<u>706,300,000</u>	<u>593,415,661</u>

Notes to category of short-term borrowings:

Note 1: As at 30 June 2023 and 31 December 2022, details and value of collaterals corresponding to mortgaged borrowings of the Group are set out in Note VII. 59.

Note 2: As at 30 June 2023 and 31 December 2022, the guaranteed borrowings were guaranteed by entities within the Group.

As at 30 June 2023, the interest rates of the above borrowings were 2.7%–3.7% per annum (31 December 2022: 1.65%–3.85%).

### 21. Notes payable

Category	Closing balance	Opening balance
Commercial acceptances notes	—	68,794,307
Bank acceptances notes	748,840,928	660,433,480
Total	<u>748,840,928</u>	<u>729,227,787</u>

At the end of the Reporting Period, the total amount of notes payable due but unpaid is RMB0 (31 December 2022: nil).

### 22. Accounts payable

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

Aging	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	6,024,607,163	7,234,349,975
1 to 2 years (inclusive of 2 years)	590,850,965	631,936,804
2 to 3 years (inclusive of 3 years)	452,836,760	238,643,172
Over 3 years	341,610,656	261,353,365
Total	<u>7,409,905,544</u>	<u>8,366,283,316</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 22. Accounts payable – continued

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

As at 30 June 2023, there were no significant accounts payable aged over one year (31 December 2022: Nil).

### 23. Contract liabilities

#### *Contract liabilities*

	Closing balance	Opening balance
Advance on sales of goods	<u>748,180,890</u>	<u>681,610,930</u>
Total	<u><u>748,180,890</u></u>	<u><u>681,610,930</u></u>

Other notes:

As at 30 June 2023, there were no significant contract liabilities aged over one year (31 December 2022: Nil).

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

### 24. Employee benefits payable

#### (1) Disclosure of employee benefits payable

	Opening balance	Addition	Reduction	Closing balance
I. Short-term benefits	114,692,740	1,259,573,114	1,227,956,964	<b>146,308,890</b>
II. Defined contribution plan	4,008,374	132,265,070	133,477,662	<b>2,795,782</b>
III. Termination benefits	—	—	—	—
IV. Long-term employee benefits payable within one year	<u>12,380,605</u>	<u>8,247,507</u>	<u>4,486,704</u>	<u><b>16,141,408</b></u>
Total	<u><u>131,081,719</u></u>	<u><u>1,400,085,691</u></u>	<u><u>1,365,921,330</u></u>	<u><u><b>165,246,080</b></u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 24. Employee benefits payable – *continued*

#### (2) *Disclosure of short-term benefits*

	Opening balance	Addition	Reduction	Closing balance
I. Salaries or wages, bonuses and allowances	82,720,628	938,044,784	921,536,700	<b>99,228,712</b>
II. Staff welfare	354,218	107,141,037	106,398,756	<b>1,096,499</b>
III. Social insurance	2,986,055	103,709,119	86,346,185	<b>20,348,989</b>
Including:				
Medical insurance	2,448,964	95,956,684	78,580,823	<b>19,824,825</b>
Injury insurance	468,612	7,542,079	7,615,449	<b>395,242</b>
Maternity insurance	68,479	210,356	149,913	<b>128,922</b>
IV. Housing funds	1,911,908	77,545,932	78,301,724	<b>1,156,116</b>
V. Labor union funds and employee education fee	26,719,931	33,132,242	35,373,599	<b>24,478,574</b>
Total	<u>114,692,740</u>	<u>1,259,573,114</u>	<u>1,227,956,964</u>	<b><u>146,308,890</u></b>

#### (3) *Defined contribution plan*

	Opening balance	Addition	Reduction	Closing balance
I. Basic pension insurance	3,502,008	127,144,851	128,278,463	<b>2,368,396</b>
II. Unemployment insurance	506,366	5,120,219	5,199,199	<b>427,386</b>
Total	<u>4,008,374</u>	<u>132,265,070</u>	<u>133,477,662</u>	<b><u>2,795,782</u></b>

Other notes:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 25. Taxes payable

	Closing balance	Opening balance
Enterprise income tax	202,716,879	192,343,209
VAT	170,975,980	240,537,438
Resource tax	2,987,097	7,369,590
Environmental tax	25,652,206	40,688,021
Individual income tax	24,547,719	21,147,193
Others	123,792,185	190,424,628
Total	<u>550,672,065</u>	<u>692,510,079</u>

### 26. Other payables

#### *Summary of other payables*

	Closing balance	Opening balance
Interest payable	88,361,137	40,079,033
Dividends payable	442,417,334	49,249,503
Other payables	912,416,904	825,767,510
Total	<u>1,443,195,375</u>	<u>915,096,046</u>

#### *Interest payable*

	Closing balance	Opening balance
Interest of corporate bonds	76,129,602	36,436,171
Interests on borrowings	12,231,535	3,642,862
Total	<u>88,361,137</u>	<u>40,079,033</u>

#### *Dividends payable*

	Closing balance	Opening balance
Dividends on common stock	414,609,530	35,235,662
Dividends on non-controlling shareholders – CHILANGA Cement PLC non-controlling shareholders	27,807,804	14,013,841
Total	<u>442,417,334</u>	<u>49,249,503</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 26. Other payables – *continued*

#### *Other payables*

(1) *Details of other payables*

	Closing balance	Opening balance
Deposits	411,122,263	319,848,785
Non-controlling shareholders' borrowings and other payables	192,475,852	179,732,967
Payables for equity acquisition and others	141,946,792	139,785,187
Amounts collected on behalf and temporary receipts	7,738,759	74,882,462
Government borrowings	5,000,000	5,000,000
Others	154,133,238	106,518,109
Total	<u>912,416,904</u>	<u>825,767,510</u>

(2) *Significant other payables aging more than one year of the Group are as follows:*

	Closing balance	Reasons for un-repayment
Payables to non-controlling shareholders	139,288,798	Undue Payment
Payables for equity acquisition and others	126,208,109	Criteria is not met
Total	<u>265,496,907</u>	/

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

	Closing balance	Opening balance
Long-term borrowings due within one year	2,087,909,618	2,193,087,502
Long-term payables due within one year	2,269,793,851	2,084,119,248
Lease liabilities due within one year	259,533,356	149,842,591
Total	<u>4,617,236,825</u>	<u>4,427,049,341</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 28. Long-term borrowings

#### *Categories of long-term borrowings*

	Closing balance	Opening balance
Guaranteed borrowings (note 1)	7,377,474,044	6,995,926,978
Credit borrowings	1,908,480,000	2,224,500,000
Pledged borrowings (note 2)	25,990,000	250,420,000
Mortgaged borrowings	—	4,329,348
Long-term borrowings due within one year Guaranteed borrowings	-1,659,159,618	-1,197,898,154
Long-term borrowings due within one year Credit borrowings	-413,040,000	-898,000,000
Long-term borrowings due within one year Pledged borrowings	-15,710,000	-92,860,000
Long-term borrowings due within one year Mortgaged borrowings	—	-4,329,348
Total	<u>7,224,034,426</u>	<u>7,282,088,824</u>

Notes on the classification of long-term borrowings:

Note 1: As at 30 June 2023 and 31 December 2022, the guaranteed borrowings of the Group were guaranteed by entities within the Group.

Note 2: As at 30 June 2023 and 31 December 2022, details and value of collaterals corresponding to pledged borrowings of the Group are set out in Note VII. 59.

Other notes, including interest rate range:

As at 30 June 2023, the annual interest rates of the above borrowings were 2.65%–7.79% (31 December 2022: 2.65%–7.15%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 29. Bonds payable

#### (1) *Bonds payable*

	Closing balance	Opening balance
Overseas bond issued in 2020 (Note 1)	2,160,125,873	2,080,547,640
Bonds issued to professional investors in 2021 (Phase I) (Note 2)	1,299,043,200	1,298,627,200
Company bonds issued in 2022(Low-carbon transition- linked bonds) (Phase I) (Note 3)	898,527,300	898,168,591
Preference shares of subsidiary (Note 4)	153,971,521	148,943,421
Total	<u>4,511,667,894</u>	<u>4,426,286,852</u>

Note 1: As filed by Fa Gai Ban Wai Zi Bei [2020] No. 160 issued by the National Development and Reform Commission of China, the Company issued corporate bonds totalling USD300 million on the Singapore Exchange (SGX) on 19 November 2020 at a coupon rate of 2.25%. The corporate bonds are calculated with simple monthly interest which is paid on a half-year basis and with a period of five years.

Note 2: As approved by Zheng Jian Xu Ke [2021] No. 2628 of the China Securities Regulatory Commission, the Company issued corporate bonds with a total amount not exceeding USD1300 million on 25 August 2021 at a coupon rate of 3.26%. The corporate bonds are calculated with simple monthly interest which is paid on a half-year basis and with a period of three years.

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

Note 4: In August 2021, the Group's subsidiary Huaxin Hong Kong (Tanzania) Investment Limited entered into a subscription agreement with China-Africa Fund Limited, pursuant to which the Group's subsidiary issued 19.25 million preference shares at a price of USD1 per share for a total cash consideration of USD19.25 million. These preference shares were issued and paid up in August 2021. The Company's management accounts for preferred shares in financial liabilities and measures them at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 29. Bonds payable – continued

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

Name of bond	Par value	Issue date	Term of bond	Issue amount	Opening balance	Issuance for the period	Amortization of premium or discount	Repayment	Exchange gain or loss	Closing balance
Overseas bond issued in 2020	100	19 November 2020	5 years	1,973,460,000	2,080,547,640	–	1,053,741	–	78,524,492	2,160,125,873
Bonds issued to professional investors in 2021 (Phase I)	100	25 August 2021	3 years	1,300,000,000	1,298,627,200	–	416,000	–	–	1,299,043,200
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) Type I	100	19 July 2022	3 years	500,000,000	498,982,550	–	199,283	–	–	499,181,833
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) Type II	100	19 July 2022	5 years	400,000,000	399,186,041	–	159,426	–	–	399,345,467
Total	/ /	/		4,173,460,000	4,277,343,431	–	1,828,450	–	78,524,492	4,357,696,373

#### (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	1,925,000	148,943,421	–	5,028,100	–	–	1,925,000	153,971,521
Total	1,925,000	148,943,421	–	5,028,100	–	–	1,925,000	153,971,521

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 30. Lease liabilities

	Closing balance	Opening balance
Lease liabilities	1,583,046,203	909,748,345
Less: lease liabilities due within one year	<u>259,533,356</u>	<u>149,842,591</u>
Total	<u><u>1,323,512,847</u></u>	<u><u>759,905,754</u></u>

### 31. Long-term payables

	Closing balance	Opening balance
Long-term payables	<u>2,411,172,569</u>	<u>2,837,076,467</u>
Total	<u><u>2,411,172,569</u></u>	<u><u>2,837,076,467</u></u>

#### *Long-term payables*

	Closing balance	Opening balance
Transaction fees of mining rights paid in installments	4,680,966,420	4,921,195,715
Less: Transaction fees of mining rights paid by installments due within one year	<u>2,269,793,851</u>	<u>2,084,119,248</u>
Total	<u><u>2,411,172,569</u></u>	<u><u>2,837,076,467</u></u>

### 32. Long-term employee benefits payable

#### (1) *Long-term employee benefits payable*

	Closing balance	Opening balance
Net liabilities of defined benefit plan (Note 1)	80,089,807	59,987,287
To be paid within one year	<u>-16,141,408</u>	<u>-12,380,605</u>
Total	<u><u>63,948,399</u></u>	<u><u>47,606,682</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 33. Provisions

	Opening balance	Closing balance	Underlying reason
Provisions for Mine restoration	441,260,626	<b>424,487,269</b>	Mine restoration obligation
Provision for Others	1,000,000	<b>1,000,000</b>	Expected compensation for pending litigation
Total	<u>442,260,626</u>	<u><b>425,487,269</b></u>	/

### 34. Deferred income

	Opening balance	Addition	Reduction	Closing balance	Underlying reason
Government grants	291,877,454	2,367,339	11,942,860	<b>282,301,933</b>	Government grants related to assets
Total	<u>291,877,454</u>	<u>2,367,339</u>	<u>11,942,860</u>	<u><b>282,301,933</b></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	241,481,807	2,367,339	7,464,012	<b>236,385,134</b>	Related to assets
Energy saving technological transformation	50,395,647	—	4,478,848	<b>45,916,799</b>	Related to assets
Total	<u>291,877,454</u>	<u>2,367,339</u>	<u>11,942,860</u>	<u><b>282,301,933</b></u>	/

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 35. Other non-current liabilities

	Closing balance	Opening balance
Advance on sales of goods	104,940,000	104,940,000
Total	<u>104,940,000</u>	<u>104,940,000</u>

### 36. Share capital

	Opening balance	Closing balance
Listed shares without restriction of trading		
RMB ordinary shares	1,361,879,855	1,361,879,855
Overseas listed foreign shares	734,720,000	734,720,000
Total share capital	<u>2,096,599,855</u>	<u>2,096,599,855</u>

### 37. Capital reserve

	Opening balance	Addition	Reduction	Closing balance
Share premium	1,804,099,519	92,300,554	—	1,896,400,073
Other capital reserve				
Equity incentive	71,429,695	12,703,595	—	84,133,290
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	4,609,941	—	161,789	4,448,152
Total	<u>1,975,889,177</u>	<u>105,004,149</u>	<u>161,789</u>	<u>2,080,731,537</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 38. Treasury shares

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

### 39. Other comprehensive income

	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	-1,931,357	-50,838,250	12,709,562	-38,128,688	—	-40,060,045
Changes in fair value of investment in other equity instruments	-1,931,357	-50,838,250	12,709,562	-38,128,688	—	-40,060,045
II. Other comprehensive income that will be reclassified to profit or loss	-173,326,127	144,215,063	—	81,621,100	62,593,963	-91,705,027
Exchange differences on foreign currency translation	-173,326,127	144,215,063	—	81,621,100	62,593,963	-91,705,027
Total	-175,257,484	93,376,813	12,709,562	43,492,412	62,593,963	-131,765,072



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 40. Specific reserve

	Opening balance	Addition	Reduction	Closing balance
Production safety cost	<u>37,644,851</u>	<u>137,938,809</u>	<u>137,938,809</u>	<u>37,644,851</u>
Total	<u>37,644,851</u>	<u>137,938,809</u>	<u>137,938,809</u>	<u>37,644,851</u>

### 41. Surplus reserve

	Opening balance	Addition	Reduction	Closing balance
Statutory surplus reserve	1,048,299,928	—	—	<b>1,048,299,928</b>
Discretionary surplus reserve	<u>63,580,329</u>	<u>—</u>	<u>—</u>	<u>63,580,329</u>
Total	<u>1,111,880,257</u>	<u>—</u>	<u>—</u>	<u>1,111,880,257</u>

Statement of surplus reserves, Includes an explanation of the increase or decrease during the period and the reasons for the change:

According the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed. After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserve. Upon approval, discretionary surplus reserve can be used to make up for losses from previous years or to increase the share capital.

The cumulative amount of the Company's statutory surplus reserve has exceeded 50% of the registered capital, and no statutory surplus reserve was withdrawn in January-June 2023 (2022: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 42. Retained earnings

	Amount for the current period	Amount for 2022
Retained earnings as at the beginning of the year	23,009,600,343	22,405,681,711
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)	23,009,600,343	22,405,681,711
Add: Net profit attributable to the owners of the parent Company in the current period	1,192,560,395	2,698,868,510
Less: Appropriation to statutory surplus reserve	–	–
Ordinary share dividends payable	1,068,424,438	2,094,949,878
Retained earnings at the end of the year	<u>23,133,736,300</u>	<u>23,009,600,343</u>

### 43. Operating income and costs

#### (1) Operating income and operating costs

	Amount for current period		Amount for the prior period	
	Income	Costs	Income	Costs
Principal operations	15,661,304,291	11,849,623,754	14,231,621,784	10,326,709,591
Other operations	170,268,209	121,558,407	157,827,179	30,330,969
Total	<u>15,831,572,500</u>	<u>11,971,182,161</u>	<u>14,389,448,963</u>	<u>10,357,040,560</u>

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

	Amount for the current period	Amount for the prior period
<b>Analysis by product</b>		
Sales of cement	9,191,200,494	9,423,012,454
Sales of concrete	3,174,092,206	2,002,177,396
Sales of clinker	572,905,535	859,114,934
Sales of aggregate	2,162,353,807	1,278,877,805
Others	731,020,458	826,266,374
Total	<u>15,831,572,500</u>	<u>14,389,448,963</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 43. Operating income and costs – *continued*

#### (2) *Income from the revenue generated by the contract – continued*

External revenue by geographical area of source:

<b>Main business areas</b>	<b>Amount for the current period</b>	Amount for the prior period
China	<b>13,453,836,567</b>	12,576,171,564
Asia outside of China	<b>1,374,733,380</b>	1,138,710,663
Africa Region	<b>709,473,910</b>	674,566,736
Middle East	<b>293,528,643</b>	—
Total	<b><u>15,831,572,500</u></b>	<u>14,389,448,963</u>

#### (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 2023, the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied is RMB748,180,890, which will be recognized in its entirety as revenue during the next year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 44. Tax and surcharges

	Amount for the current period	Amount for the prior period
City maintenance and construction tax	27,064,666	24,866,701
Education surcharges	14,869,528	13,113,929
Resource tax	161,753,440	130,966,209
Real estate tax	27,521,766	22,761,158
Land use tax	29,004,340	23,183,490
Green tax	25,769,620	30,059,533
Others	37,194,431	22,966,058
Total	<u>323,177,792</u>	<u>267,917,078</u>

### 45. Selling expenses

	Amount for the current period	Amount for the prior period
Consumption of materials	225,787,834	227,664,572
Staff costs	229,603,500	272,909,423
Sales expenses	61,868,525	62,592,110
Depreciation and amortization expenses	52,842,244	50,450,982
Others	121,594,733	95,516,205
Total	<u>691,696,836</u>	<u>709,133,292</u>

### 46. Administrative expenses

	Amount for the current period	Amount for the prior period
Staff costs	408,306,319	393,599,739
Depreciation and amortization expenses	119,874,900	88,238,164
Office expenses	116,995,803	89,743,514
Others	156,856,091	152,174,481
Total	<u>802,033,113</u>	<u>723,755,898</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 47. Finance costs

	Amount for the current period	Amount for the prior period
Interest expenditure on borrowings	315,768,191	149,218,223
Interest income	-58,883,536	-44,998,331
Exchange gains	-22,690,761	54,476,345
Others	11,043,142	6,135,671
Total	<u>245,237,036</u>	<u>164,831,907</u>

### 48. Other gains

	Amount for the current period	Amount for the prior period
Tax refunds from comprehensive utilization of resources	21,891,302	42,194,824
Amortization of deferred income	11,854,081	11,904,525
Others	45,059,543	43,909,319
Total	<u>78,804,926</u>	<u>98,008,668</u>

Other gains recorded in non-recurring profit or loss amounted to RMB56,913,624 in the current period.

### 49. Investment income

	Amount for the current period	Amount for the prior period
Gains from long-term equity investments under equity method	348,987	-4,137,669
Income (losses) on disposal of long-term equity investments	1,104,878	—
Investment gains from held for trading financial assets during the holding period	32,830,984	23,611,779
Dividend income from other equity instrument investments during the holding period	—	917,725
Interest income of debt investments during the holding period	—	900,000
Total	<u>34,284,849</u>	<u>21,291,835</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 50. Gains (losses) 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	-41,711,538	17,811,422
Other non-current financial assets	3,191,734	-1,345,678
Total	<u>-38,519,804</u>	<u>16,465,744</u>

### 51. Impairment losses on credit

	Amount for the current period	Amount for the prior period
Losses on bad debts of accounts receivable	51,810,778	43,697,870
Losses on bad debts of other receivables	-445,315	-271,913
Total	<u>51,365,463</u>	<u>43,425,957</u>

### 52. Impairment losses on assets

	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	7,975,582	8,153,478
III. Impairment loss on long-term equity investment	—	—
IV. Impairment loss on investment property	—	—
V. Impairment losses on fixed assets	—	—
VI. Impairment loss on materials for construction of fixed assets	—	—
VII. Impairment losses on construction in progress	—	2,125,174
Total	<u>7,975,582</u>	<u>10,278,652</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 53. (Losses) gains on disposal of assets

	Amount for the current period	Amount for the prior period
Losses on disposal of fixed assets	-650,644	-1,269,886
(Losses)/Gains on disposal of intangible assets	—	—
Gains on disposal of right-of-use assets	5,960,443	21,791
Total	<u>5,309,799</u>	<u>-1,248,095</u>

### 54. Non-operating income

	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	319,309	531,398	319,309
Including: Gains on disposal of fixed assets	319,309	531,398	319,309
Government grants	2,000	—	2,000
Others	6,127,184	2,361,049	6,127,184
Total	<u>6,448,493</u>	<u>2,892,447</u>	<u>6,448,493</u>

### 55. Non-operating expenses

	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	6,549,553	6,404,592	6,549,553
Including: Losses on retirement of fixed assets	6,549,553	6,404,592	6,549,553
Donations	8,982,796	7,971,480	8,982,796
Others	13,090,607	24,355,789	13,090,607
Total	<u>28,622,956</u>	<u>38,731,861</u>	<u>28,622,956</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 56. Income tax expense

#### (1) *Table of income tax expenses*

	Amount for the current period	Amount for the prior period
Current tax expenses	428,804,368	456,781,273
Deferred tax expenses	-40,480,246	26,378,110
Total	<b>388,324,122</b>	<b>483,159,383</b>

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

	Amount for the current period	Amount for the prior period
Profit before tax	1,738,266,841	2,166,050,666
Income tax expense at 25% rate	434,566,711	541,512,667
Effect of different tax rates of some subsidiaries	-97,546,282	-79,649,396
Adjustment of income tax for previous periods	—	—
Non-taxable income	-2,036,985	-2,867,989
Effect of non-deductible costs, expenses and losses	12,796,767	16,808,703
Effect of deductible losses of deferred tax assets not recognized in the previous period	-8,273,740	-35,176,169
Effect of deductible temporary differences or deductible losses for which deferred tax assets are not recognized for the current period	61,101,473	31,822,203
Others	-12,283,822	10,709,364
Income tax expense	<b>388,324,122</b>	<b>483,159,383</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 57. Notes to items of statement of cash flows

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

	Amount for the current period	Amount for the prior period
Receipt of security deposit, petty cash	213,948,407	139,278,736
Government subsidy	45,820,559	40,738,215
Interest income	58,883,536	44,998,331
Others	8,472,216	19,368,462
Total	<u>327,124,718</u>	<u>244,383,744</u>

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

	Amount for the current period	Amount for the prior period
Deposit and other amounts paid	208,355,283	144,919,094
Office and business promotion expenses	165,603,486	134,081,386
Others	287,424,286	260,366,835
Total	<u>661,383,055</u>	<u>539,367,315</u>

#### (3) *Other cash receipts relating to investing activities*

	Amount for the current period	Amount for the prior period
Recovery of project deposit	95,736,441	4,871,740
Equity margin refund received	49,500,000	—
Cash and cash equivalents held by subsidiaries on the date of purchase	—	111,634,822
Income from trial production	—	15,211,826
Total	<u>145,236,441</u>	<u>131,718,387</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 57. Notes to items of statement of cash flows – *continued*

#### (4) *Other cash payments relating to investing activities*

	Amount for the current period	Amount for the prior period
Intention money for equity mergers and acquisitions	1,000,000	55,000,000
Payments to non-financial corporations	21,935,889	186,000,000
Amounts related to disposal of assets	—	3,537,125
Deposits for engineering	12,698,914	—
Total	<u>35,634,803</u>	<u>244,537,125</u>

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

	Amount for the current period	Amount for the prior period
Received from non-financial corporations	12,872,717	4,410,181
Total	<u>12,872,717</u>	<u>4,410,181</u>

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

	Amount for the current period	Amount for the prior period
Payments to non-financial corporations	13,257,135	—
Payment the sale and leaseback principal and security deposit	—	23,000,000
Payment for non-controlling shares	12,000,000	—
Lease payment	196,890,668	64,640,383
Expenses related to issuance of bonds, acquisition of loans and acquisition of financial lease funds	8,420,991	42,494,471
Total	<u>230,568,794</u>	<u>130,134,853</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 58. Supplemental information to statement of cash flows

#### (1) *Supplemental information to statement of cash flows*

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	1,349,942,719	1,682,891,283
Add: Impairment losses on assets	7,975,582	10,278,652
Impairment losses on credit	51,365,463	43,425,957
Depreciation of fixed assets	1,035,901,127	898,626,643
Depreciation of right-of-use assets	111,604,117	33,223,207
Amortization of intangible assets	559,019,765	231,802,550
Amortization of long-term deferred expenses	57,697,128	36,979,429
Gains (losses) from disposal of fixed assets, intangible assets and other long-term assets	-5,309,799	1,248,095
Losses on retirement of fixed assets	6,230,245	5,873,194
Gains or losses from changes in fair value	38,519,804	-16,465,744
Finance expenses	304,120,572	209,830,238
Loss from investment	-34,284,849	-21,291,835
Increase (decrease) in deferred tax assets	-61,380,498	12,527,866
Increase (decrease) in deferred tax liabilities	20,900,252	9,654,951
Decrease (increase) in inventories	-304,988,308	-266,651,269
Decrease (increase) in operating receivables	-823,218,235	-878,548,973
Decrease (increase) in operating payables	-174,984,943	-714,491,101
Amortization of deferred income	-11,942,860	-11,904,525
Others	—	—
Net cash flows from operating activities	2,127,167,281	1,267,008,618
2. Net change in cash and cash equivalents:		
Closing balance of cash	4,542,875,419	7,003,970,518
Less: Opening balance of cash	6,616,021,778	8,550,475,141
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	<u>-2,073,146,359</u>	<u>-1,546,504,623</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 58. Supplemental information to statement of cash flows – *continued*

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

	<b>Amount</b>
Cash and cash equivalents paid for the business combinations in the current period	1,360,029,656
Hainan Huaxin Dacheng Concrete Co., LTD	17,000,000
Oman Cement Company SAOG	1,343,029,656
Less: Cash and cash equivalents held by the subsidiaries at the date of purchase	767,052,614
Hainan Huaxin Dacheng Concrete Co., LTD	315,635
Oman Cement Company SAOG	766,736,979
Add: Cash or cash equivalents paid for business combinations and acquisition of other operating entities in the prior period	2,900,000
Huaxin Concrete (Huangmei) Co., LTD	2,900,000
Net cash payments for acquisition of subsidiaries and other business units	<u>595,877,042</u>

#### (3) *Composition of cash and cash equivalents*

	<b>Closing balance</b>	Opening balance
I. Cash	<b>4,542,875,419</b>	6,616,021,778
Including: Cash on hand	<b>2,409,502</b>	1,100,172
Cash at bank without restriction	<b>4,540,465,917</b>	6,549,623,633
Other cash and cash equivalents	—	65,297,973
II. Cash equivalents	—	—
III. Closing balance of cash and cash equivalents	<u><b>4,542,875,419</b></u>	<u>6,616,021,778</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 59. Assets with restricted titles or right to use

	Closing balance	Opening balance
Cash and bank balances	298,064,699	422,320,014
Notes receivable	2,020,000	2,720,000
Account receivable Financing	400,499	26,413,178
Fixed assets	5,556,870	5,687,992
Intangible assets	22,265,201	27,492,441
Total	328,307,269	484,633,625

Use of restricted monetary funds, refer to Note VII.1.

As at 30 June 2023, the Group obtained short-term borrowings by pledging buildings and structures with a carrying value of RMB5,556,870 (31 December 2022: RMB5,687,992) as collateral, please refer to Note VII.20 for the short-term borrowings.

As at 30 June 2023, the Group obtained short-term borrowings by pledging land use rights with a carrying value of RMB22,265,201 (31 December 2022: RMB22,645,577) as collateral, please refer to Note VII.20 for the short-term borrowings.

The equity interests in some of the Group's subsidiaries were pledged to banks to obtain long-term borrowings (Note VII.28), and the aggregate balance of net book assets corresponding to these equity interests was approximately RMB5,273,086,977 as at 30 June 2023 (31 December 2022: approximately RMB4,829,073,769), of which the balance of net book assets corresponding to the equity of 4,527,632,382 was still in process or had been released from the pledge at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 60. Foreign currency monetary items

	Original currency	Exchange rate	CNY balance
Cash and bank balances	—	—	—
Including: USD	85,875,882	7.2258	620,521,949
CNY	18,098,659	1.0000	18,098,659
EUR	1,257,999	7.8771	9,909,380
ZAR	1,698,772	0.3864	656,371
HKD	62,373	0.9220	57,508
RUB	162,793	0.0834	13,570
ZMW	3,787	0.4151	1,572
KES	5,245	0.0515	270
TZS	69,300	0.0031	216
CHF	11	8.0614	89
SGD	2	5.5000	11
Accounts receivable	—	—	—
Including: USD	729,445	7.2258	5,270,821
Other receivables	—	—	—
Including: USD	7,226	7.2258	52,214
Accounts payable	—	—	—
Including: USD	5,974,233	7.2258	43,168,610
CNY	1,240,731	1.0000	1,240,731
ZAR	1,471,125	0.3864	568,413
EUR	26,934	7.8771	212,161
Other payables	—	—	—
Including: USD	752,557	7.2258	5,437,824
CNY	4,445,786	1.0000	4,445,786
EUR	85,883	7.8771	676,510
CHF	22,568	8.0614	181,930
ZAR	342,734	0.3864	132,426
Interest payable	—	—	—
Including: USD	1,889,395	7.2258	13,652,388
Dividends payable	—	—	—
Including: HKD	417,073,359	0.9220	384,541,637
Bonds payable	—	—	—
Including: USD	19,250,000	7.2258	139,096,650
Non-current liabilities due within 1 year	—	—	—
Including: USD	40,250,000	7.2258	290,838,450
Long-term borrowings	—	—	—
Including: USD	102,810,000	7.2258	742,884,498

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## 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 acquiree from the date of acquisition to the period-end	Net profit of the acquiree from the date of acquisition to the period-end
Hainan Huaxin Dacheng Concrete Co., LTD	17 April 2023	35,000,000	70%	Cash	17 April 2023	Date of change in control	53,817,765	5,231,030
Oman Cement Company	5 April 2023	1,338,581,611	59.58%	Cash	5 April 2023	Date of change in control	293,528,643	41,573,193

#### (2) Acquisition consideration and goodwill

	Hainan Huaxin Dacheng Concrete Co., LTD	Oman Cement Company
<b>Acquisition consideration</b>		
— Cash	35,000,000	1,338,581,611
— Others	—	—
Total acquisition costs	<u>35,000,000</u>	<u>1,338,581,611</u>
Less: Fair value of identifiable net assets acquired	<u>18,466,907</u>	<u>1,338,581,611</u>
Goodwill	<u>16,533,093</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## 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*

	Hainan Huaxin Dacheng Concrete Co., LTD		Oman Cement Company	
	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:	45,583,536	45,583,536	3,281,035,014	3,695,175,339
Cash and bank balances	315,635	315,635	1,446,571,729	1,446,571,729
Held-for-trading financial assets	—	—	1,460,417	1,460,417
Accounts receivable	15,870,295	15,870,295	163,267,949	163,267,949
Prepayments	—	—	11,871,436	11,871,436
Other receivables	—	—	14,198,650	14,198,650
Inventories	4,374,934	4,374,934	335,029,730	335,029,730
Long-term equity investments	—	—	29,599,518	29,599,518
Fixed assets	25,022,672	25,022,672	1,173,425,601	1,660,649,513
Construction in progress	—	—	16,864,927	16,864,927
Right-of-use assets	—	—	11,760,208	11,760,208
Intangible assets	—	—	3,901,262	3,901,262
Deferred tax assets	—	—	73,083,587	—
Liabilities:	19,202,240	19,202,240	1,034,338,789	1,034,338,789
Short-term borrowings	—	—	627,697,000	627,697,000
Accounts payable	15,863,217	15,863,217	102,624,066	102,624,066
Contract liability	36,330	36,330	9,724,063	9,724,063
Employee benefits payable	—	—	21,073,743	21,073,743
Taxes payable	2,087,223	2,087,223	37,735,550	37,735,550
Other payables	1,215,470	1,215,470	72,529,671	72,529,671
Non-current liabilities due within one year	—	—	510,246	510,246
Other current Liabilities	—	—	2,510,124	2,510,124
Lease liabilities	—	—	11,588,273	11,588,273
Long-term employee benefits payable	—	—	17,084,065	17,084,065
Deferred tax liabilities	—	131,261,988	131,261,988	—
Net Assets	26,381,296	26,381,296	2,246,696,225	2,660,836,550
Less: Minority interest	7,914,389	7,914,389	908,114,614	1,075,510,134
Net assets acquired	<u>18,466,907</u>	<u>18,466,907</u>	<u>1,338,581,611</u>	<u>1,585,326,416</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## 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 – continued*

The Group is in the process of evaluating the purchase consideration apportionment to determine the fair value of the subject company's assets and liabilities as at the date of purchase, and the fair value as at the date of purchase presented above is the Group's current best estimate.

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

#### *Deregistration of subsidiaries*

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

	<b>Proportion of shareholding of parent company before deregistration</b>	<b>Reason for not being subsidiary</b>
Huaxin New Building Materials (Wuhan) Co., LTD	60%	Deregistration
Huaxin New Building Materials (Hainan) Co., LTD	100%	Deregistration

#### *Establishment of new subsidiaries*

Huaxin Concrete (Wuhancaidian) Co., Ltd.	Establishment
Changsha Huaxin Concrete Co., Ltd.	Establishment
Zhangjiagang Huaxin Southeast Concrete Co., Ltd	Establishment
Changshu Huaxin Jinlong Concrete Co., Ltd	Establishment
Zhangjiagang Huaxin Xinggang Concrete Co., Ltd	Establishment
Nanjing Huaxin Pingda Building Material Technology Co.	Establishment
Taicang Huaxin Longhe Concrete Co., Ltd	Establishment
Changzhou Huaxin Tongjin Concrete Co., Ltd	Establishment
Changzhou Huaxin Tongxin Concrete Co., Ltd	Establishment
Huanggang Jiamei New Material Technology Co.	Establishment
Nantong Huaxin Jinlong Concrete Co., Ltd	Establishment
Yangzhou Huaxin Jiangyang Concrete Co., Ltd	Establishment
Huaxin Tianbang Concrete (Wuhanhanyang) Co., Ltd.	Establishment
Huaxin Concrete (Wuhanjiangxia) Co., Ltd.	Establishment
Changzhou Huaxin Boai Concrete Co., Ltd	Establishment
Nanchong Huaxin New Building Materials Co., Ltd	Establishment
Huaxin New Building Materials (Wuding) Co., Ltd.	Establishment
Changshu Huaxin Shunfeng Concrete Co., Ltd	Establishment
Huaxin Logistics (Changyang) Co., Ltd	Establishment
Abra Holdings Ltd	Establishment
Shanghai Huaxin Runshen Concrete Co., Ltd	Establishment

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of building materials	91,600	80	20
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sales of building materials	50,000	—	100
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sales of building materials	50,000	100	—
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	45,268	97	—
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sales of building materials	39,000	—	100
Kunming Chongde Cement Co., Ltd.	Kunming	Kunming	Production and sales of building materials	38,200	—	100
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sales of building materials	36,090	—	100
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of building materials	34,000	100	—
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sales of building materials	32,700	70	—
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sales of building materials	30,000	—	100
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of building materials	30,000	100	—
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sales of building materials	28,000	0.20	99.80
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sales of building materials	27,000	—	100
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	27,000	100	—
Yunnan Huaxin Dongjun Cement Co., Ltd.	Kunming	Kunming	Production and sales of building materials	26,000	—	100
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of building materials	24,900	100	—
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sales of building materials	24,000	100	—
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sales of building materials	24,000	100	—
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sales of building materials	23,107	—	100
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sales of building materials	22,000	100	—
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sales of building materials	21,000	100	—
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sales of building materials	20,000	—	70

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Huaxin Cement (Lengshuijiang) Co., Ltd	Lengshuijiang	Lengshuijiang	Production and sales of building materials	20,000	90	–
Huaxin Cement (Henan Xinyang) Co., Ltd	Xinyang	Xinyang	Production and sales of building materials	20,000	100	–
Huaxin Cement (Wanyuan) Co., Ltd	Wanyuan	Wanyuan	Production and sales of building materials	20,200	100	–
Huaxin Cement Chongqing Fuling Co., Ltd	Fuling	Fuling	Production and sales of building materials	20,000	100	–
Huaxin Cement (Daoxian) Co., Ltd	Daoxian	Daoxian	Production and sales of building materials	18,000	100	–
Huaxin Hongta Cement (Jinghong) Co., Ltd	Jinghong	Jinghong	Production and sales of building materials	17,961	51	–
Huaxin Cement (Sangzhi) Co., Ltd	Sangzhi	Sangzhi	Production and sales of building materials	15,000	80	–
Huaxin Cement (Yichang) Co., Ltd	Yichang	Yichang	Production and sales of building materials	15,000	100	–
Huaxin Cement (Xiangyang) Co., Ltd	Xiangyang	Xiangyang	Production and sales of building materials	14,000	100	–
Huaxin Cement (Chibi) Co., Ltd	Chibi	Chibi	Production and sales of building materials	14,000	100	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd	Kunming	Kunming	Production and sales of building materials	14,000	100	–
Yunnan State-owned Cement Kunming Co., Ltd	Kunming	Kunming	Production and sales of building materials	13,038	–	100
Huaxin Cement Narayani Co., Ltd	Narayani	Narayani	Production and sales of building materials	USD2,800	–	100
Huaxin Cement (Zhaotong) Co., Ltd	Zhaotong	Zhaotong	Production and sales of building materials	10,000	60	40
Huaxin Cement (Lijiang) Co., Ltd	Lijiang	Lijiang	Production and sales of building materials	10,000	–	100
Huaxin Cement (Diqing) Co., Ltd	Diqing	Diqing	Production and sales of building materials	9,500	69	–
Huaxin Cement (Jingzhou) Co., Ltd	Jingzhou	Jingzhou	Production and sales of building materials	8,080	100	–
Huaxin Cement (Fangxian) Co., Ltd	Fangxian	Fangxian	Production and sales of building materials	8,000	70	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd	Yunxian	Yunxian	Production and sales of building materials	8,000	80	–
Huaxin Cement (Macheng) Co., Ltd	Macheng	Macheng	Production and sales of building materials	6,500	100	–
Huaxin Cement (Enshi) Co., Ltd	Enshi	Enshi	Production and sales of building materials	6,000	67	33
Huaxin Cement (Wuhan) Co., Ltd	Wuhan	Wuhan	Production and sales of building materials	6,000	70	30
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sales of building materials	6,000	–	68

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Huaxin Cement (E'zhou) Co., Ltd	E'zhou	E'zhou	Production and sales of building materials	5,000	70	–
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sales of building materials	5,000	79	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sales of building materials	4,764	51	–
Huaxin Cement (Suizhou) Co., Ltd	Suizhou	Suizhou	Production and sales of building materials	4,100	60	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sales of building materials	4,000	100	–
Huaxin Cement (Chuxiong) Co., Ltd	Chuxiong	Chuxiong	Production and sales of building materials	3,260	–	100
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sales of concrete	19,830	100	–
Huaxin Concrete Xiangyang Co., Ltd	Xiangyang	Xiangyang	Production and sales of concrete	19,500	84	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sales of concrete	5,107	100	–
Nanjing Huaxin Concrete Co., Ltd.	Nanjing	Nanjing	Production and sales of concrete	5,000	–	100
Huaxin Concrete Xianning Co., Ltd.	Xianning	Xianning	Production and sales of concrete	4,200	–	100
Tibet Huaxin Building Materials Co., Ltd.	Tibet	Tibet	Production and sales of concrete	3,500	–	71.43
Yueyang County Permanent Concrete Co., Ltd	Yueyang	Yueyang	Production and sales of concrete	3,350	–	100
Chongqing Huaxin Tiancheng Concrete Co., Ltd	Chongqing	Chongqing	Production and sales of concrete	3,250	100	–
Huaxin Green Building Materials (Wuxue) Co., Ltd	Wuxue	Wuxue	Production and sales of building materials	50,000	–	59
Huaxin Cement Dzizak Co., Ltd	Uzbekistan	Uzbekistan	Production and sales of building materials	USD3,000	–	100
Huaxin Cement (Songming) Co., Ltd.	Kunming	Kunming	Production and sales of building materials	30,000	–	100
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Baoshan	Production and sales of building materials	25,000	–	80
Huangshi Huaxin Green Building Materials Co., Ltd.	Huangshi	Huangshi	Production and sales of aggregate	430,000	58	–
Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sales of aggregate	20,000	–	51
Huaxin Aggregate (Yangxin) Co., Ltd	Yangxin	Yangxin	Production and sales of aggregate	14,000	–	100
Huaxin Aggregate (Zhuzhou) Co., Ltd	Zhuzhou	Zhuzhou	Production and sales of aggregate	10,000	–	70

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	Chibi	Chibi	Production and sales of aggregate	10,000	–	51
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sales of aggregate	9,250	–	100
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sales of new materials	21,300	–	100
Fumin Park New Building Materials Co., Ltd	Fuming	Fuming	Production and sales of new materials	10,000	–	70
Huaxin New Building Materials (Zigui) Co., Ltd	Zigui	Zigui	Production and sales of new materials	10,000	–	100
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd	Lijiang	Lijiang	Production and sales of new materials	6,000	–	70
Huaxin New Building Materials (Huangshi) Co., LTD	Huangshi	Huangshi	Production and sales of new materials	5,000	100	–
Huaxin ChunJin Building Materials (Wuxue) Co., LTD	Wuxue	Wuxue	Production and sales of new materials	5,000	–	55
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sales of new materials	5,000	100	–
Huaxin New Building Materials (Kunming) Co., Ltd.	Kunming	Kunming	Production and sales of new materials	5,000	–	100
Huaxin New Building Materials (Luonan) Co., Ltd	Luonan	Luonan	Production and sales of new materials	5,000	–	55
Huaxin New Building Materials (Enshi) Co., Ltd.	Enshi	Enshi	Production and sales of new materials	4,000	–	100
Huaxin New Building Materials (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sales of new materials	3,500	–	100
Huaxin Environment Engineering Co., Ltd	Wuhan	Wuhan	Environmental design and construction and waste disposal	100,000	100	–
Wuhan Changshankou Huaxin Environmental Engineering	Wuhan	Wuhan	Environmental design and construction and waste disposal	10,000	–	100
Huaxin Environment Engineering (Wuxue) Co., Ltd	Wuxue	Wuxue	Environmental design and construction and waste disposal	6,000	–	100
Huaxin Environment Engineering (Zhuhai) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	6,000	–	80

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Huaxin Environment Engineering (Xinyang) Co., Ltd	Xinyang	Xinyang	Environmental design and construction and waste disposal	5,000	–	100
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	5,000	–	100
Huaxin Environment Engineering (Chongqing) Co., Ltd	Chongqing	Chongqing	Environmental design and construction and waste disposal	4,100	–	100
Huaxin Environment Engineering (Loudi) Co., Ltd	Loudi	Loudi	Environmental design and construction and waste disposal	4,000	–	100
Hubei Dailing Future Environmental Packaging Technology Co., Ltd.	Huangshi	Huangshi	Production and sales of cement packaging bags	6,000	100	–
Huaxin Packaging E'zhou Co., Ltd	E'zhou	E'zhou	Production and sales of cement packaging bags	3,400	–	100
Huaxin Equipment Engineering Co., Ltd	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	19,000	100	–
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	13,000	–	100
Yangxin County Fuhua Handling Co., Ltd.	Yangxin	Yangxin	Loading and unloading, warehousing and other services	30,000	–	100
Yidu Honghua Xintong Logistics Co., Ltd	Yidu	Yidu	Loading and unloading, warehousing and other services	4,500	–	100
Huaxin (Hainan) Investment Co., Ltd.	Haikou	Haikou	Investment	USD25,000	60	40
Yunnan Huaxin Building Materials Investment Co., Ltd	Kunming	Kunming	Investment	305,883	100	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd	Wuhan	Wuhan	Investment	40,000	100	–
Huaxin Concrete Co., Ltd	Wuhan	Wuhan	Investment	13,500	100	–
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	5,000	100	–

Note: Due to the large number of subsidiaries of the Group, the above tables only list the subsidiaries that have a significant impact on the Group's consolidated financial statements, and do not list all subsidiaries one by one.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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%	95,734,987	37,692,030	575,416,826
Huangshi Huaxin Green Building Materials Co., Ltd	42%	-6,798,760	—	457,791,873
Huaxin Green Building Materials (Wuxue) Co., Ltd.	41%	26,298,164	—	272,366,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	32%	3,889,546	—	227,701,156
Huaxin Cement (Tibet) Co., Ltd.	21%	7,572,826	—	220,969,624
Huaxin Cement (Daye) Co., Ltd.	30%	-3,727,583	—	212,930,677
CHILANGA Cement PLC	19%	2,422,109	15,317,729	203,343,304
Oman Cement Company SAOG	40.42%	16,803,884	—	16,803,884

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. INTERESTS IN OTHER ENTITIES – continued

### 1. Equity interests in subsidiaries – continued

#### (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	391,666,976	732,903,218	1,124,570,194	114,499,564	28,567,383	143,066,947	228,735,436	773,294,774	1,002,030,210	100,992,117	46,550,886	147,543,003
Huangshi Huaxin Green Building Materials Co., Ltd	1,233,732,715	8,876,008,742	10,109,741,457	3,616,526,191	4,813,971,487	8,430,497,678	786,063,431	9,022,213,963	9,808,277,393	1,688,063,057	6,424,683,839	8,112,746,896
Huaxin Green Building Materials (Wuxue) Co., Ltd	363,959,709	790,295,674	1,154,255,383	411,018,053	121,411,404	532,429,457	443,823,978	489,399,382	933,223,360	288,731,653	81,460,729	370,192,382
Cambodian Cement Chakrey Ting Factory Co., Ltd	367,854,275	596,963,449	964,817,724	198,006,271	51,689,608	249,695,879	335,544,141	613,028,636	948,572,778	194,050,705	77,388,198	271,438,904
Huaxin Cement (Tibet) Co., Ltd	460,598,360	1,046,776,799	1,507,375,159	315,927,895	186,078,953	502,006,848	420,788,879	1,077,251,023	1,498,039,902	315,620,129	198,900,428	514,520,556
Huaxin Cement (Daye) Co., Ltd	445,346,444	550,653,890	996,000,334	180,018,190	106,213,223	286,231,413	279,118,993	761,238,289	1,040,357,282	211,793,085	106,369,999	318,163,084
CHILANGA Cement PLC	540,851,944	1,072,753,937	1,613,605,881	279,874,219	283,239,091	563,113,309	473,686,822	1,004,675,384	1,478,362,206	184,938,969	255,919,351	440,858,321
Oman Cement Company SAOG	1,414,688,791	1,340,909,587	2,755,598,378	195,978,292	166,610,302	362,588,594	–	–	–	–	–	–

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	454,949,938	154,084,640	146,773,769	296,546,172	345,933,988	98,991,129	195,642,668	101,134,930
Huangshi Huaxin Green Building Materials Co., Ltd	444,330,666	-16,286,718	-16,286,718	469,403,634	–	-8,418,450	-8,418,450	-5,105,050
Huaxin Green Building Materials (Wuxue) Co., Ltd	216,939,230	58,794,948	58,794,948	94,618,168	12,028,340	662,224	662,224	-18,068,944
Cambodian Cement Chakrey Ting Factory Co., Ltd	308,420,212	12,154,832	37,987,970	103,722,306	319,233,193	10,915,853	46,820,482	75,115,768
Huaxin Cement (Tibet) Co., Ltd	359,774,104	21,848,965	21,848,965	126,063,687	223,674,344	-4,629,974	-4,629,974	36,286,781
Huaxin Cement (Daye) Co., Ltd	245,524,417	-12,425,277	-12,425,277	20,000,969	281,520,326	-563,828	-563,828	39,188,190
CHILANGA Cement PLC	322,201,961	9,688,436	80,348,309	8,091,112	299,691,802	34,372,830	61,759,607	15,583,171
Oman Cement Company SAOG	293,341,206	41,573,193	112,233,066	52,003,682	–	–	–	–



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## IX. 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	Registered capital	Percentage of shareholding (%)		Accounting treatment
					Direct	Indirect	
Xizang High-tech Building Materials Group Co., Ltd.	Tibet	Tibet	Production and sales of building materials	272,760,000	43%	—	Equity method
Shanghai Wan An Hua Xin Cement Co., Ltd.	Shanghai	Shanghai	Production and sales of building materials	100,000,000	49%	—	Equity method
Zhangjiajie Tianzi Concrete Co., Ltd	Sangzhi	Sangzhi	Manufacturing, maintenance and installation of mechanical & electrical tools	10,000,000	30%	—	Equity method

#### (2) *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	—	—
Total amounts calculated based on proportion of ownership interest		
— Net profit	—	-2,937,060
— Other comprehensive income	—	—
— Total comprehensive income	—	-2,937,060
Associates:		
Gross carrying amount of investments	437,410,495	438,886,647
Total amounts calculated based on proportion of ownership interest		
— Net profit	348,987	-1,200,609
— Other comprehensive income	—	—
— Total comprehensive income	187,198	-779,182

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

### 1. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows

**30 June 2023**

Financial instruments	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Held for trading financial assets	1,519,104	—	—	1,519,104
Other non-current financial assets	28,258,999	—	—	28,258,999
Financing receivables	—	—	440,987,622	440,987,622
Investment in other equity instruments	—	—	962,012,073	962,012,073
Cash and bank balances	—	5,552,644,820	—	5,552,644,820
Notes receivable	—	326,222,154	—	326,222,154
Accounts receivable	—	2,168,543,120	—	2,168,543,120
Other receivables	—	616,783,284	—	616,783,284
Debt investments	—	7,500,000	—	7,500,000
Long-term receivables	—	130,106,796	—	130,106,796
Total	<u>29,778,103</u>	<u>8,801,800,174</u>	<u>1,402,999,695</u>	<u>10,234,577,972</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 1. Financial instruments by category – *continued*

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Total
Bonds payable (preferred shares)	153,971,521	—	153,971,521
Short-term borrowings	—	706,300,000	706,300,000
Notes payable	—	748,840,928	748,840,928
Accounts payable	—	7,409,905,544	7,409,905,544
Other payable	—	1,443,195,375	1,443,195,375
Non-current liabilities due within one year	—	4,617,236,825	4,617,236,825
Lease liabilities	—	1,323,512,847	1,323,512,847
Long-term borrowings	—	7,224,034,426	7,224,034,426
Bonds payable (excluding preferred shares)	—	4,357,696,373	4,357,696,373
Long-term payables	—	2,411,172,569	2,411,172,569
Total	<u>153,971,521</u>	<u>30,241,894,887</u>	<u>30,395,866,408</u>

### 2. Transfers of financial assets

#### *Financial assets transferred but not yet fully derecognized*

As at 30 June 2023, the Group endorsed undue bank acceptance bills with a carrying amount of RMB292,448,965 (31 December 2022: RMB479,119,683) to its suppliers for settlement of accounts payable. The Group is of the opinion that the Group has retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognize them in full and the settled accounts payable or short-term borrowings associated there with. After the endorsement, the Group no longer reserves the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 30 June 2023, the carrying amount of accounts payable settled or short-term borrowings secured by the Group through these financial assets amounted to RMB292,448,965 (31 December 2022: RMB479,119,683).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 2. Transfers of financial assets – *continued*

#### *Transferred financial assets fully derecognized but with continuing involvement*

As at 30 June 2023, the carrying amount of undue bank acceptance bills endorsed to its suppliers for settlement of accounts payable or discounted to the banks by the Group was RMB1,928,574,873 (31 December 2022: RMB1,931,042,708). As at 30 June 2023, the maturities ranged from 1 to 12 months. Pursuant to relevant provisions of the “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. The Group considers that they have transferred substantially all their risks and rewards, thus derecognized them and the settled carrying amount of accounts payable. The maximum exposure to loss from the Continuing involvement and repurchase and the undiscounted cash flows equal to their carrying amounts. The Group is of the opinion that the fair value of the Continuing Involvement is insignificant.

As at 30 June 2023, no gains or losses were recognized on their dates of transfer by the Group. No income or expenses were recognized for the current year or on an accumulative basis as a result of the Group’s Continuing Involvement in derecognized financial assets. Endorsements were incurred basically evenly during the year.

### 3. Financial Instruments

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group is mainly comprised of cash and bank balances, held for trading financial assets, notes receivable, financing receivables, accounts receivable, other receivables, investing of credit, long-term receivables. Investment in other equity instruments, Other non-current financial assets, borrowings, notes payable, accounts payable, other payables, lease liabilities, bonds payable and long-term payables, etc. Risks related to these financial instruments and the Group’s risk management policies adopted to reduce such risks are described as follows.

The Board of Directors is responsible for planning and establishing the Group’s risk management structure, formulating the Group’s risk management policies and relevant guidelines and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyse the risks to which the Group is exposed. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to determine whether to update the risk management policies and systems. The risk management of the Group is conducted by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids risks through close cooperation with other business units of the Group. The Group’s internal audit department conducts periodic reviews on risk management controls and procedures and reports the results to the Audit Committee of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 3. Financial Instruments – *continued*

The Group diversifies its financial instrument risk through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by developing appropriate risk management policies.

#### *Credit risk*

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

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

The credit risk of the Group's other financial assets, which comprise other receivables, long-term receivables and other non-current financial assets, etc. arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 3. Financial Instruments – *continued*

#### *Credit risk – continued*

##### *Criteria for judging significant increase in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- (1) Quantitative criteria mainly comprise of the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition;
- (2) Qualitative criteria mainly comprise of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.

##### *Definition of credit-impaired asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) The debtor is bankrupt or insolvent.
- (2) The debtor's cash flow is seriously insufficient.
- (3) The debtor is unable to pay its debts within a short period of time due to the suspension of production caused by serious natural disasters, etc.
- (4) Major adverse changes have taken place in the technological, market, economic and legal environment in which the debtor does business.
- (5) Other evidence sufficient to prove the possible loss of the receivables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 3. Financial Instruments – *continued*

#### *Credit risk – continued*

##### *Definition of credit-impaired asset – continued*

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

#### *Liquidity risk*

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

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

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

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

#### **30 June 2023**

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Short-term borrowings	718,847,385	–	–	–	718,847,385
Notes payable	748,840,928	–	–	–	748,840,928
Accounts payable	7,409,905,544	–	–	–	7,409,905,544
Other payables	1,443,195,375	–	–	–	1,443,195,375
Long-term borrowings	2,378,067,239	2,930,785,308	4,327,237,663	541,569,899	10,177,660,109
Bonds payable	128,653,280	1,391,492,548	3,133,497,881	162,678,295	4,816,322,004
Long-term payables	2,269,793,851	2,266,191,112	268,721,354	40,563,936	4,845,270,253
Lease liabilities	259,533,356	313,178,368	778,331,018	548,051,247	1,899,093,989
Total	<u>15,356,836,958</u>	<u>6,901,647,336</u>	<u>8,507,787,916</u>	<u>1,292,863,377</u>	<u>32,059,135,587</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 3. Financial Instruments – *continued*

#### *Market risk*

##### *Interest rate risk*

The Group's exposure to the changes in market interest rates is mainly related to the floating-rate long-term liabilities of the Group.

The Group manages its interest cost by maintaining an appropriate mix of fixed- and floating-rate debts.

The table below demonstrates the sensitivity analysis of interest rate risk that reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

#### **30 June 2023**

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
CNY	100	-70,588,080	—	-70,588,080
CNY	-100	70,588,080	—	70,588,080

##### *Foreign exchange risk*

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 3. Financial Instruments – *continued*

#### *Market risk – continued*

#### *Foreign exchange risk – continued*

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

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
CNY depreciated against USD	5	-22,846,254	-20,184,094	-43,030,348
CNY appreciated against USD	-5	22,846,254	20,184,094	43,030,348
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
CNY depreciated against OMR	5	—	116,010,936	116,010,936
CNY appreciated against OMR	-5	—	-116,010,936	-116,010,936

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS – *continued*

### 4. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximize shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. As at 30 June 2023 and 31 December 2022, there was no change in the capital management objectives policies or procedures.

The Group controls its capital using debt ratio, which is calculated by dividing total liabilities by total assets. As at the balance sheet date, the debt ratio of the Group was as follows:

	<b>Closing balance</b>	Opening balance
Total liabilities	<b>33,500,219,995</b>	33,403,495,804
Total assets	<b>65,562,488,903</b>	64,241,676,265
Debt ratio	<b>51.10%</b>	52.00%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XI. DISCLOSURE OF FAIR VALUE

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

	Closing fair value			Total
	Level 1	Level 2	Level 3	
I. Continuous fair value measurement				
(I) Held-for-trading financial assets	29,778,104	—	—	29,778,104
1. Financial assets at fair value through profit or loss	29,778,104	—	—	29,778,104
(1) Investment in debt instruments	—	—	—	—
(2) Investment in equity instruments	29,778,104	—	—	29,778,104
2. Financial assets designated as at fair value through profit or loss	—	—	—	—
(II) Other investment on debt	—	—	—	—
(III) Other equity instrument investments	—	—	962,012,073	962,012,073
(IV) Investment property	—	—	—	—
(V) Biological assets	—	—	—	—
(VI) Financing with receivables	—	440,987,622	—	440,987,622
Total assets continuously measured at fair value	29,778,104	440,987,622	962,012,073	1,432,777,799
(VII) Trading financial liabilities	—	—	—	—
(VIII) Bonds payable	—	—	153,971,521	153,971,521
1. Bonds payable — Preference shares	—	—	153,971,521	153,971,521
Total liabilities continuously measured at fair value	—	—	153,971,521	153,971,521
II. Non-continuous fair value measurement				
(I) Assets held for sale	—	—	—	—
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 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## 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 2023.

### 3. 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:

	Financing with receivables	Other equity instrument investments	Bonds payable (preference shares)
Closing fair value	440,987,622	962,012,073	153,971,521
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)

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

	Opening balance	Issue amount	Addition	Reduction	Total profit or loss		Closing balance
					Amount included in profit or loss	Amount included in other comprehensive income	
Financial assets at FVTOCI							
– Other equity instrument investments	1,012,850,323	–	–	–	–	-50,838,250	962,012,073
– Financing with receivables	527,248,935	–	–	–	–	–	440,987,622
Financial liabilities at FVTOCI							
– Bonds payable (preference shares)	148,943,421	–	–	–	-5,028,100	–	153,971,521

### 5. 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 2023, 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 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XII. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### 1. Information of major shareholders of the Company

Name of major shareholders	Lace of registration	Nature of business	Registered capital	Proportion of ownership interest of the major shareholders in the Company (%)	Proportion of voting rights of major shareholders in the Company (%)
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	EUR 100,000	39.85	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 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 4. Other related parties

<b>Other related parties</b>	<b>Relationship with the Company</b>
Lafarge ASIA SDN BHD	Controlled by Holcim Ltd.
Mbeya Cement Company Limited	Controlled by Holcim Ltd.
Lafarge Cement Zimbabwe Limited	Controlled by Holcim Ltd.
Holcim Trading Ltd.	Controlled by Holcim Ltd.
Bamburi Cement Limited	Controlled by Holcim Ltd.
Lafarge SA	Controlled by Holcim Ltd.
Hima Cement Ltd.	Controlled by Holcim Ltd.
Holcim Technology Ltd.	Controlled by Holcim Ltd.
Lafarge Industries South Africa (Pty) Ltd.	Controlled by Holcim Ltd.
Holcim EMEA Digital Center SL	Controlled by Holcim Ltd.
Holcim Group Services	Controlled by Holcim Ltd.
LafargeHolcim IT EMEA,S.L	Controlled by Holcim Ltd.
LafargeHolcim distribution	Controlled by Holcim Ltd.
Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
Dujiangyan Lafarge Cement Co., Ltd.	Controlled by Holcim Ltd.
Lafarge (Beijing) Building Materials Technical Service Co., Ltd.	Controlled by Holcim Ltd.
Huangshi Huaxin Canfu Industry and Trade Co., Ltd.	Other related parties
Shanghai Wan'an Huaxin Cement Co., Ltd.	Associate of the Group
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Subsidiary of the Group's associate
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Associate of the Group natural person
Huangshi State-owned Assets Management Co., Ltd.	Parent company of Huaxin Group Co., Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## 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
Huangshi Huaxin Canfu Industry and Trade Co., Ltd.	Purchase of materials	13,821,616	—
Holcim EMEA Digital Center SL.	Receipts of labor service	1,079,892	—
Huaxin Group Co., Ltd.	Receipts of labor service	—	3,190,098
Dujiangyan Lafarge Cement Co., Ltd.	Purchase of spare parts	—	601,593
		<u>14,901,508</u>	<u>3,791,691</u>

*Sales of goods and 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 goods	7,590,307	7,707,983
Dujiangyan Lafarge Cement Co., Ltd.	Sales of goods	5,802,243	1,135,938
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Provision of services	661,825	527,169
		<u>14,054,375</u>	<u>9,371,090</u>

#### (2) *Remuneration for key management personnel*

	Amount for the current period	Amount for the prior period
Remuneration for key management personnel	<u>14,377,628</u>	<u>10,522,057</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 6. Amounts due to/from related parties

#### (1) *Account Receivable*

Related parties		Amount for the current period		Amount for the prior period	
		Balance of carrying amount	Provision for bad debts	Balance of carrying amount	Provision for bad debts
Account Receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	4,561,905	—	3,869,118	—
Account Receivable	Dujiangyan Lafarge Cement Co., Ltd.	—	—	2,042,752	—
Account Receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	1,000,000	—	1,000,000	—
Account Receivable	Lafarge Cement Zimbabwe Limited	—	—	28,039	—

#### (2) *Accounts Payable*

Related parties		Closing balance	Opening balance
Accounts Payable	Hima Cement Ltd.	2,794,733	2,741,556
Accounts Payable	Bamburi Cement Limited	577,753	565,355
Accounts Payable	Holcim Group Services Ltd	482,797	460,052
Accounts Payable	Lafarge SA	435,731	426,380
Accounts Payable	LafargeHolcim España S.A.U.	157,927	155,202
Accounts Payable	Holcim Trading Ltd	25,030	24,493
Accounts Payable	Holcim Technology Ltd	732	716
Accounts Payable	Lafarge Industries South Africa (Pty) Ltd	616	666
Accounts Payable	Chenfeng Intelligent Equipment Hubei Co., Ltd.	—	160,000
Other Payable	Lafarge ASIA SDN BHD	410,394	409,394
Other Payable	Holcim Construction Material (China) Co., Ltd.	18,248	18,248
Other Payable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	—	10,534,132
Other Payable	Huaxin Group Co., Ltd.	—	7,491



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XIII. SHARE-BASED PAYMENTS

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

On 25 September 2020, the Company granted a total of 22,689,338 zero-priced restricted shares to the core employees through the resolution of the second extraordinary general meeting of shareholders of 2020 on the Company's 2020-2022 Core Employee Stock Ownership Plan (Draft) and Its Summary. The restricted shares mentioned above will be repurchased by the Company from the secondary market.

The stock ownership plan includes two parts: Plan A and Plan B. Plan A refers to the long-term incentive plan linked to the annual performance assessment of the Company from 2020 to 2022, including A-0, A-1, A-2 and A-3 batches, which are awarded, assessed and unlocked by stages. Plan B refers to the Company's long-term incentive plan linked to the milestone performance assessment from 2020 to 2022, with one-time award, one-time assessment and one-time unlocking.

As at 31 December 2022, the Group has completed the grants of 5,038,246 shares for Plan A-0, 1,061,660 shares for Plan A-1.1, 881,955 shares for Plan A-2.1, 99,668 shares for Plan A-1.2, 42,087 shares for Plan A-2.2, and 14,880,609 shares for Plan-B.

The lock-up period of restricted shares for Plan A-0 is 36, 48 and 60 months from the date of transfer of restricted shares to the employee stock ownership plan, and the restricted sale period will be released at the ratio of 33%, 33% and 34% respectively. Shares from Plan A-1.1, A-2.1 and A-3 have a lock-up period of 24 months. Shares of plan A-1.2 are unlocked in 2 batches at 50% and 50%, with the first batch locked for 36 months and the second batch locked for 48 months. Shares from Plan A-2.2 are unlocked in 1 batch at 100%, with a lock-up period of 36 months. Shares from Plan B-0 have a lock-up period of 48 months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XIII. SHARE-BASED PAYMENTS – *continued*

### 2. The equity-settled share-based payments are shown below:

The method for determining the fair value of the equity instruments on the grant date	Market closing price on grant date
The basis of determining the number of equity instruments expected to be vested	At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may unlock, the company's performance conditions and individual performance assessment and evaluation of incentive targets, etc. and revises the number of equity instruments expected to be unlocked. At the date expected to be unlocked, the number of equity instruments finally expected to be unlocked is consistent with the number of equity instruments actually to be unlocked.
Reasons for significant estimate differences between the current period and the prior period	—
The cumulative amounts of equity-settled share-based payments recognized into capital reserves	12,703,595
The total amount of recognized expenses paid by equity-settled shares in the current period	79,986,725

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XIV. COMMITMENTS AND CONTINGENCIES

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

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements	—	—
Commitment for acquisition and construction of long-term assets	2,591,312,237	2,696,890,622
Equity investment commitment	1,673,495,280	—

### 2. Contingencies

- (1) In September 2020, Moncement Building Materials LLC (Moncement) appealed to the International Chamber of Commerce for arbitration, alleging that the Company had breached certain warranties and commitments under the EPC contract regarding the design, execution and delivery of the plant. Accordingly, the Company shall be required to compensate the Company for the damages and all arbitration costs caused by the breach of the warranty obligation and maintenance obligation in the amount of USD35,724,579 and to pay interest at an annual rate of 10% from the date of the application for arbitration to the date of actual payment. Moncement believes that the Company has violated the EPC contract, and the Company's management believes that the Company has executed the contract in accordance with the requirements of the Chinese Building Code or the EPC contract. As at the date of approval of these financial statements, the arbitration case had not yet been heard and the management considered it is difficult to predict the outcome and therefore no provision had been made.
- (2) In July 2021, the Group received a notice of arbitration from the Wuhan Arbitration Commission for the purpose of appealing to the Wuhan Arbitration Commission for arbitration by Wuhan Qingshan State-owned Capital Investment and Operation Holding Group Co., Ltd. (hereinafter referred to as "Tsingshan State-owned Capital Operation Company"), stating that it had advanced the demolition and relocation costs of RMB26,000,000 for the Group to invest in the construction of cement powder and mixing plant projects in Qingshan District, Wuhan in June 2007, and agreed to do so on 31 December 2008. On 31 December 2009 and 31 December 2010, the Group repaid RMB6,000,000, RMB10,000,000 and RMB10,000,000 in instalments, and it required the Group to repay the principal amount of RMB26,000,000 and pay liquidated damages from the date of overdue repayment to the actual payment date at the base date interest rate of 0.021%. As at the date of approval of these financial statements, the arbitration committee has not announced the outcome of the arbitration, the management considered it is difficult to predict the outcome and therefore no provision had been made.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XIV. COMMITMENTS AND CONTINGENCIES – *continued*

### 2. Contingencies – *continued*

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

## XV. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Explanation of other events after the balance sheet date

On 20 July 2023, the third extraordinary shareholders’ meeting of the Company in 2023 respectively reviewed and passed the proposal on repurchasing and canceling some shares of the Company’s 2020–2022 core employee shareholding plan. According to relevant regulations and performance evaluation results, the Company will repurchase and cancel 17,604,206 shares under the shareholding plan for 0 yuan per share that cannot be attributed due to failure to meet performance evaluation targets.

## XVI. OTHER SIGNIFICANT MATTERS

### 1. Segment reporting

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.

Non-current assets organized by the location of assets (Note)

	Closing balance	Opening balance
China	39,465,140,544	41,521,068,866
Asia (China exclusive)	4,531,427,219	4,745,470,088
Africa	3,254,192,549	1,960,397,711
Middle East	2,679,094,566	—
Total	49,929,854,878	48,226,936,665

Note: The non-current assets exclude debt investments, other equity investments, other non-current financial assets, long-term receivables and deferred tax assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

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

### 1. Accounts receivable

#### (1) Disclosure by aging

	Closing balance	Opening balance
Within 1 year		
1-6 months	729,665,941	964,564,999
6-12 months	92,729,324	56,587,366
Subtotal, within 1 year	822,395,265	1,021,152,365
1-2 years	67,320,776	25,160,286
2-3 years	41,890,054	25,093,264
Over 3 years	17,568,861	17,372,129
Total	949,174,956	1,088,778,044
Less: Provision for bad debts of accounts receivable	33,066,936	24,608,187
<b>Total</b>	<b>916,108,020</b>	<b>1,064,169,857</b>

#### Disclosure by bad debt provision methods

Category	Closing balance					Opening balance				
	Account balance		Bad debt provision			Account balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Receivables for which bad debt provision is assessed on an individual basis	913,243,305	96	22,788,285	2	890,455,020	1,046,982,098	97	17,378,874	2	1,029,603,224
Receivables for which bad debt provision is assessed on a portfolio basis	35,931,651	78	10,278,651	22	25,653,000	41,795,946	85	7,229,313	15	34,566,633
Including:										
Category of cement receivable	33,912,248	76	9,826,024	22	24,086,224	37,825,455	84	7,137,439	16	30,688,016
Category of other business receivable	2,019,403	82	452,627	18	1,566,776	3,970,491	98	91,874	2	3,878,617
<b>Total</b>	<b>949,174,956</b>	<b>/</b>	<b>33,066,936</b>	<b>/</b>	<b>916,108,020</b>	<b>1,088,778,044</b>	<b>/</b>	<b>24,608,187</b>	<b>/</b>	<b>1,064,169,857</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS – *continued*

### 1. Accounts receivable – *continued*

#### (1) Disclosure by aging – *continued*

*Disclosure by bad debt provision methods – continued*

As at 30 June 2023, receivables for which bad debt provision is assessed on an individual basis are as follows:

Name	Account balance	Closing balance		Reasons of provision
		Bad debt provision	Proportion of provision (%)	
Unit A	11,551,093	11,551,093	100	All uncollectible
Unit B	2,940,000	2,940,000	100	All uncollectible
Unit C	2,641,754	2,641,754	100	All uncollectible
Unit D	286,355	286,355	100	All uncollectible
Unit E	131,916	131,916	100	All uncollectible
Other Units	895,692,187	5,237,167	—	Partly uncollectible
Total	<u>913,243,305</u>	<u>22,788,285</u>	<u>2</u>	/

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

Category of cement receivable:

Aging	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
1–6 months	4,484,336	448,433	10.00
6–12 months	16,044,122	3,529,707	22
1–2 years	4,950,676	1,930,764	39
2–3 years	8,433,114	4,300,888	51
Over 3 years	—	—	—
Total	<u>33,912,248</u>	<u>10,209,792</u>	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS – *continued*

### 1. Accounts receivable – *continued*

#### (1) *Disclosure by aging – continued*

*Disclosure by bad debt provision methods – continued*

Category of other business receivable

Aging	Closing balance		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
1–6 months	527,772	–	–
6–12 months	117,592	1,176	1
1–2 years	996,017	29,881	3
2–3 years	378,022	37,802	10
Over 3 years	–	–	90
Total	<u>2,019,403</u>	<u>68,859</u>	–

#### (2) *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	<u>24,608,187</u>	<u>8,660,730</u>	<u>201,981</u>	–	<u>33,066,936</u>
Total	<u>24,608,187</u>	<u>8,660,730</u>	<u>201,981</u>	–	<u>33,066,936</u>

#### (3) *As at 30 June 2023, the top 5 of other receivables were as follows:*

	Closing balance of accounts receivable	Proportion in total account receivable (%)	Closing balance of bad debt provision
First	165,738,087	17	–
Second	119,239,422	13	–
Third	36,984,418	4	–
Fourth	33,785,722	4	7,141,914
Fifth	31,978,195	3	–
Total	<u>387,725,844</u>	<u>41</u>	<u>7,141,914</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS – *continued*

### 2. Other receivable

	Closing balance	Opening balance
Dividend receivable	—	—
Other receivables	5,547,576,218	4,853,948,075
Total	5,547,576,218	4,853,948,075

#### (1) Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	2,769,582,579	1,660,386,549
1–2 years	642,168,335	707,202,560
2–3 years	441,908,148	976,056,381
Over 3 years	1,680,536,052	1,557,389,880
Less: Credit loss allowance	46,619,066	47,087,295
Total	5,487,576,048	4,853,948,075

#### (2) Classification by nature

Nature	Closing balance	Opening balance
Amounts due from subsidiaries and related parties	5,461,018,185	4,839,400,820
Security deposit, deposit, and deposit	42,857,427	45,095,662
Others	30,319,502	16,538,888
Total	5,534,195,114	4,901,035,370



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS — *continued*

### 2. Other receivable — *continued*

#### (3) *Bad debt provision*

Category	Opening balance	Provision	Changes for the period		Other changes	Closing balance
			Recovery or reversal	Write-off or cancellation		
Bad debt provision for other receivables	47,087,295	483	461,753	6,959	—	46,619,066
Total	47,087,295	483	461,753	6,959	—	46,619,066

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

	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of Bad debt provision
First	Amounts due from subsidiaries	798,116,008	Within 1 year, 1-2 years, 2-3 years, over 3 years	14	—
Second	Amounts due from subsidiaries	794,607,500	Within 1 year, 1-2 years, 2-3 years, over 3 years	14	—
Third	Amounts due from subsidiaries	489,831,780	Within 1 year, 1-2 years, 2-3 years, over 3 years	9	—
Fourth	Amounts due from subsidiaries	472,372,103	Within 1 year, 1-2 years, 2-3 years, over 3 years	9	—
Fifth	Amounts due from subsidiaries	314,298,081	Within 1 year, 1-2 years, 2-3 years, over 3 years	6	—
Total		2,869,225,473		52	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS – *continued*

### 3. Long-term equity investments

	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	13,242,661,134	42,000,000	13,200,661,134	12,896,923,034	42,000,000	12,854,923,034
Associates	434,278,487	—	434,278,487	436,154,238	—	436,154,238
Total	<u>13,676,939,621</u>	<u>42,000,000</u>	<u>13,634,939,621</u>	<u>13,333,077,272</u>	<u>42,000,000</u>	<u>13,291,077,272</u>

#### (1) *Subsidiaries*

Subsidiaries	Opening balance	Additional investment	Decrease in investment	Closing balance	Provision for impairment in the current period	Closing 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.	348,802,159	220,000,000	—	568,802,159	—	—
Huaxin Concrete Co., Ltd.	195,000,000	60,000,000	—	255,000,000	—	—
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 (Erping) 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.	732,800,000	—	—	732,800,000	—	—
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	—	—

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS — *continued*

### 3. Long-term equity investments — *continued*

#### (1) *Subsidiaries — continued*

Subsidiaries	Opening balance	Additional investment	Decrease in investment	Closing balance	Provision for impairment in the current period	Closing balance of impairment provision
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	—	—	140,000,000	—	—
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	—	—	180,000,000	—	—
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	—	—	65,000,000	—	—
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	—	—	240,000,000	—	—
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	—	—	120,000,000	—	—
Huaxin Cement Suizhou Co., Ltd.	24,600,000	—	—	24,600,000	—	—
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	—	—	190,000,000	—	—
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	—	—	42,000,000	—	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	—	—	300,000,000	—	—
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	—	—	50,000,000	—	—
Huaxin Cement (Xiantao) Co., Ltd.	14,658,136	—	—	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.	55,500,000	—	—	55,500,000	—	—
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	40,000,000	—	90,000,000	—	—
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	25,738,100	—	29,738,100	—	—
Huangshi Huaxin Green Building Materials Co., Ltd.	1,235,000,000	—	—	1,235,000,000	—	—
Huaxin (Hainan) Investment Co., Ltd.	732,000,000	—	—	732,000,000	—	—
Huaxin Property Management Huangshi Co., Ltd.	3,000,000	—	—	3,000,000	—	—
Huaxin New Building Materials (Huangshi) Co., LTD	50,000,000	—	—	50,000,000	—	—
<b>Total</b>	<b>12,896,923,034</b>	<b>345,738,100</b>	<b>—</b>	<b>13,242,661,134</b>	<b>—</b>	<b>42,000,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS – *continued*

### 3. Long-term equity investments – *continued*

#### (2) Joint venture and associates

	Changes for the period			Closing balance	Closing balance of impairment provision
	Opening balance	Investment profit or loss recognized under equity method	Other equity changes		
Joint venture					
Subtotal	—	—	—	—	—
Associates					
Tibet High-tech Building Materials Co., Ltd.	345,368,185	-759,300	-161,789	<b>344,447,096</b>	—
Shanghai Wan'an Huaxin Cement Co., Ltd.	90,786,053	-954,662	—	<b>89,831,391</b>	—
Subtotal	<u>436,154,238</u>	<u>-1,713,962</u>	<u>-161,789</u>	<u><b>434,278,487</b></u>	<u>—</u>
Total	<u>436,154,238</u>	<u>-1,713,962</u>	<u>-161,789</u>	<u><b>434,278,487</b></u>	<u>—</u>

### 4. Operating income and operating costs

	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Main operations	<b>325,743,521</b>	<b>242,876,141</b>	258,265,962	232,995,583
Other operations	<b>1,401,707,856</b>	<b>1,365,546,781</b>	2,097,533,418	2,064,252,085
Total	<u><b>1,727,451,377</b></u>	<u><b>1,608,422,922</b></u>	<u>2,355,799,380</u>	<u>2,297,247,668</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS – *continued*

### 5. Investment income

	Amount for the current period	Amount for the prior period
Gains from long-term equity investments under cost method	794,778,987	1,102,780,000
Losses from long-term equity investments under equity method	-1,713,962	-4,193,056
Dividend income of other non-current financial assets during the holding period	—	917,725
Investment income of held-for-trading financial assets during the holding period	32,876,390	23,611,778
Total	<u>825,941,415</u>	<u>1,123,116,447</u>

## XVIII. SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss for the current period

	Amount
Profit or loss on disposal of non-current assets	-920,445
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)	56,915,624
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	-5,688,820
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment	486,303
Other non-operating income or expenses other than the above	-15,936,653
Less: Impact of income tax	13,936,322
Less: Impact of non-controlling interests	-1,181,286
Total	<u>22,100,973</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNLESS OTHERWISE STATED, THE UNIT OF THE CURRENCY IS RMB YUAN)

## XVIII.SUPPLEMENTARY INFORMATION – *continued*

### 2. Return on net assets and earnings per share (“EPS”)

Profit for the Reporting Period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	4.24	0.58	0.57
Net profit after deduction of non-recurring profit or loss attributable to ordinary shareholders of the Company	<u>4.16</u>	<u>0.56</u>	<u>0.56</u>