



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
ANNUAL REPORT

Important Notice

1. The Board of Directors of the Company and all directors, the Board of Supervisors of the Company and all supervisors, and the senior management, collectively and individually accept full responsibility for the purpose of giving information to the public with regard to the Company, and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.
2. All directors of the Company attended the 31st meeting of the 10th session of Board of Directors.
3. Ernst & Young Hua Ming Certified Public Accountants LLP issued an auditor's report with standard unqualified opinions for the Company.
4. Mr. Li Yeqing, Executive Director and CEO, Mr. Chen Qian, person in charge of accounting, and Mr. Wu Xin, chief of accounting agency, declare and confirm that the financial statements contained in herein are true, accurate and complete.
5. The profit distribution plan for 2023 adopted at the 31st meeting of the 10th session of Board of Directors of the Company is as follows: a cash dividend of RMB0.53 per share (tax inclusive) was proposed to be distributed to all shareholders, and no capitalization of common reserve fund was provided.
6. Forward-looking risk statement: future plan, development strategies and other forward-looking statements in this report do not constitute any substantive commitments of the Company to its investors. Investors and the public are kindly advised to be cautious of the investment risk.
7. There was no appropriation of the Company's funds for non-operating purpose by the controlling shareholders or their related parties.
8. All the external guarantees provided by the Company are in compliance with the decision-making procedures.
9. Material risk warning: the risks that the Company may be exposed to have been described in detail in this report. Please refer to the section headed "V. Management Discussion and Analysis on the Operations of the Company".

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INTERPRETATION

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

A Shares	means	Ordinary shares listed on the SSE with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in RMB
AFR	means	Alternative fuel raw material
Board	means	the board of directors of the Company
China or PRC	means	The People's Republic of China
CSRC	means	China Securities Regulatory Commission
Director(s)	means	the director(s) of the Company
EBITDA	means	Earnings before interest, tax, depreciation and amortization
EPC	means	Engineering Procurement Contract
Ernst & Young Hua Ming	means	Ernst & Young Hua Ming LLP
ESG	means	Environment, social responsibility and governance
Group	means	The Company and its subsidiaries. "subsidiary(ies)" has the meaning ascribed to it under the Listing Rules
H Shares	means	Foreign shares listed on the SEHK with a nominal value of RMB1.00 per share in the Company's share capital, subscribed and traded in Hong Kong dollars
HKEX Listing Rules	means	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Holcim	means	Holcim Limited
Hong Kong	means	Hong Kong Special Administrative Region of China
IT	means	Information technology
kgce/t.KK	means	Kilogram standard coal/ton clinker
KPI	means	Key performance indicators
NOx	means	Nitrogen oxide(s)
PRC Accounting Standards	means	Accounting Standards for Business Enterprises of the People's Republic of China
Reporting Period	means	From 1 January to 31 December 2023
RMB or Yuan	means	Renminbi, the lawful currency of the PRC. K Yuan, 10K Yuan, Million Yuan, 100 Million Yuan shall be construed as references to RMB1,000, RMB10,000, RMB1 million, RMB100 million

INTERPRETATION

Securities and Futures Ordinance	means	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	means	The Stock Exchange of Hong Kong Limited
SSE	means	Shanghai Stock Exchange
SSE Listing Rules	means	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Supervisor(s)	means	the supervisor(s) of the Company
The Company or Huaxin Cement	means	Huaxin Cement Co., Ltd.
UHPC	means	Ultra-high performance concrete
VAP	means	Value-added product

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

1. COMPANY INFORMATION

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

2. CONTACT PERSONS AND MEANS OF CONTACT

Title	Joint Company Secretary	Securities Affairs Representative
Name	Mr. Ye Jiaxing (Secretary to the Board of Directors)	Ms. Wang Xiaoqiong
Contact address	Block B, Huaxin Building, No. 426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province	Block B, Huaxin Building, No. 426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province
Tel	0086 27 87773898	0086 27 87773898
Fax	0086 27 87773992	0086 27 87773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

3. BASIC INFORMATION

Registered office of the Company	No. 600, East Daqi Avenue, Huangshi City, Hubei Province
Business address of the Company	Block B, Huaxin Building, No. 426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province
Post code of the Business address	430073
Website of the Company	www.huaxincem.com
E-mail	investor@huaxincem.com

4. INFORMATION DISCLOSURE AND AVAILABLE ON DISPLAY

Press designated by the Company for information disclosure	China Securities Journal
Website designated by CSRC to publish the annual report	www.sse.com.cn
Website designated by SEHK to publish the annual report	www.hkexnews.hk
Location where the Company's annual report is available for inspection	Securities and Investor Relations Department of the Company

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

5. COMPANY'S SHARES

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

6. REGISTRAR FOR SHARE TRANSFER

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

7. OTHER INFORMATION

Compliance advisor	Shenwan Hongyuan Capital (H.K.) Limited Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong
Legal advisor as to PRC law	Hubei Sunshine Law Firm 18F, Building 1, Zhengtang IBO Times Square, 9 Huanle Avenue, Hongshan District, Wuhan City, Hubei Province
Legal advisor as to Hong Kong law	Howse Williams 27F, Alexandra House, 18 Chater Road, Central, Hong Kong
Certified Public Accountants (domestic)	Ernst & Young Hua Ming Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing
Authorised Signatory of the accountant	Ms. Fu Yi, Ms. He Pei

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

(1) Major financial information for the three years ended 31 December 2023

Table 1

Unit: RMB

Item	2023	2022	Year-on-year change (%) between 2023 and 2022	2021
Revenue	33,757,087,272	30,470,382,363	10.79	32,464,083,379
Net profit attributable to equity shareholders of the Company	2,762,116,715	2,698,868,510	2.34	5,363,525,692
Net profit after extraordinary items attributable to equity shareholders of the Company	2,322,113,737	2,578,634,452	-9.95	5,304,878,118
Net cash flow operating activities	6,235,555,071	4,567,694,220	36.51	7,594,957,122

Table 2

Unit: RMB

Item	31 December 2023	31 December 2022	Year-on-year change (%) between 2023 and 2022	31 December 2021
Net assets attributable to shareholders of the Company	28,932,949,847	27,446,305,028	5.42	26,729,911,468
Total liabilities and shareholders' equity	68,800,268,263	64,241,676,265	7.10	52,549,618,050

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(2) Key financial ratios for the three years ended 31 December 2023

Unit: RMB

Item	2023	2022	Year-on-year change (%) between 2023 and 2022	2021
Basic earnings per share (RMB/share)	1.33	1.30	2.31	2.58
Diluted earnings per share (RMB/share)	1.32	1.28	3.13	2.58
Basic earnings per share after extraordinary items (RMB/share)	1.12	1.24	-9.68	2.55
Weighted average return on net assets (%)	9.82	10.03	Decreased by 0.21 percentage points	21.30
Diluted return on net assets after extraordinary items (%)	8.26	9.58	Decreased by 1.32 percentage points	21.07

(3) Key financial data by quarters in 2023

Unit: RMB

Item	Quarter 1 (January – March)	Quarter 2 (April – June)	Quarter 3 (July – September)	Quarter 4 (October – December)
	Revenue	6,628,435,263	9,203,137,237	8,333,304,379
Net profit attributable to equity shareholders of the Company	247,979,284	944,581,111	681,763,299	887,793,021
Net profit after extraordinary items attributable to equity shareholders of the Company	233,723,270	936,736,152	653,068,339	498,585,976
Net cash flow from operating activities	331,923,337	1,795,243,944	1,375,754,217	2,732,633,573

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(4) Extraordinary items and amount

Unit: RMB

Extraordinary items	2023	2022	2021
Profit or loss on disposal of non-current assets, including asset impairment provision written off	417,565,351	-9,115,921	-21,001,698
Government grants recognized in profit or loss (except for the government grants that are closely related to the ordinary course of business of the Company and received in a certain amount or have continuing effect on profit or loss in accordance with the state's regulations)	130,241,913	145,424,252	98,101,667
Except for those gain/loss relating to the hedging transactions under the Company's ordinary course of business, profit/loss from the change of fair value of financial assets and financial liabilities, and investment income from the disposal of financial assets and financial liabilities in non-financial enterprises	-3,214,270	48,520,672	7,574,169
Reversal of provisions for impairment of receivables and contract assets that have been separately tested for impairment	8,439,948	4,682,180	10,361,223
Profit on acquiring subsidiaries, associated enterprises and joint ventures when investment cost is less than the fair value of the investee's identifiable net assets	41,441,891	—	10,392,602
Other non-operating income or expenses other than the above	-63,975,677	-36,288,768	-41,061,154
Less: effect of income tax	87,939,446	27,310,779	11,441,802
Effect of minority interests	2,556,732	5,677,578	-5,722,567
Total	440,002,978	120,234,058	58,647,574

COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(5) Items measured by fair value

Unit: RMB

Item	Opening balance	Closing balance	Change in the period	Impacts on the profits of the period
Held-for-trading financial assets	41,711,538	1,495,675	-40,215,863	-6,059,802
Financing with receivables	527,248,935	746,018,692	218,769,757	—
Other equity instrument investments	1,012,850,323	964,633,899	-48,216,424	—
Other non-current financial assets	25,067,265	26,807,920	1,740,655	-1,740,655
Bonds payable (preferred stock)	148,943,421	147,690,327	-1,253,094	-1,253,094
Total	1,755,821,482	1,886,646,513	130,825,031	-9,053,551

1. CEMENT

The industry in which the Company operates is the building materials industry, specifically in the sector of building materials.

In 2023, facing a complex and challenging international environment and the arduous task of domestic reform and development stability, the Chinese economy continued to rebound and perform well, achieving new results in high-quality development. The GDP growth rate for the year was 5.2%, placing economic growth among the top in the world's major economies. However, the Chinese real estate industry remained in a phase of deep adjustments, which dragged down the recovery of cement demand. The total demand for cement continued to decline, with annual cement production reaching 2.023 billion tons, and a year-on-year decrease of 5% across all measures. Affected by the decline in demand, intensified competition, and other factors such as high costs of raw materials, strengthened environmental and energy consumption constraints, the cement market prices fluctuated at the bottom throughout the year. As a result of these multiple adverse impacts, the industry's profits experienced a significant decline, reaching the lowest level in nearly sixteen years. (Data source: National Bureau of Statistics and China Cement Association)

According to the statistics from the Information Research Center of the China Cement Association, it was estimated that the capacity utilization rate of cement clinker production in 2023 would be 59%, representing a decrease of 7 percentage points compared to 2022. Despite efforts in various regions across China to increase off-peak production, overall cement demand has weakened, leading to increased market competition and exacerbating the persistent issue of severe overcapacity in the cement industry.

In 2023, targeted policies for carbon reduction and consumption reduction in the cement and building materials industry were successively issued, promoting the high-quality development of the industry. In July, the CPC Central Committee deliberated and approved the Opinions on Promoting the Transition from Dual Control of Energy Consumption to Dual Control of Carbon Emissions, emphasizing the gradual transition from dual control of energy consumption to dual control of carbon emissions, strengthening the construction of basic capabilities for dual control of carbon emissions, and improving the supporting systems for dual control of carbon emissions to actively create conditions for establishing and implementing the system of dual control of carbon emissions. According to the Notice on Carrying Out the Reporting and Verification of Greenhouse Gas Emissions from Enterprises in Some Key Industries from 2023 to 2025 and the Management Measures for Voluntary Greenhouse Gas Emission Reduction and Trading (for Trial Implementation) issued successively by the Ministry of Ecology and Environment in October, the national carbon trading system is rapidly being constructed, and the cement industry is one of the key industries prioritized for national carbon verification. In December, ten departments including the Ministry of Industry and Information Technology jointly issued the Implementation Plan for the High-Quality Development of the Green Building Materials Industry, pointing out that the green and low-carbon levels and intelligent manufacturing levels of the green building materials industry need to be further improved. In January 2024, the Ministry of Ecology and Environment issued the Opinions on Promoting the Implementation of Ultra-Low Emissions in the Cement Industry, requiring the promotion of ultra-low emission transformation of cement clinker production enterprises and independent grinding stations. By the end of 2025, significant progress will be made in key regions, with a view to completing the transformation of 50% of cement clinker production capacity, and large state-owned enterprise groups in the region will basically complete the transformation of organized and unorganized ultra-low emissions; by the end of 2028, cement clinker production enterprises in key regions will basically complete the transformation, with a view to completing the transformation of 80% of cement clinker production capacity nationwide.

COMPANY BUSINESS

As China continues to advance its “dual carbon” strategy (carbon peaking and carbon neutrality), the impact on the cement industry is primarily reflected in several aspects: Low-carbon development has become the lifeline of cement enterprises; insufficient capacity is gradually exiting the market, further improving the industry structure; promoting energy-saving, carbon reduction, and green development in the industry, and facilitating the extension of the cement industry chain; promoting increased investment in carbon reduction technologies, alternative energy sources, ultra-low emissions, and digitization and intelligence, comprehensively enhancing the industry’s energy efficiency levels, and driving high-quality development in the industry.

According to the top 100 clinker production capacity list on www.ccement.com, as of the end of 2023, the Company’s total clinker production capacity ranked fourth nationwide, with domestic clinker production capacity ranking sixth nationwide, and overseas clinker production capacity ranking second nationwide.

2. MAIN BUSINESS AND OPERATION MODEL OF THE COMPANY

(1) Main business of the Company

At the beginning of our Company’s listing on the SSE, we were specialized in cement manufacturing and sales, cement technical services, research, manufacturing, installation, and maintenance of cement equipment, and cement import-export trade. Over the past two decades, the Company has implemented strategies for integrated development, environmental transformation, overseas development, and expansion to new building material. It has successively added production and sales of ready-mixed concrete, aggregates, and cement-based high-tech building materials. It has also ventured into environmental businesses such as cement kiln co-processing of wastes, domestic and international cement engineering general contracting, and equipment and engineering contracting for cement kiln co-processing technology. From being a local cement plant, the Company successfully developed into a global building materials group with business coverage in 17 provinces/municipalities directly under the Central Government/autonomous regions domestically and 16 countries overseas, boasting over 300 subsidiary companies. Its business spans the integrated development of the entire industry chain, including cement, concrete, aggregates, environmental protection, equipment manufacturing, engineering, and new building materials.

The Company is ranked among the Top 500 Chinese Manufacturing Enterprises and the Fortune China 500 Enterprises. As of the end of 2023, the Company has a total production capacity including: Cement capacity of 127 million tons/year (grinding capacity, including capacity from joint ventures), cement equipment manufacturing capacity of 50,000 tons/year, ready-mixed concrete capacity of 122 million cubic meters/year (including OEM capacity), aggregate capacity of 277 million tons/year, comprehensive environmental wall material production capacity of 660 million pieces/year, autoclaved aerated concrete products (such as bricks and panels) capacity of 950,000 cubic meters/year, mortar production capacity of 1.62 million tons/year, ultra-high performance concrete capacity of 400,000 tons/year, civil curtain wall hanging board capacity of 800,000 square meters/year, industrial anticorrosive tile capacity of 3 million square meters/year, lime production capacity of 700,000 tons/year, cement packaging bag production capacity of 700 million units/year, and waste disposal capacity of 16.23 million/year (including projects that have received environmental impact assessment approval but have not yet been put into operation).

In 2023, the revenue attributed by the cement business accounted for approximately 57% of the total income of the Company, occupying a dominant position among all the Company’s businesses, while the share of non-cement business has been gradually improving and has become significant contributors to the Company’s profits.

(2) Operation model of the Company

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

Production: Production of the Company adopts a production organization method based on sales volume. Subsidiaries formulate annual production and operation plan and organize the production based on the demand in their respective regions.

Sales: The Company implements a marketing model, in which the headquarter of the Company leads and directly operates certain core areas, industrial parks and factory bases as units for operation and management, with equal emphasis on direct sales and distribution. With the pursuit of quality as the core, the Company strives to promote its brand and maintain its value so as to improve competitiveness in the market.

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

3. COMPETITIVE STRENGTH DURING THE REPORTING PERIOD

Established in 1907, the Company enjoys a long history and profound cultural heritage and it is one of the top 100 large scale companies listed in “China’s 500 Most Valuable Brands”. By unswervingly taking efforts in management and technology innovation and scientific development, the Company has always been one of the most influential enterprises in the building materials industry with strong comprehensive competitiveness. Core competitiveness of the Company is reflected as followed:

(1) Advantages in scale operation and integral industry chain

Since being listed on SSE, through continuous mergers and acquisition, the Company is now equipped with 127 million tons of capacity across 14 provinces and cities in China and in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal, Tanzania, Zambia · Malawi · South Africa, Mozambique and Oman. In the meantime, the Company advocates and fulfills the development concept of “Rational Competition, Industrial Integration and Environmental Transformation”. Relying on the Company’s major business of cement, the Company has steadily developed concrete, aggregate, eco wall material, cement equipment and engineering, cement-based new building materials and eco business relied on cement kiln co-processing, realizing vertically integral development earlier than other companies and forming coordinated competitiveness of synergy in both upstream and downstream whole industry chain.

COMPANY BUSINESS

(2) Advantages in green and low carbon development

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

As of the end of 2023, the Company has cumulatively and safely utilized approximately 20 million tons of waste-derived alternative fuels in an ecologically friendly manner. The thermal substitution rate of alternative fuels in all domestic kiln lines has reached 23%, and the proportion of kiln lines in China achieving benchmark comprehensive energy consumption levels has reached 63%. In the 2023 annual selection of “National Green Factories” organized by the Ministry of Industry and Information Technology, 6 factories in places including Zigui, Wanyuan, Cantian, Chenzhou, Zhaotong, and Luquan were recognize as National Green Factories.

(3) Advantages in technology innovation

The Company has upheld the concept of “Development Driven by Innovation, Leading at the Front of the Industry”. Starting from industry practical application and combining introduction and self-development, the Company has established a complete set of full-fledged technology innovation system and cultivated a strong and professional technology R&D team which maintains its leading place in technology innovation. The Company now has the overall contracting capacity in R&D, designing, manufacturing, installation, commissioning and “Turnkey Projects” of cement production facilities. It also has the capacity of exploring technology in cement kiln co-processing of wastes, as well as the capacity of applying the relevant technologies into industrial production practice. At the same time, relying on the industry-leading research and development team and platform, the Company actively expands various new low-carbon building materials products, especially in the field of ultra-high-performance concrete (UHPC) products. By deepening research into application scenarios, the Company has successfully developed the Ductal series products. These products have been commercially applied in four major engineering fields: bridges and tunnels, industrial corrosion protection, architectural decoration, and anti-impact and wear resistance.

The Company was awarded the National Science and Technology Progress Award (Second Prize) (the first batch of entities to finish the award) in 2009 and 2016. As of the end of 2023, the Company obtained 77 patents for invention derived from production practice and 130 patents of utility model. The Company completed the preparation of the application materials for the Development and Application of Low-Carbon, Nitrogen-Reducing, Ultra-Large-Scale Cement Production Technology and Equipment” and was awarded the sole Innovation Award by the World Cement Association in 2023.

(4) Advantages in trademark and brand

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

In 2023, the Company ranked 79th in the “China’s 500 Most Valuable Brands” for the eleventh year in a row with the brand value of RMB87.856 billion. Meanwhile, the Company ascended among the ranking list of Top 500 of Asian Brands as the 165th. In addition, Huaxin Cement was listed in the magazine Fortune’s Top 500 Enterprises for 14 years consecutively and in Chinese Manufacturing Enterprises Top 500. Additionally, the Company was shortlisted in the “2023 China Top 500 Private Enterprises” and the “2023 China Top 500 Private Manufacturing Enterprises”.

(5) Advantages in the tradition of quality product

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

(6) Advantages in strategy layout

Chinese plants of the Company are mostly located along Yangtze River economic belt, key areas or hot spots in the west where economy is vibrant and market demand can be guaranteed comparatively. For overseas plants of the Company, they are planned in countries along the Belt and Road Initiative that have good friendship with China. In the meantime, the choice of location abides by the principle of “guaranteed resources, convenient traffic and potential in market growth”. As for the layout of cement based new material business and eco business of cement kiln co-processing, the Company fully considers the relevance, the coupling and synergy with its main business cement. Business layout, concentration and synergy of market layout have formed the Company’s own strategic advantages.

(7) Leading advantage in intelligent management

For over 20 years, the Company has tirelessly explored the path of information and technology development. By vigorously promoting the development strategy of “digitization in traditional industry”, focusing on three closed loops of “industrial intelligence, business intelligence, and management intelligence”, and concentrating on cost reduction, risk prevention, and efficiency improvement, the Company has successfully constructed significant projects such as the cement low-carbon manufacturing intelligent system, the overseas basic digital system, strategic support system for Yangtze River integration, and aggregate intelligent production system, which have effectively supported the execution of the Company’s strategies.

In 2023, the Company’s “Key Technology Innovation and Application for Cement Low-Carbon Manufacturing Intelligentization” project won the first prize of the China Building Materials Federation Science and Technology Progress Award and was successfully selected as a “National Intelligent Manufacturing Demonstrating Factory”. It was also selected as a “typical case for Quality Improvement in Industry and Information Technology in 2023” and a “typical case for Data Security Management Pilot in the Industrial Field” by the Ministry of Industry and Information Technology, as well as one of the “100 Excellent Data Management Cases in 2023” by the China Electronics Information Industry Federation; in addition, the companies in Wuxue and Enshi were successfully selected as “Intelligent Manufacturing Demonstration Factories in Hubei Province”.

(8) Advantages in professional, stable and efficient management team

Top management’s leadership is the key to the Company’s strategy success. Huaxin is equipped with a management team with advanced concept, good at learning, execution and stability. Most of them have over 20 years of experience in the industry.

DIRECTORS' REPORT

The Board of Directors presents the directors' report and the audited financial statements of the Group for the year ended 31 December 2023 as set out on pages 81 to 266.

1. INVESTMENT DURING THE REPORTING PERIOD

(1) Analysis of foreign equity investment

Unit: RMB

Item	Amount for current period	Amount for same period of last year	Changes (%)
Other equity instrument investments	964,633,899	1,012,850,323	-4.76
Other non-current financial assets	26,807,920	25,067,265	6.94
Long-term equity investments	512,863,351	438,886,647	16.86

(2) No Changes in the scope of consolidation due to changes in the equity of major subsidiaries during the Reporting Period

(3) Financial Assets valued by fair value

Unit: RMB

Project name	Original investment	Profit or loss in the fair value during the period	Accumulated change in fair value counted in equity	Impairment provision for the period	Purchased amount during the period	Sold/ redeemer amount for the period	Change in fair value	Amount at the end of the period
Share	25,067,265	1,740,655	—	—	—	—	—	26,807,920
Others	41,711,538	-6,059,802	—	—	3,200,000,000	3,200,000,000	-34,156,061	1,495,675
Total	66,778,803	-4,319,147	—	—	3,200,000,000	3,200,000,000	-34,156,061	28,303,595

(4) Major subsidiaries and associated companies

Unit: RMB

Company name	Major product and service	Registered capital	Total assets	Net assets	Net profit	Operating income
Huaxin Cement (Wuxue) Co., Ltd.	Production and sales of cement	300,000,000	2,818,741,684	1,966,011,264	464,960,252	2,415,036,770
Huaxin Green Building Materials (Wuxue) Co., Ltd.	Production and sales of aggregate	500,000,000	1,426,862,899	845,421,805	312,238,245	1,080,618,963
Huaxin Cement Jizaakh Limited Liability Company	Production and sales of cement	USD30,000,000	680,611,904	628,475,459	229,784,396	682,228,912

DIRECTORS' REPORT

2. PROFIT DISTRIBUTION POLICY AND ITS IMPLEMENTATION

(1) The formulation and implementation of cash dividend policy

On 22 May, 2023, the Annual Shareholders' General Meeting 2022 approved the 2022 Profit Distribution Plan. On the basis of the total 2,096,599,855 shares at the end of 2022, minus 1,649,977 shares in the special repurchase account, namely 2,094,949,878 shares, a cash dividend of RMB0.51 per share (incl. tax) shall be distributed to all shareholders, hence RMB1,068,424,437.78 were distributed, and the balance was transferred to undistributed profit. There will be no capital reserve to be converted into share capital for 2022. Shares in the special account for the share repurchase will not be included in the profit distribution.

On 24 May, 2023, the Company published Distribution of Final Dividend for the Year Ended 31 December 2022. On 14 June, 2023, the Company published 2022 Profit Distribution Announcement for A shares, clarifying the implementation of A share and H share dividend respectively.

The profit distribution plan of 2022 has not been modified. The profit distribution plan and were implemented on 21 July, 2023.

(2) Profit distribution plan for 2023

The net profit of the Company in 2023 amounted to RMB2,482,299,167 and the consolidated net profit attributable to the shareholders amounted to RMB2,762,116,715. The profits of the Company available for distribution was RMB9,921,766,405 as at 31 December 2023.

The Board proposed that based on the Company's total share capital of 2,078,995,649 shares, a cash dividend of RMB0.53 per share (tax inclusive) shall be distributed to all shareholders. The balance will be booked as undistributed profit. The Board also proposed that no capital reserve shall be converted into share capital for 2023.

As at the date of this report, no shareholders waived or agreed to waive the dividend distribution plan for 2023.

The profit distribution plan is subject to approval at the 2023 Annual General Meeting of the Company (the "2023 AGM"). The date of the Company's 2023 AGM and the relevant book closure arrangement, as well as the arrangement of book closure for the final dividend, will be announced in the Notice of the 2023 AGM which will be published in due course.

3. DIVIDENDS

The Board of Directors proposed to distribute a final dividend of RMB0.53 (tax inclusive) per share for 2023, subject to the approval at the 2023 AGM. The above proposed final dividends are expected to be paid to the shareholders of the Company before 19 July 2024.

4. TAXES

Details of taxes are set out in Note IV "Taxes", in Notes 19, 26, 45 and 57 in V. "Notes to Major Items in the Consolidated Financial Statements" of the financial statements prepared in accordance with the PRC Accounting Standards.

DIRECTORS' REPORT

5. MAJOR CUSTOMERS AND SUPPLIERS

(1) Customers

Sales to the top 5 customers amounted to approximately RMB1,284.12 million, representing approximately 3.8% of the annual total sales for the year ended 31 December 2023. No related-party transaction was in the total top 5 customers' sales, accounting for 0% of the annual total sales.

During the Reporting Period, the Company did not sell more than 50% of the annual total sales to a single client or rely heavily on a few customers. The following table shows the sales to the top 5 customers during the Reporting Period and their proportions in the annual total sales.

Unit: RMB10,000

Item	Customers	Net sales	Percentage of the total sales (%)
1	Customer A	64,814	1.9
2	Customer B	22,332	0.7
3	Customer C	14,271	0.4
4	Customer D	13,560	0.4
5	Customer E	13,435	0.4
	Total	<u>128,412</u>	<u>3.8</u>

(2) Suppliers

Procurement amount of the top 5 suppliers amounted to approximately RMB2,587.79 million, representing approximately 12.2% of the annual total purchases. No related-party transaction was included in the total top 5 suppliers' purchases, accounting for 0% of the annual total purchases.

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

Unit: RMB10,000

Item	Suppliers	Purchase amount	Percentage of the annual total purchases (%)
1	Supplier A	138,578	6.5
2	Supplier B	50,533	2.4
3	Supplier C	28,648	1.3
4	Supplier D	22,070	1.0
5	Supplier E	18,950	1.0
	Total	<u>258,779</u>	<u>12.2</u>

DIRECTORS' REPORT

None of the Group's Directors, Supervisors or their respective close associates (as defined in the HKEX Listing Rules) or shareholders of the Company (who or which to the best knowledge of the directors of the Company) holding more than 5% of the Company's issued shares had any interest in the Group's top 5 customers or suppliers for the year ended 31 December 2023.

6. R&D EXPENSES

	Unit: RMB
R&D expenses calculated as expenses	301,098,955
R&D expenses calculated as capital expenditure	23,795,650
Total R&D expenses	324,894,605
% in operating income	0.96
% of capitalized R&D expenses	7.3

7. LAND LEASE, REAL ESTATE, FACTORY AND EQUIPMENT

Changes in land lease, real estate, factory and equipment of the Company for the year ended 31 December 2023 are set out in Note V (15) to the financial statements prepared in accordance with the PRC Accounting Standards.

8. TOTAL ASSETS

The total assets of the Group as of 31 December 2023 determined in accordance with the PRC Accounting Standards were approximately RMB68.80 billion, representing an increase of approximately RMB4.56 billion as compared to that as at 31 December 2022.

9. RESERVES

Changes in land lease, real estate, factory and equipment of the Company during the year ended 31 December 2023 are set out in Note V (37) to (43) to the financial statements prepared in accordance with the PRC Accounting Standards.

As at 31 December 2023, an amount of approximately RMB24,703,292,620 standing to the credit of the Company's reserve account is available for distribution.

10. DEPOSITS, LOANS AND CAPITALIZED INTERESTS

Details of the Group's loans as of 31 December 2023 are set out in Note V (21), (28) and (29) to the financial statements prepared in accordance with the PRC Accounting Standards. The Group's depository banks as at 31 December 2023 were all commercial banks with good credit standing. The Group did not have any fixed time deposits that cannot be withdrawn due to maturity. During the Reporting Period, the capitalized interest of construction in progress was RMB14 million. Details are set out in Note V (14) to the financial report prepared in accordance with the PRC Accounting Standards.

11. EXCHANGE RATE RISK AND RELATED FINANCIAL INSTRUMENT HEDGING

The Group has currency exposures arising from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, the Group has currency exposures from its foreign currency borrowings.

The Financial Department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions, foreign currency assets and liabilities, so as to minimize the foreign exchange risks it faces. The Group may avoid foreign exchange risks by signing forward foreign exchange contracts or currency swap contracts. In 2023, the Group signed some forward foreign exchange contracts.

DIRECTORS' REPORT

12. BUSINESS REVIEW, OUTLOOK AND MAIN RISK FACTORS

For the Group's business review, outlook for 2023 and main risk factors, please refer to the sections "III. Company Business" and "V. Management Discussion and Analysis on the Operations of the Company" of this annual report.

13. SUFFICIENT PUBLIC FLOAT

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

14. COMPLIANCE WITH LAWS AND REGULATIONS

As a public company listed in the Mainland China and Hong Kong, the Company formulates and continuously improves its rules and regulations in strict accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies in China, Corporate Governance Code and Corporate Governance Report as stipulated in Appendix C1 to HKEX Listing Rules and other applicable laws and regulations of domestic and overseas listing venues, as well as requirements of relevant documentation and the provisions of the Articles of Association of the Company to standardize the operation of the Company and continuously maintain and improve the Company's market image.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

1. OVERVIEW OF OPERATION DEVELOPMENT

In 2023, influenced by factors such as the slowing growth rate of infrastructure investment, slow recovery in the real estate industry, and increasing constraints on environmental protection and energy consumption-related policies, the Chinese building materials industry continued to face a recession. Against this backdrop, the Company is seeking progress while maintaining stability, comprehensively deepening and implementing four strategies of “integrated transformation, overseas development, business expansion to new building material, digitization in traditional industry”. With determination and hard work, the Company’s operational performance has defied the odds and achieved remarkable success.

- Firmly implementing the integrated strategy, adhering to a cash-centric business model, strictly controlling financial risks, achieving annual targets for accounts receivable control, and maintaining an industry-leading accounts receivable ratio.
- Strengthening cost benchmarking management to enhance overall cost competitiveness. Annual cement costs decreased by 10.29%, with domestic cement costs decreasing by 12.79% year-on-year.
- Continuing technological innovation, and advancing green and low-carbon development. The annual cumulative usage of alternative fuels has reached 4.37 million tons, with an increase of 500,000 tons compared to the previous year; the Group’s blended thermal substitution rate reached 20%, with an increase of 6 percentage points from 2022, and it reached 23% domestically, with an increase of 7 percentage points from 2022. The comprehensive energy consumption of domestic kiln lines was 94.7 kg/tcl, with 33 kiln lines reaching the benchmark level, accounting for 63%. The intensity of direct emission of carbon dioxide per ton of cement in China (scope 1) decreased to 576.47 kg. In the 2023 annual selection of “National Green Factories” organized by the Ministry of Industry and Information Technology, 6 factories in places including Zigui, Wanyuan, Cantian, Chenzhou, Zhaotong, and Luquan were recognized as National Green Factories.
- In the aggregate business, an additional capacity of 67 million tons was added during the year, reaching an annual capacity of 277 million tons. The Company’s high-quality manufactured sand was officially put into production, with annual sales to third parties of 131 million tons and a year-on-year increase of 100%.
- The concrete business is in full swing. Throughout the year, a total of 23 new concrete sites were developed, and the production capacity has reached 122 million cubic meters (including OEM capacity), with sales reaching 27.27 million cubic meters and a year-on-year increase of 66%.
- Making breakthroughs in overseas development. The successful completion of the acquisition of 64.66% equity of Oman Cement Company SAOG and 100% equity of Natal Portland Cement Company (Pty) Ltd. has expanded the Company’s overseas business to the Middle East and southern Africa. In addition, the Phase II of 4,500 tons per day clinker production line project of Maweni Limestone Limited in Tanzania was put into operation, adding a total of 8.54 million tons per year of new capacity. As of the end of 2023, the Company’s effective cement grinding capacity overseas had reached 20.91 million tons/year.
- Steady advancement of digital construction supports the implementation of the Company’s strategies. The Company has successfully implemented a cement low-carbon manufacturing intelligent system in 8 domestic factories and established an overseas basic digital system in overseas factories. And it has completed significant projects such as the digital operation support for integrated multi-service synergy along the Yangtze River and intelligent production system for aggregates, providing strong support for the execution of the Company’s strategies.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

- Credit ratings remain stable, and financing costs stay low. CCXI tracks the bond ratings and results as AAA, while Moody's confirms the Company's "Baa1" issuer rating. Following the Loan Prime Rate (LPR) cuts to lower financing costs, a cumulative reduction of RMB15.6 billion in existing loans to the latest LPR has been achieved during the Reporting Period, resulting in new financing costs decreasing to 3.21%.
- Continuously gaining social recognition. The large-scale substitution of fossil fuels technology was selected as one of the top 20 advanced and applicable low-carbon technologies in the raw material industry for 2023. The domestic waste pretreatment and Huangshi company's energy-saving case using alternative fuels have been selected as the fourth session of the National Energy Conservation Center's Typical Cases of Key Energy Saving Technology Applications. The "Key Technology Innovation and Application for Cement Low-Carbon Manufacturing Intelligentization" project won the first prize of the China Building Materials Federation Science and Technology Progress Award and was successfully selected as a "National Intelligent Manufacturing Demonstration Factory". It was also selected as a "typical case for Quality Improvement in Industry and Information Technology in 2023" and a "typical case for Data Security Management Pilot in the Industrial Field" by the Ministry of Industry and Information Technology.

2. MAJOR OPERATING INFORMATION DURING THE REPORTING PERIOD

(1) Principal operations

Changes of Items in the Income Statement and Cash Flow Statement

Unit: RMB

Item	2023	2022	Changes (%)
Operating income	33,757,087,272	30,470,382,363	10.79
Operating costs	24,741,414,727	22,481,901,607	10.05
Selling and distribution expenses	1,518,891,019	1,371,820,965	10.72
General and administrative expenses	1,819,305,056	1,582,539,460	14.96
Financial expenses	698,520,798	458,488,171	52.35
R&D expenses	301,098,955	78,162,783	285.22
Net cash flow generated from operating activities	6,235,555,071	4,567,694,220	36.51
Net cash flow generated from investing activities	-6,453,904,653	-8,383,336,829	23.02
Net cash flow generated from financing activities	-951,747,856	1,771,835,223	-153.72

Note:

Reasons for change in financial expenses: Increase in interest expenses.

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

Reasons for change in net cash flow from investing activities: Increase in repayment of maturing borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

(2) Analysis of revenue and cost

Major performance by products

Unit: RMB

Major business performance by products						
Product	Operating income	Operating costs	Gross profit margin%	Year-on-year change in operating income (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
Cement	18,331,734,881	13,425,727,572	26.76	-2.64	-3.72	Increased by 0.82 percentage points
RMX	7,652,223,198	6,467,900,216	15.48	49.08	49.68	Decreased by 0.33 percentage points
Aggregate	5,363,828,939	2,902,999,002	45.88	75.01	111.76	Decreased by 9.39 percentage points
Commercial clinker	947,002,919	843,819,065	10.90	-46.14	-46.50	Increased by 0.60 percentage points
Others	1,462,297,335	1,100,968,872	24.71	-13.2	-13.17	Decreased by 0.02 percentage points
Total	33,757,087,272	24,741,414,727	26.71	10.79	10.05	Increased by 0.49 percentage points

Major business performance by geographical locations

Unit: RMB

Areas	Operating income	Change over the same period of last year (%)
East China Region	6,816,096,064	25.46
Central China Region	11,694,525,821	1.40
South China Region	726,857,232	24.24
South West China Region	9,030,192,677	3.84
Overseas	5,489,415,478	29.99
Total	33,757,087,272	10.79

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Analysis of output and sales volume

Unit: 10,000 tons (m³)

Product	Output	Sales		Output	Sales volume	Inventory
		volume	Inventory	change over last year (%)	change over last year (%)	change over last year (%)
Cement	6,526	5,818	166	10.57	6.38	0.61
Clinker	5,243	372	306	3.27	-34.85	33.35
Aggregate	17,779	13,137	382	78.15	99.69	4.23
RMX	2,727	2,727	—	66.39	66.39	Not Applicable

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

During the Reporting Period, operating revenue increased by RMB3.287 billion year-on-year. The sales volume of cement and clinker increased by 1.5 million tons (2.48%); the average price decreased as compared with last year, leading to the decrease in sales revenue by RMB1.309 billion. The sales volume of ready-mix concrete (“RMX”) increased by 10.88 million cubic meter (66%), which offset the sales price decline of RMB33 cubic meter (-10%), the sales revenue still increased by RMB2.519 billion. The sales volume of aggregate increased by 65.58 million tons (100%), which covered sales price drop of RMB6 per ton (-12%), the sales revenue increased by RMB2.299 billion.

During the Reporting Period, the operating cost increased by RMB2.259 billion over last year, including a significant increase in the sales volume of RMX and aggregate, with a cost increase of RMB3.679 billion. The cost decreased by RMB1.252 billion due to the reduction in the sales volume and production cost of cement and clinker.

During the Reporting Period, the sales price of cement and clinker decreased slightly over last year while the energy cost decreased as well, leading to the increase of gross profit margin by 1.37 percentage points against last year. As a result, the gross profit margin of 2023 increased by 0.49 percentage points against last year.

By regions, despite of the decline in domestic cement and clinker sales volume, the sales volume of RMX and aggregate increased significantly, leading to the increase of operating revenue in different regions; with the completion of overseas merges and acquisitions and equipment upgrade, the overseas revenue increase by 30%.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Analysis of costs and expenses

Costs by products in 2023 and the changes as compared to 2022

Unit: RMB

Product	Cost item	Current period amount	Proportion of the total cost (%)	Same period of last year	Proportion of the total cost (%)	Change over the
						same period of last year (%)
Cement	Raw materials	1,833,027,915	13.7	1,516,099,305	10.9	20.9
	Fuel and power	7,635,120,047	56.9	8,304,767,922	59.6	-8.1
	Depreciation and amortization	1,013,868,363	7.6	1,154,040,629	8.3	-12.1
	Labor and Others	2,943,711,247	21.8	2,969,750,795	21.4	-0.9
Clinker	Raw materials	58,417,908	6.9	97,854,807	6.2	-40.3
	Fuel and power	569,638,378	67.5	1,081,584,546	68.6	-47.3
	Depreciation and amortization	65,597,152	7.8	119,731,427	7.6	-45.2
RMX	Labor and Others	150,165,627	17.8	277,990,375	17.6	-46.0
	Raw materials	3,980,483,868	61.5	3,229,409,283	74.7	23.3
	Fuel and power	264,493,079	4.1	30,591,619	0.7	764.6
	Depreciation and amortization	450,460,019	7.0	115,748,201	2.7	289.2
Aggregate	Labor and Others	1,772,463,250	27.4	945,513,902	22.0	87.5
	Raw materials	256,138,557	8.8	105,114,342	7.7	143.7
	Fuel and power	290,369,055	10.0	127,654,708	9.3	127.5
	Depreciation and amortization	861,664,269	29.7	253,509,582	18.5	239.9
	Labor and Others	1,494,827,121	51.5	884,585,859	64.5	69.0

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

Unit: RMB

Items	2023	2022	Changes (%)
Selling and distribution expenses	1,518,891,019	1,371,820,965	10.72
General and administrative expenses	1,819,305,056	1,582,539,460	14.96
Financial expenses	698,520,798	458,488,171	52.35

Finance costs increased by 52.35% from last year, mainly due to the increase in the interest payment.

(3) Profitability

Unit: RMB

Items	2023	2022	Changes (%)
Operating revenue	4,351,500,618	4,022,570,540	8.18
Profit before tax	4,326,247,137	3,988,085,596	8.48
Net profit attributable to shareholders of the Company	2,762,116,715	2,698,868,510	2.34

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

During the Reporting Period, the Company overcame the adverse impact of the continued decline in domestic cement demand and achieved breakthroughs in overseas development. The sales volume of cement increased compared with last year; in the meantime, the integration development made remarkable progress, as evidenced by the significant increase in aggregate and RMX sales. The total profit increased by RMB338 million as compared with last year, in which the net profit attributable to the shareholders of the Company increased by RMB63 million.

(4) Financial positions

Assets and Liabilities

Unit: RMB

Items	Amount at the end of current period	Percentage of amount at the end of current period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Change of the amount at the end of current period compared with that of last period (%)	Description
Financial assets held for trading	1,495,675	—	41,711,538	0.06	-96.41	Disposal of related financial products
Accounts receivable	2,259,496,157	3.28	1,382,631,200	2.15	63.42	Expansion of the concrete business scale
Other receivables	747,268,432	1.09	477,956,891	0.74	56.35	Increase in receivables from asset disposals
Other current assets	1,459,951,396	2.12	677,454,529	1.05	115.51	Increase of fixed term deposit
Long-term receivables	80,976,447	0.12	131,594,447	0.20	-38.47	Collection of maturing loans
Construction in progress	3,614,814,430	5.25	6,575,465,631	10.24	-45.03	Transferred to fixed assets after commissioning of 100 million tons of sand and other projects
Right-of-use assets	1,680,707,457	2.44	979,311,070	1.52	71.62	Scale expansion of RMX business led to the increase of leasing assets
Development expenditure	69,333,195	0.10	45,429,082	0.07	52.62	Increase in investment in intelligent research and development
Deferred tax assets	554,133,589	0.81	387,429,400	0.60	43.03	Tax loss and overseas mergers and acquisitions led to the increase
Employee compensation payable	312,414,840	0.45	131,081,719	0.20	138.34	Expansion of operation scale and employee led to the increase of short-term incentive
Non-current liabilities due within one year	6,720,902,895	9.77	4,427,049,341	6.89	51.81	Some corporate bonds are due to mature soon
Lease liabilities	1,348,727,671	1.96	759,905,754	1.18	77.49	Scale expansion of RMX business led to the increase of leasing assets
Long-term payables	330,821,706	0.48	2,837,076,467	4.42	-88.34	Payment of mining rights transfer price
Estimated liabilities	757,554,644	1.10	442,260,626	0.69	71.29	Increase in provision for mine reclamation expenses
Deferred tax liabilities	1,123,626,046	1.63	586,568,845	0.91	91.56	Overseas mergers and acquisitions increased
Less: Treasury stock	62,203,991	0.09	610,051,971	0.95	-89.80	Part of repurchased shares called option or cancelled due to being unattributed
Other comprehensive income	-548,746,925	-0.80	-175,257,484	-0.27	213.11	Depreciation of foreign subsidiary currencies relative to the RMB
Special reserves	63,717,385	0.09	37,644,851	0.06	69.26	Balance of safety production expenses

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Breakdown of major assets as at the end of the Reporting Period

Unit: RMB

Cash and bank balances	479,349,366
Fixed assets	5,325,242
Intangible assets	5,735,966

Funding sources

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

Unit: RMB

Items	Closing balance	Opening balance
Within 1 year	3,006,336,175	2,786,503,163
1-2 years	3,403,929,002	2,421,597,318
2-5 years	4,497,586,168	4,206,408,619
Over 5 years	721,504,545	654,082,887
Total	11,629,355,890	10,068,591,987

As at the end of the Reporting Period, the accumulative balance of bank loans and interest of the Company amounted to RMB11.629 billion, representing an increase of RMB1.561 billion from the beginning of the year, which was mainly due to the expansion of business scale and the new borrowings used for project construction during the Reporting Period.

In addition to the above borrowings, the Company had RMB5.116 billion of corporate bonds due within 1-5 years as at the end of the Reporting Period.

Analysis of liquidity

Unit: RMB

Item	As at 31 December 2023	As at 31 December 2022	Change (%)
Interest-bearing liability	16,957,076,310	14,494,878,839	16.99%
Asset-liability ratio	51.60%	52.00%	Decreased by 0.39 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

As of the end of the Reporting Period, the interest-bearing liabilities increased by 16.99% compared with the beginning of the Reporting Period, which is mainly attributed by the increase of long-term loans and corporate bonds. The asset-liability ratio has improved, resulting in a decreased by 0.39 percentage points.

Analysis of cash flow

Unit: RMB

Items	Amount for current period	Amount for same period of last year	Changes (%)
Net cash flow from operating activities	6,235,555,071	4,567,694,220	36.51
Net cash flow from investing activities	-6,453,904,653	-8,383,336,829	23.02
Net cash flow from financing activities	-951,747,856	1,771,835,223	-153.72

Net cash flow from operating activities increased by RMB1.668 billion compared with last year, mainly due to the increase in profits during the Reporting Period.

Net cash outflow from investing activities decreased by RMB1.929 billion compared with last year, mainly due to the decrease of acquisition of assets and construction expenditures during the Reporting Period.

Net cash flow from financing activities decreased by RMB2.724 billion compared with last year, mainly due to the increase in repayment of maturing loans during the Reporting Period.

3. OUTLOOK FOR 2024

(1) Industrial pattern and trend of development

Macro situation of the domestic building materials industry

2024 is a crucial year for implementing the “14th Five-Year Plan”. In December 2023, the Central Economic Work Conference once again emphasized the need to focus on promoting high-quality development in 2024, highlighting key areas, grasping critical points, and solidly carrying out economic work. It advocates steady progress, seeks progress while maintaining stability, and tackles difficulties head-on. In conjunction with the government’s comprehensive implementation of the “carbon peaking and carbon neutrality” to achieve the “3060” goal (which refers to combating climate change by promoting the reduction of greenhouse gas emissions, mainly carbon dioxide), the cement industry in China faces both opportunities and challenges in 2024. The industry outlook is as follows:

Overall demand for building materials domestically is still facing challenges in recovery. Due to the continued presence of various external uncertainties, the foundation for China’s economic recovery and improvement still needs to be consolidated. Infrastructure investment will remain a key driver of economic stability and growth in 2024. However, the overall real estate market is still in a period of deep adjustment. Although projects such as the construction of guaranteed housing, construction of “dual-use” (both commercially viable and public) public infrastructure, and renovations of villages in cities are progressing, actual new construction areas and development investments may continue to decline. It is anticipated that the demand for domestic building materials such as cement, aggregates, and concrete will still struggle to rebound in 2024. Nonetheless, China remains the world’s largest building materials market, with its consumption accounting for over 50% of the global market.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

Overcapacity exacerbates in the cement industry, and supply-side reform for the industry urgently needs a new way of execution. The weakening demand for cement has increasingly highlighted the problem of overcapacity, making it a key focus of the current supply-side structural reform in the industry. Implementing measures such as normalizing off-peak production, power restrictions, and strengthening environmental protection to reduce cement production has been proven insufficient to reverse the current imbalance between supply and demand. It is urgently needed to accelerate the clearance of inefficient excess capacity in the industry through new paths such as dual control of energy consumption and carbon emissions. Increasing industry concentration remains the ultimate and sole pathway forward.

Energy conservation, emission reduction, green and low-carbon initiatives, digital intelligence, and extending the industrial chain have become the leading directions for the high-quality development of the industry. With the continuous advancement of China's "dual carbon" goal, the cement industry will accelerate its transformation towards greener, more intelligent, and more digitized development. Leading cement enterprises will continue to expand their industrial chains, increase investment in technological innovation, promote industry-wide co-processing and utilization of solid wastes, promote digitized and intelligent transformation, and expand into new energy sources. This will significantly enhance energy efficiency and resource utilization levels. Inefficient cement production capacity that fails to meet efficiency and emission standards will gradually phase out.

High production costs, pressure on cement prices, intensified market competition, and unfavorable industry profitability. The uncertainty in energy markets has led to high production costs for cement companies; additionally, compliance requirements such as energy consumption reduction, carbon reduction, ultra-low emissions, safety, environmental protection, and mining rectification continue to increase the investment required for technological upgrades, resulting in a continuous increase in various production costs for enterprises. In an environment where cement market demand is declining but excess capacity has not been effectively cleared, conditions for excessive competition will occasionally arise.

Macro industry situation in related international markets

According to the International Monetary Fund's forecasts, the global economy is showing signs of weak recovery and improvement in 2024, with significant differentiation in regional economic development. Emerging and developing economies in Asia are expected to demonstrate impressive economic growth rates, while the Middle East, East Asia, and Sub-Saharan Africa are also expected to perform well economically. The countries where the Company's overseas business operates are expected to lead in terms of economic development, with prospects for good development trends. Among them, Tajikistan, Uzbekistan, Cambodia, Tanzania, and Mozambique are expected to achieve rapid economic development of 5% or more in the next two years.

According to a survey conducted by On Field, an international industry research institution, global cement demand excluding China is expected to increase by 2.4% in 2024 compared to the previous year, mainly driven by growth in cement demand in India, the Middle East, and Africa. The countries where the Company's overseas business operates mostly maintain a growth trend in cement demand.

(2) Development strategy of the Company

In 2024, the Company will continue to promote the corporate culture of "integrity, dedication, pragmatism, innovation," and adhere to the values of "safety first, customer centric, result orientated, act with integrity, ensure sustainable growth and people oriented" to pursue the corporate vision "Beautiful world starts with us". Following the mission of "Clean our living environment, supply reliable building material" and the concept of whole lifecycle green low carbon building materials, the Company will strive to implement and deepen four strategies of "integrated transformation, overseas development, expansion to new building material, digitization in traditional industry". The Company will accelerate the high-end, green and intelligent transformation, while pioneer in low carbon and sustainable development to catapult the Company in becoming a global enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

(3) Business Plan

Completion of the 2023 business plan

In 2023, the Company achieved operating revenue of RMB33.757 billion, achieving 97.39% of the annual budget despite of decrease in demand and fierce competition. The sales volume of cement and clinker was 109% of the annual budget, the sales volume of concrete was 109% of the annual budget, the sales volume of aggregate was 101% of the annual budget, and the disposal volume of eco business was 78% of the annual budget.

In 2023, the actual budget completion rate on overall investment was 62.88%.

By the end of 2023, total assets of the Company were RMB68.8 billion and the asset-liability ratio was 51.6%.

Business Plan for 2024

In 2024, the Company plans to sell 63.00 million tons cement and clinker, 156 million tons aggregate, 30.52 million cubic meters RMX and 4.28 million tons eco disposal. The total operating revenue is expected to be RMB37.1 billion.

In 2024, the Company plans to invest approximately RMB6.9 billion, mainly for deploying in the production capacity of aggregate, RMX, overseas cement and alternative fuels.

In 2024, total assets of the Company are expected to be about RMB73.7 billion and the asset-liability ratio is expected to be around 51%.

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

- (1) Uphold the “safety and environmental protection” lifeline and set benchmarks for clean and standardized production in the industry. Continuously carry out activities to ensure the final mile of safety production, annual health and safety audits, on-site management support, environmental audits, and environmental risk assessments, and promote the implementation of the Company’s safety regulations and systems at the grassroots level.
- (2) Continuously strengthen regulatory compliance efforts to prevent and eliminate potential business risks. Improve operational capital turnover efficiency to avoid liquidity risks; strictly enforce accountability and enhance daily supervision of internal control execution; establish a compliance management system and mechanism for lawful and compliant operations and governance, and focus on enhancing the capability to prevent and resolve major risks; adhere to the “Incorruptible Huaxin” initiative, with a zero-tolerance approach to punish corruption.
- (3) Focus on objectives, study the market meticulously, implement targeted strategies, leverage strengths, and maintain leadership. Shape a healthy cement market by focusing on core market share and valuable customers with flexible strategies; strengthen product branding and market development, expand from cement to aggregates, ready-mixed concrete, new materials, and other non-cement products, and effectively enhance the competitiveness of products in the market.
- (4) Focus on costs, optimize energy consumption and emissions, and take multiple measures to continuously reduce various costs. In the cement business, continue to reduce costs; increase efforts in direct procurement to reduce procurement costs; improve procurement business management processes and system rules, and promote clean procurement.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

- (5) Firmly implement the Company's four major strategies to ensure steady development. Continue to promote integrated project construction and promote the integrated development of the industrial chain based on cement, including aggregates, concrete, wall materials, environmental protection, equipment engineering, and packaging. Adhere to digital innovation to support the Company's strategic transformation, and help the Company achieve high-speed and high-quality development of its business.
- (6) Establish a sound talent management mechanism to reserve talents at all levels and in all fields and lay a solid foundation for enhancing the Company's talent competitiveness. Carry out reforms in the salary system, and guide employees to positions or areas where the Company needs them the most; innovate in talent introduction methods, focus on reserving scarce talents, special talents, and outstanding talents, and open up "dedicated channels" for talent development.

(4) Potential Risks

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE COMPANY

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

- (1) The Company shows the sense of responsibility of a large enterprise to actively implements national policies and measures such as “supply-side structural reform”, “carbon reduction”, “dual control of energy consumption and intensity”, and local government off-peak production to promote the healthy development of the industry.
- (2) The Company adopts the concept of whole lifecycle of green and low-carbon building materials, adheres to the concept of “safety and eco-friendly” as the bottom line of production, sets up the industry benchmark for clean and civilized production, increases investment in safe and eco protection to further eliminate/prevent potential environmental risks.
- (3) Driven by technology innovation, the Company plans to build highly intelligent “unmanned plant” through technological transformation and digital technology innovation to improve operation efficiency and reduce costs.
- (4) Strengthen and refine the marketing ability, and focus on the core markets, valuable clients and smart marketing to improve the efficiency.
- (5) Continuously optimize the energy consumption targets; utilize centralized procurement to reduce procurement costs.
- (6) Further optimize the employment and human resources mechanism to promote the sustainable, stable and healthy development of the Company.
- (7) Actively implement various risk hedging strategies to reduce regional economic and foreign exchange risk exposure.

IMPORTANT MATTERS

1. COMMITMENTS

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

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

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

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

During the Reporting Period, changes in the Company's accounting policies are set out in Note III (32) to the financial statements prepared in accordance with the PRC Accounting Standards.

4. AUDITORS AND REMUNERATION

Description of the appointment of auditors

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

On 22 May 2023, at the Company's annual general meeting shareholders approved the re-appointment of Ernst & Yong Hua Ming as the Company's auditor for financial audit and internal control audit for the Year 2023.

Unit: RMB

	Current	
Name of PRC auditors	Ernst & Young Hua Ming	
Remuneration of domestic CPA	5,200,000	
Year of auditing by domestic CPA	2	
	Name	Payment
Internal control auditor	Ernst & Young Hua Ming	500,000

5. INSOLVENCY OR RESTRUCTURING

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

IMPORTANT MATTERS

6. MATERIAL LITIGATIONS AND ARBITRATIONS

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

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

Unit: RMB10,000

Plaintiff/Applicant	Defendant/Respondent	Joint and sever liability	Type	Basic information	Estimated amount		Progress	Consequence and impact	
					Amount	of contingent liability		Enforcement	
Moncement Building Materials LLC	Huaxin Cement Co., Ltd.		Arbitration	For detailed information, please refer to the Annual Report 2020 of the Company at www.sse.com.cn	Between USD67,800,000-USD72,000,000	Nil	In Oct. 2023, the plaintiff expanded the scope of claims and increased the amount from USD 52,215,000 to USD 67,800,000-USD72,000,000. The arbitration will be heard on 22-23 and 25-29 March 2024		
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang Jianshan Technology Co., Ltd.,	Xiangyang Xingshida Plastics Co., Ltd., Liu Jianshan	Civil action	For detailed information, please refer to the Annual Report 2015, 2017, 2018, 2020 and 2022 of the Company at www.sse.com.cn	2,477.39	Nil	In May, 2023, Xiangyang Intermediate People's Court ruled that the respondent and joint liability party bankrupt.	Note 1	

Note 1: The distributable assets in the liquidation is the equity (capital contribution) in the plaintiff held by the defendant, amounting to RMB25.4 million. According to the results of the first distribution of creditor rights, after deducting various expenses, the plaintiff obtains RMB5.2242 million of the equity held by the defendant in the plaintiff. As the plaintiff cannot hold its own shares, this portion of equity is intended to be transferred to Huaxin Concrete (Wuhan) Co., Ltd. The transfer process is currently underway.

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

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

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

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

9. MATERIAL RELATED PARTY TRANSACTIONS

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

During the Reporting Period, the Group entered into certain transactions with persons deemed to be “related parties” under applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in Notes XI of the financial statements prepared in accordance with the PRC Accounting Standards. The related party transactions disclosed in Note XI are not considered as connected transactions defined in Chapter 14A of HKEX Listing Rules or exempt from the reporting, announcement and shareholder approval requirements under the HKEX Listing Rules.

IMPORTANT MATTERS

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

During the Reporting Period, there were no connected transaction of asset or equity purchase or sale.

10. MATERIAL CONTRACTS

(1) Other material contracts

On 29 December, 2023, the Company and its wholly-owned subsidiaries, Huaxin Cement (Wuhan) Co., Ltd, Huaxin Concrete (Wuhan) Co., Ltd, Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd and Wuhan Qingshan District Urban Renovation and Renewal Bureau entered into the “Agreement on Monetary Compensation for the Expropriation of Non-residential Housing on State-owned Land in Qingshan District”. The agreement provides that the Wuhan Qingshan District Urban Renovation and Renewal Bureau will expropriate non-current assets such as houses, land use rights, non-relocatable equipment and facilities with a net book value of RMB166,149,000 in the name of Huaxin Cement (Wuhan) Co., Ltd, Huaxin Concrete (Wuhan) Co., Ltd Qingshan Station and Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd Qingshan Station at a compensation price of RMB481,685,600.

(2) Guarantees

During the Reporting Period, all external guarantees provided by the Company complied with the approval procedures of the Board of Directors and/or the general meeting of shareholders. The total amount of guarantees provided by the Company to subsidiaries was RMB94 million. As of the end of the Reporting Period, the balance of the Company’s external guarantees was RMB10.016billion, accounting for 30.08% of the Company’s net assets at the end of the Reporting Period. The details are as follows:

Unit: RMB

The Company’s external guarantees (excluding guarantees to its subsidiaries)

Total guarantee amount during the Reporting Period (excluding guarantee for subsidiaries) 0

Guarantee amount left at the end of the Reporting Period (A)
(excluding guarantee for subsidiaries) 0

Guarantee provided by the Company or subsidiaries for its subsidiaries

Total guarantee amount for subsidiaries occurred during the Reporting Period 94,367,089

Guarantee amount left at the end of the Reporting Period (B) 10,016,014,939

Total guarantee amount (including guarantee for its subsidiaries)

Total guarantee amount (A+B) 10,016,014,939

Proportion in net assets of the Company (%) 30.08

Including:

Guarantee amount provided to the Company’s shareholders, de facto controller and its related parties (C) —

Debt guarantee amount provided directly or indirectly to subjects whose asset-liability ratio is over 70% (D) 7,297,637,010

Guarantee amount in excess of 50% of the net assets (E) —

Total guarantee amount of the above three (C+D+E) 7,297,637,010

IMPORTANT MATTERS

11. FINANCIAL ENTRUSTMENT AND LOAN ENTRUSTMENT

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

Unit: RMB

Investment type	Accumulated amount for the year (buy in)	Accumulated amount for the year (redeemed or due)	Undue amount	Unredeemed amount but due
Public-offered funds	3,200,000,000	3,200,000,000	0	0

12. SIGNIFICANT EVENTS

(1) Matters related to the Public Issuance of Corporate Bonds

On 17 February 2023, the Company's Second Extraordinary general meeting of shareholders in 2023 approved the Proposal on the Issuance of Corporate Bonds.

On 23 May 2023, the Company received the approval on Huaxin Cement's Public Issuance of Corporate Bond 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 of the first tranche has been completed on 5 December 2023, with an issuance scale of RMB0.8 billion for a period of 3 years, and a coupon rate of 3.12%.

(2) Matters related to the repurchase and Cancellation of Partial Shares in the 2020–2022 Core Employees Stock Ownership Plan

On 20 July 2023, the Third Extraordinary General Meeting in 2023, the First A Share Class Meeting in 2023 and the First H Share Class Meeting in 2023 were held respectively to approve the Proposal on the Partial Repurchase and Cancellation of Shares in the 2020–2022 Core Employees Stock Ownership Plan. According to relevant regulations and the result of evaluation, the Company will repurchase and cancel 17,604,206 shares at RMB0/share under the plan can't be vested due to failure in achieving the performance target.

The cancellation of 17,604,206 A shares was completed on 28 August 2023.

(3) Matters related to the Phase I (2023) Core Employees Stock Ownership Plan Under 2023–2025 Core Employee Stock Ownership Plan

On 20 July 2023, the 3rd Extraordinary Shareholders' General Meeting reviewed and approved the Proposal on the 2023–2025 Employee Stock Ownership Plan (Draft). On the same day, the 27th Meeting of the Tenth Board of Directors reviewed and approved the Proposal on the Phase I (2023) Core Employee Stock Ownership Plan Under 2023–2025 Core Employee Stock Ownership Plan of the Company (hereinafter referred to as the "the Plan").

The Plan has finished the share purchase on 27 September 2023. The special securities account under the Plan holds 2,917,577 A shares, accounting for 0.1403% of the total shares of the Company.

IMPORTANT MATTERS

(4) Matters related to the acquisition of equities of Oman Cement Company SAOG

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% of the issued shares 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 at completion).

On 5 April 2023, the acquisition of the 59.58% interests was completed. On 2 July 2023, the offer to the remaining shareholders of Oman Cement Company SAOG to acquire the shares in the company was completed.

The transaction has been completed. At a total consideration of USD 210.8 million, through Abra Holdings Ltd, an indirectly wholly-owned subsidiary of the Company, the Company holds 64.66% equity interests in Oman Cement Company SAOG.

(5) Matters related to the acquisition of equities of Natal Portland Cement Company (Pty) Ltd.

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% of the issued shares of Natal Portland Cement Company (Pty) Ltd. at a consideration of USD 231.6 million.

The transaction was completed on 26 December 2023.

CHANGES IN SHARES AND SHAREHOLDERS

1. TOTAL NUMBER AND STRUCTURE OF SHARES

During the Reporting Period, 17,604,206 A shares were cancelled due to failure to achieve performance target in the 2020–2022 Core Employee Stock Ownership Plan. Therefore, the total shares of the Company was changed.

2. SHAREHOLDERS

- (1) To the best knowledge of the Company, as at 31 December 2023, the total number of registered shareholders of the Company was 54,007; as at 29 February 2024, the total number of registered shareholders of the Company was 49,549.
- (2) To the best knowledge of the Company, as at 31 December 2023, the shareholdings of the top 10 registered shareholders of the Company are set out as follows:

No.	Full name of shareholders	Number of shares held	Proportion (%)	Class of shares	Pledged, marked or locked-up		Shareholder type
					Status	Quantity	
1	HKSCC Nominees Limited	734,719,919	35.34	H Shares	Unknown	0	Overseas legal entity
2	HOLCHIN B.V.	451,333,201	21.71	A Shares	None	0	Overseas legal entity
3	Huaxin Group Co., Ltd.	338,060,739	16.26	A Shares	None	0	State-owned legal entity
4	Hong Kong Securities Clearing Company Ltd. (HKSCC)	21,596,305	1.04	A Shares	None	0	Overseas legal entity
5	China Merchants Bank Co., Ltd. – SSE Dividend Trading Open-ended Index Securities Investment Fund	19,910,110	0.96	A Shares	None	0	Others
6	National Social Security Fund 413 Portfolio	16,050,000	0.77	A Shares	None	0	Others
7	Agricultural Bank of China Limited Company-Gongyin Ruixin Innovation Dynamism Stock Investment Fund	14,580,000	0.70	A Shares	None	0	Others
8	Gongyin Ruixin Fund-China Life Insurance Company Limited-Dividend Insurance- Gongyin Ruixin Fund China Insurance Balance Stock Portfolio Single Asset Management Plan (available for sale)	11,335,516	0.55	A Shares	None	0	Others
9	China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	A Shares	None	0	Unknown
10	Bank of China – ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,769,985	0.37	A Shares	None	0	Others

Notes: To the best knowledge of 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 shares and underlying shares

As at 31 December 2023, the persons (other than a director or chief executive of the Company) holding interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests kept by the Company in accordance with Section 336 of the Securities and Futures Ordinance (the director or chief executive referred in this paragraph including supervisors) are as follows:

Shareholder name	Nature of interest	Class of shares	Number of shares	Approximate% of shares held in the relevant share class	Approximate% of shares held in the total amount of share capital
Holcim Limited	Interest of controlled corporation	A Shares	451,333,201 (long position)	33.57%	21.71%
		H Shares	417,902,467 (long position)	56.88%	20.10%
		Total	869,235,668 (long position)	—	41.81%
Holderfin B.V.	Interest of controlled corporation	A Shares	451,333,201 (long position)	33.57%	21.71%
		H Shares	384,210,624 (long position)	52.29%	18.48%
		Total	835,543,825 (long position)	—	40.19%
Holchin B.V.	Beneficial owner	A Shares	451,333,201 (long position)	33.57%	21.71%
		H Shares	384,210,624 (long position)	52.29%	18.48%
		Total	835,543,825 (long position)	—	40.19%
State-owned Assets Supervision and Administration Commission of Huangshi Municipal People's Government	Interest of controlled corporation	A Shares	338,060,739 (long position)	25.15%	16.26%
Huangshi State-owned Assets Management Company Co., Ltd.	Interest of controlled corporation	A Shares	338,060,739 (long position)	25.15%	16.26%
Huaxin Group Co., Ltd.	Beneficial owner	A Shares	338,060,739 (long position)	25.15%	16.26%
China Conch Venture Holdings (HK) Limited	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%
China Conch Venture Holdings International Limited	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%
Conch International Holdings (HK) Limited	Beneficial owner	H Shares	92,788,469 (long position)	12.63%	4.46%
China Conch Venture Holdings Limited	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%
Anhui Conch Venture New Energy-saving Construction Material Co., Ltd.	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%
Anhui Conch Cement Company Limited	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%
Anhui Conch Holding Co., Ltd	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%
Conch Venture Wuhu	Interest of controlled corporation	H Shares	92,788,469 (long position)	12.63%	4.46%

CHANGES IN SHARES AND SHAREHOLDERS

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

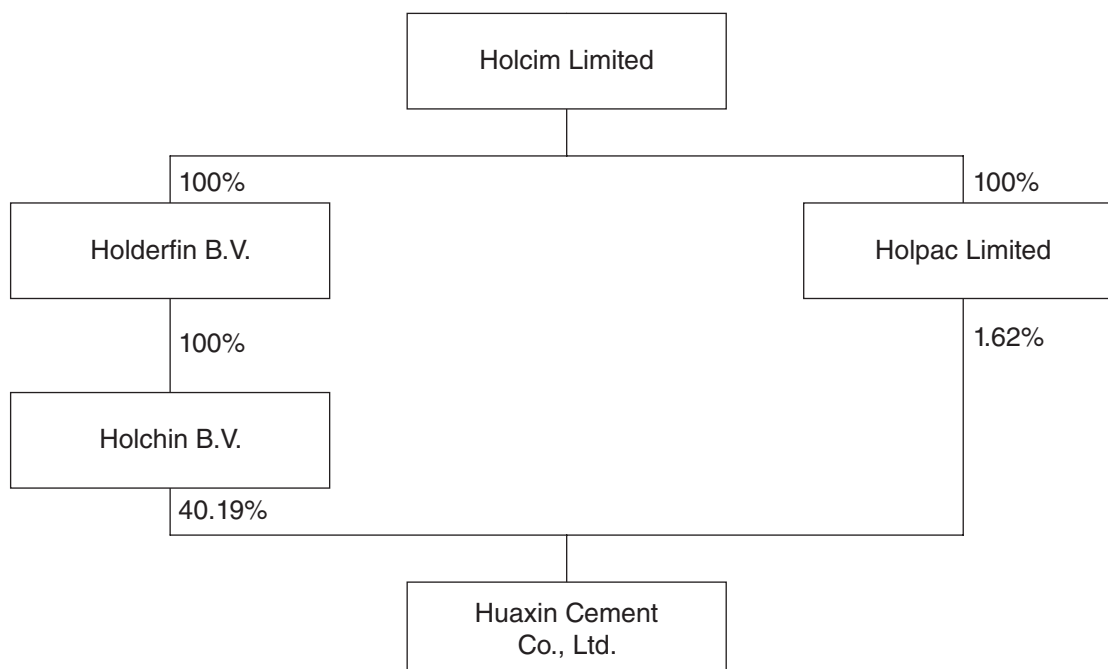
As at 31 December 2023, the Directors, Supervisors and chief executives holding interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests kept by the Company in accordance with Section 352 of the Securities and Futures Ordinance are as follows:

Name	Nature of interest	Class of shares	Number of shares	Approximate% of shares held in the relevant share class	Approximate% of shares held in the total amount of share capital
Mr. Li Yeqing	Beneficial interest	A-Shares	364,334 (long position)	0.03%	0.02%
		H-Shares	637,496 (long position)	0.09%	0.03%
Mr. Liu Fengshan	Beneficial interest	A-Shares	166,500 (long position)	0.01%	0.01%
		H-Shares	171,900 (long position)	0.02%	0.01%
Mr. Ming Jinhua	Beneficial interest	H-Shares	68,500 (long position)	0.01%	0.00%
Mr. Zhang Lin	Beneficial interest	A-Shares	11,600 (long position)	0.00%	0.00%
		H-Shares	188,400 (long position)	0.03%	0.01%
Mr. Liu Weisheng	Beneficial interest	H-Shares	13,700 (long position)	0.00%	0.00%

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

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

As at 31 December 2023, Holcim Limited was the controlling shareholder as well as the de facto controller of the Company. The following chart sets out the shareholding relationship structure between the Company and Holcim Limited:



CHANGES IN SHARES AND SHAREHOLDERS

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

4. ISSUANCE OF PREFERENCE SHARES AND PREEMPTIVE RIGHTS

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

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

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

6. TAX RELIEF OR EXEMPTION FOR LISTED SECURITIES HOLDERS

The holders of the Company's listed securities were not entitled to tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC during the year ended 31 December 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: share

Name	Position	Gender	Age	Appointment beginning	Appointment Ending	Shares held at the beginning of the year	Shares held at the beginning of the year	Change	Reason for change	Payment from the Company (10k Yuan) before tax	Remuneration/ allowance from shareholder company or other related Company
Xu Yongmo	Chairman	M	67	2023-04-27	2024-04-27					150	No
Li Yeqing	Director & CEO	M	59	2021-04-27	2024-04-27	815,930	1,001,830	185,900	purchase shares on secondary market	331.43	No
Liu Fengshan	Director&VP	M	58	2021-04-27	2024-04-27	282,000	338,400	56,400	purchase shares on secondary market	151.29	No
Martin Kriegner	Director	M	62	2023-01-09	2024-04-27					21.1	Yes
Lo Chi Kong	Director	M	60	2021-04-27	2024-04-27					21.6	Yes
Tan Then Hwee	Director	F	51	2021-04-27	2024-04-27					21.6	Yes
Wong Kun Kau	Independent Director	M	63	2021-04-27	2024-04-27					36	No
Zhang Jiping	Independent Director	M	55	2021-04-27	2024-04-27					36	No
Jiang Hong	Independent Director	M	53	2021-04-27	2024-04-27					36	No
Ming Jinhua	Supervisor Chairman, Chairman of Labor Union	M	51	2021-08-23	2024-04-27	18,500	68,500	50,000	purchase shares on secondary market	141.22	No
Zhang Lin	Supervisor	M	51	2021-04-27	2024-04-27	160,000	200,000	40,000	purchase shares on secondary market	89.28	No
Yang Xiaobing	Supervisor	M	53	2021-04-27	2024-04-27					35.09	No
Zhu Yaping	Supervisor	M	55	2021-04-27	2024-04-27					133.13	No
Liu Weisheng	Supervisor	M	51	2021-04-27	2024-04-27	13,700	13,700			57.35	No
Ke Youliang	VP	M	58	2021-04-28	2024-04-27	469,061	519,061	50,000	purchase shares on secondary market	161.98	No
Du Ping	VP	M	53	2021-04-28	2024-04-27	181,800	222,400	40,600	purchase shares on secondary market	154.78	No
Liu Yunxia	VP	F	55	2021-04-28	2024-04-27	216,960	269,160	52,200	purchase shares on secondary market	148.98	No
Mei Xiangfu	VP	M	51	2021-04-28	2024-04-27	184,040	221,840	37,800	purchase shares on secondary market	156.76	No
Yuan Dezu	VP	M	60	2021-04-28	2024-04-27	167,220	196,120	28,900	purchase shares on secondary market	150.14	No
Yang Hongbing	VP	M	51	2021-04-28	2024-04-27	311,664	364,264	52,600	purchase shares on secondary market	149.55	No
Xu Gang	VP	M	45	2021-04-28	2024-04-27	139,800	227,600	87,800	purchase shares on secondary market	141.98	No
Chen Qian	VP & Chief Financial Officer	M	45	2021-04-28	2024-04-27	71,500	116,300	44,800	purchase shares on secondary market	131.20	No
Ye Jiaxing	VP & Secretary to the Board	M	42	2021-04-28	2024-04-27	112,025	157,125	45,100	purchase shares on secondary market	121.98	No
Wang Jiajun	VP	M	43	2021-04-28	2024-04-27	58,900	121,800	62,900	purchase shares on secondary market	123.20	No
Total	/	/	/	/	/	<u>3,203,100</u>	<u>4,038,100</u>	<u>835,000</u>	/	<u>2,701.64</u>	/

Notes:

1. Mr. Martin Kriegner was appointed as non-executive Director on 9 January 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Main work experience
Xu Yongmo	<p>Mr. Xu Yongmo, born in April 1956, Master of Engineering, and obtained Doctor and Post Doctorate in the United Kingdom. 1982–1983, Mr. Xu worked as the assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant. From 1986 to 1988, he served as the head of RMX laboratory of Concrete and Housing Building Materials Institute of China Building Materials Academy; From 1988 to 1991, he served as the vice director of Technical Information Centre of China Building Materials Academy, From 1998 to 2002, he served as vice president of China Building Materials Academy. From April 2002 to April 2017, he served as vice president of China Building Materials Federation. From June 2006 to December 2016, he served as president of China Concrete & Cement Product Association. From December 2016 to July 2022, he served as the executive president of China Concrete & Cement Product Association. From March 2007 to July 2022, he served as the director-general of China Construction Units Association. From October 2007 to July 2019, he served as the VP of China Cement Association. From December 2011 to March 2019, he served as the director-general of China Silicate Association. He became an independent director of Jiangsu Sobute New Materials Co., Ltd (a company listed on SSE, stock code 603916) since April 2021. He served as the honorary president of China Concrete & Cement Product Association since June 2023. He became the Independent Director of the Company from April 2009 to March 2012. He has been the Chairman of the Company in April 2012.</p>
Li Yeqing	<p>Mr. Li Yeqing, born in February 1964, Doctor, senior engineer (professor level). He is currently the Chief Executive officer and Executive Director of the Company, chief engineer, chief specialist and executive chairman of the Specialist Committee of China Building Materials Federation. In July 1984, he graduated from Wuhan Institute of Building Materials with a bachelor's degree in engineering, majoring in silicate, and with a master's degree in engineering majoring in industrial management, and from Huazhong University of Science and Technology with a doctor's degree in management, majoring in management science and engineering. From July 1984 to October 1987, served as a teacher in Wuhan University of Technology Silicon Engineering Department, and a deputy secretary of the Youth League Committee. He joined Huaxin Cement Plant (predecessor of the Company) in November 1987, served as a quality control engineer of Central Lab, vice manager of Limestone Quarry, vice director of Extension Office and manager of production technology, and promoted as the vice manager of Huaxin Cement Plant in January 1993 He became Deputy General Manager of the Company in June 1994, General Manager of the Company and chief engineer since December 1999 (renamed as chief executive officer in March 2004). He served as a Director of the Company since 1994. He served as the Chairman of Oman Cement Company since April 2023. He has also been the Vice Chairman of China Building Materials Federation since March 2009 and Vice Chairman of China Cement Association since May 2000. He also served as the Chairman of Hubei Building Materials Federation since January 2014. Also, he has been serving as the Executive Vice Chairman of the Sixth Council of China Building Materials Federation since October 2020.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Liu Fengshan	<p>Mr. Liu Fengshan, born in November 1965, obtained master’s degree in public administrations from Nanyang Technological University in Singapore. Mr. Liu graduated from Kunming Institute of Technology with a bachelor’s degree in engineering, majoring in mineral processing in July 1987. From 1987 to August 1998, he served as technician of Chimashan Quarry, workshop manager, deputy quarry manager, quarry manager, and secretary of the party committee of Daye Nonferrous Metals Group. From August 1998 to August 1999, he served as a quarry manager of Tonglushan Quarry and secretary of the party committee of Daye Nonferrous Metals Group. From August 1999 to January 2002, he was the deputy secretary of the party committee and secretary to disciplinary committee of Daye Nonferrous Metals Group. From January 2002 to April 2004, he served as the deputy secretary of the Discipline Inspection Commission of Huangshi City. From April 2004 to October 2006, he served as the deputy secretary of the Daye Municipal Party Committee and the mayor of Daye City. From October 2006 to November 2006, he served as the deputy secretary-general of Huangshi Municipal Party Committee. From November 2006 to September 2011, he served as director-general and secretary of Leading Party Group of Bureau of Civil Affairs of Huangshi City. Since September 2011, he served as the Chairman and General Manager of Huaxin Group Co., Ltd., as well as deputy secretary the party committee of both Huaxin Group Co., Ltd. and Huaxin Cement Co., Ltd. He became a Director of the Company in April 2012. He has been the vice president of the Company since June 2012.</p>
Martin Kriegner	<p>Austrian national born in 1961, Mr. Kriegner was appointed as Head of Asia Pacific and member of the Group Executive Committee of Holcim in August 2016. Since October 2022 he is the Region Head for Asia, Middle East & Africa. Mr. Kriegner joined the Group in 1990 and has held various senior leadership roles within Europe and Asia. He moved to India as CEO 2002 and later served as Regional President Cement for Asia, based in Kuala Lumpur. In 2012, he was appointed CEO for Cement, RMX and Aggregates in India. In July 2015 he became the company’s Area Manager Central Europe. Mr. Kriegner has a long association with the Company. He already served as director of the Company from April 2017 to April 2018. He was again appointed as a director of the Company in January 2023. Mr. Martin Kriegner today is a member of the board of directors of LafargeHolcim Bangladesh Ltd listed on the Chittagong Stock Exchange and the Dhaka Stock Exchange (Bangladesh) and LafargeHolcim Maroc S.A. listed on the Casablanca Stock Exchange (Morocco). Mr. Kriegner is a graduate of Vienna University and holds a Doctorate in Law. He also obtained an MBA at the University of Economics in Vienna.</p>
Lo Chi Kong	<p>Mr. Lo Chi Kong, born in July 1963, graduated from National Taiwan University with a bachelor’s degree in business administration and Purdue University with a master’s degree of Science in Management. He is a U.S. certified public accountant since October 1989. He served as the president of Sika Group in China from October 2005 to February 2009 and served as the head of APAC business development as well as the co-head of Corporate and M&A department in Sika Group from March 2009 to March 2018. He joined Holcim Group as the head of Great China in October 2018. He became a Director of the Company in December 2018.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Tan Then Hwee	<p>Ms. Tan Then Hwee, Singaporean, born in December 1972, graduated from Wichita State University in the United States of America with a Master of Business Administration and a Bachelor of Business Administration. She has accumulated over 20 years of experience in human resources management within the Asia-Pacific region, with experience in leadership development, talent and succession management, employee engagement and remuneration management. From November 2000 to June 2006, she worked at Philips (a company listed on the Euronext Amsterdam, stock code: PHIA) in Hong Kong, with her last position being the human resources senior manager. From June 2006 to February 2007, she was a human resources senior manager at TPO Displays Hong Kong Limited, a company spun-off from Philips in 2016. Between April 2007 and March 2019, she served as the human resources vice president of the Asia-Pacific region of Sika Group in Singapore. She joined Holcim in March 2019 and is currently the Group Head of Learning and Development. Since January 2023, Ms. Tan has assumed the role of the Head of HR for Holcim Asia Pacific. She served as a non-independent director and member of the compliance committee of Ambuja Cements Limited (a company listed on the National Stock Exchange of India, stock code: AMBUJACEM) from February 2019 to September 2022 and a director as well as a member of the audit committee of Holcim Philippines, Inc (a company listed on the Philippine Stock Exchange, stock code: HLCM) since September 2020. She has been a Director of the Company since September 2020.</p>
Wong Kun Kau	<p>Mr. Wong Kun Kau, born in 1960, graduated from the University of Hong Kong with a bachelor's degree in social science. Mr. Wong Kun Kau has over 28 years of experience in investment banking and corporate finance. He is the founder and has served as a director of Bull Capital Partners Ltd. which is incorporated in the Cayman Islands since July 2007. Before founding Bull Capital Partners Ltd., he worked as the head of BNP Paribas Capital (Asia Pacific) Limited of Investment Banking – Asia. Before that, he worked with Wardley Investment Services Ltd., Bank America Trust Co., (HK) Ltd., Nomura International (HK) Ltd., and Samuel Montagu & Co., Ltd. He has been an independent non-executive director of REF Holdings Limited (a company listed on SEHK, stock code: 1631) since August 2015. He has been an Independent Director of the Company since April 2021.</p>
Zhang Jiping	<p>Mr. Zhang Jiping, born in November 1968, obtained a bachelor's degree and Master's degree in international law from the University of International Business and Economics in Beijing and a master's degree from New York University School of Law. He worked at the Legal Department of China Securities Regulatory Commission as a staff attorney from 1993 to 1996. He worked at Simpson Thacher & Bartlett LLP in its New York and Hong Kong offices from 1997 to 2003. He joined Haiwen & Partners in February 2004 and is now a managing partner since May 2014. He has over 25 years of legal experience, and his practice primarily focuses on the FDI, M&A, and capital markets areas. He has been a Director of the Company since April 2021.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Jiang Hong	<p>Mr. Jiang Hong, born in March 1970, obtained bachelor's degree in finance in economics from Finance and Economics Department of Xiamen University, a certified public accountant in the PRC, currently working as an off-campus instructor for graduate students at Shanghai University of Finance and Economics. He used to be a representative of the 15th Shanghai People's Congress and a member of the 12th Standing Committee of the Jing'an District CPPCC. From August 1992 to June 2006, he worked with the MOF Commissioners Office in Shanghai. From June 2000 to October 2015, he worked as chief financial officer, chief taxation officer, and chief governmental affairs officer at Philips (China) Investment Co., Ltd. From October 2015 to December 2021, he has been serving as the vice chairman of Shanghai Intellectuals Association Foreign Business Branch, chairman of Jing'an District Intellectuals Association, and in charge of O2Change startup incubator and incubation funds jointly created by over ten multinational corporations. He has been an independent director of Wonders Information Co., Ltd. since July 2023. He has been an independent director of the Company since April 2021.</p>
Ming Jinhua	<p>Mr. Ming Jinhua, born in September 1972, MBA, Accountant, senior economist. He graduated from Hubei Engineering Institute with a bachelor's degree majoring in machinery manufacturing in July 1994. He graduated from the Huazhong University of Science and Technology with a master's degree of business administration in June 2003. From August 1994 to June 1998, he served as a loan officer of Huangshi Branch, Bank of China. From June 1998 to October 2006, he served as a member, senior staff member, director, and deputy director of the Second Office of Discipline Inspection and Supervision Division of Supervision Bureau of Huangshi Municipal Commission for Discipline Inspection. From October 2006 to September 2010, he served as a member of the party group of Tieshan District Government and deputy head of Tieshan District, Huangshi City. From September 2010 to September 2011, he served as a member of the party group and deputy director of Huangshi Commerce Bureau (Investment Promotion Bureau). From September 2011 to February 2014, he served as the Standing Committee member and Secretary to the Commission for Discipline Inspection of Xisaishan District, Huangshi City. From February 2014 to September 2016, he served as the deputy secretary of the party committee, deputy director-general, secretary of the party committee and director general of Huangshi MBEC, chairman of Huangshi Yangtze River Bridge Operation Co., Ltd., and secretary of the party committee and chairman of Huangshi Transportation Investment Group Co., Ltd. From September to December 2016, he served as the deputy secretary of Yangxin County party committee, secretary of the party group of Yangxin County Government, and acting head of the County. From December 2016 to July 2021, he served as deputy secretary of Yangxin County party committee, secretary of the party group of the County government, and head of the County. From July 2021, he served as a deputy secretary of the party committee and secretary to Commission for Discipline Inspection of the Company and Huaxin Group. From August 2021, he serves as the chairman of the Board of Supervisors of the Company and chairman of the labor union of the Company and Huaxin Group.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Zhang Lin	<p>Mr. Zhang Lin, born in September 1972, MBA, registered certified public accountant. He graduated from Hangzhou Business School, Zhejiang Business Administration University, with a bachelor's degree majoring in accounting in June 1995; graduated from Huazhong University of Science and Technology, with a master's degree in business administration, majoring in business administration in December 2002. He joined the Company in July 1995, he has served as the Company's accountant, chief of plan and finance department of Xiantao Company and Yichang, financial manager of Zhaotong Company, member of HARP project, vice manager of ERP Department, head of internal control department, financial director of overseas division, chief of internal audit and internal control department, and director of internal audit. He served as a Supervisor from April 2012 to April 2015. He became a (Assistant Vice President) Director of the internal audit and internal control department of the Company in August 2019. He was appointed as Supervisor in March 2017.</p>
Yang Xiaobing	<p>Mr. Yang Xiaobing, born in July 1970, bachelor's degree, human resources professional. He joined the Company in March 1992, he has served as an investigator of the planning & development department; deputy chief and chief of the business administration division of the corporate office; chief of the human resources development of Huaxin Golden Cat Company, human resources manager of the Company, professional assistant deputy director of Southwest division, the chief of the labor union office. He currently serves as the vice-chairman of the labor union. He was appointed as a Supervisor in April 2013.</p>
Zhu Yaping	<p>Mr. Zhu Yaping, born in September 1968, master's degree and senior engineer. He joined the Company in July 1989. He has served as the electrical engineer of the Company, deputy factory director of dry processing plant, deputy general manager of equipment and executive general manager of Huaxin Cement (Yangxin) Co., Ltd., head of the maintenance department and general manager of the maintenance department, deputy director of the cement business department and the responsible person for the cement industry of the Company, he is now the deputy general manager of Overseas Region and country manager of Oman. He served as a Supervisor from April 2021.</p>
Liu Weisheng	<p>Mr. Liu Weisheng, born in May 1972, obtained bachelor's degree of laws, and master's degree in western economies, senior economist. He joined the Company in July 1991. He has served as the business section chief of the sales department, marketing manager, assistant general manager of sales company, deputy general manager (marketing) of Southwest division, deputy director of the CEO's office, director of communication and public affairs, director of the CEO's office (supervision office), the head of the Talent Development of the Human Resources Development. He is now the director of Human Resources Department, general manager of Huaxin Cement Technology Management (Wuhan) Co., Ltd. and general manager of Huaxin (Hainan) Investment Co., Ltd. He served as a Supervisor from April 2021.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Ke Youliang	<p>Mr. Ke Youliang, born in April 1965, Doctor of Management, Senior Economist. He graduated from Huangshi Technical School Hubei Province in July 1985, and graduated from Zhongnan University of Economics in 1994 majoring in industry and corporate administration, graduated from Wuhan University of Technology and obtained master's degree in economics in June 2001, majoring in industrial economics, graduated from Wuhan University of Technology with a doctor's degree of in Management, majoring in management science and engineering in 2007. Mr. Ke Youliang joined Huaxin Cement Plant in 1985 and was an assistant manager of investment department, manager of engineering administration department, vice manager of comprehensive administration department of engineering division, and manager of planning and development department. He successively served as assistant general manager of the Company, manager of planning and development department, general manager of Western business department and general manager of AGG & wall materials business department from November 2001. From April 2003 to March 2004, he served as the deputy general manager of the Company. He became a vice president of the Company in March 2004.</p>
Du Ping	<p>Mr. Du Ping, born in August 1970, Master of Management. In 1993, he graduated from Zhongnan University of Economics with a bachelor's degree in investment Principles. In 2003, he graduated from Zhongnan University of Economics and Law, majored in Enterprise Management, and got a Master's Degree of Management. He joined Huaxin Cement Co., Ltd in July 1993 and successively took positions in Investment and Development Department, Advisory Department and Technical Centre, Planning and Development Department and then he served as assistant to the Manager and Vice Manager of Planning and Development Department. From January 2003 to January 2011, he successively took positions of executive deputy general manager and general manager in Huaxin Cement (Tibet) Co., Ltd., GM of Tabei Gaoxin Building Materials Group, Administration Manager of Southwest Region of Huaxin. In September 2012, he was selected in the "123 Key Talent Program of Hubei Province" (first batch). Since February 2011, he successively served as general manager of Hubei East Cement Business Unit, general manager of Yunnan Business Unit, and general manager of Central Business Unit. Now he is also a member of the Hubei Youth Federation. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Liu Yunxia	<p>Ms. Liu Yunxia, born in September 1968, MBA, Senior Engineer. In 1989, she graduated from Wuhan University of Technology, majored in the cement of silicate engineering, with Bachelor's Degree of Engineering. In 2006, she graduated from Wuhan University of Technology and got an MBA degree. She joined the Huaxin Cement Plant (predecessor of the Company in July 1989 and was a teacher of technology in the Huaxin Secondary Technical School. From February 1993 to January 2000, she was an engineer in the Engineering Department. From January 2000 to June 2012, she successively took the positions of vice manager and manager of the Development Department, and the GM of Tajikistan Plant. Since July 2012, she successively served as vice director of the Strategy and Development Center of the Company, GM of the Hong Kong Investment Company, GM of Oversea Business Unit, Head of Marketing & Procurement Businesses, and Head of Procurement Logistics and Oversea Trade Business. From July 2012 to January 2016, she was AVP of the Company. She became VP of the Company in January 2016.</p>
Mei Xiangfu	<p>Mr. Mei Xiangfu, born in July 1972, Master of Engineering and MBA. He graduated from Nanchang Institute of Aeronautical Technology, majoring in Machine Manufacturing Processes and Equipment, and got a Bachelor's Degree of Engineering in 1994. In 2002, he graduated from Wuhan University of Technology, majored in Mechanical and Electrical Engineering, and got a Master's Degree of Engineering. In 2011, he graduated from Huazhong University of Science and Technology and got MBA Degree. He joined Huaxin Cement Co., Ltd. in 1994, and took the positions of technician, vice manager of Equipment and Power Department, DGM of Yangxin Company, DGM and GM of Wuxue Company, GM of Southeast Region, GM of Zhuzhou Company, GM of Maintenance Company. Since February 2011, he successively served as GM of Hunan and Guangdong Cement Business Unit, Head of the Growth and Innovation Business and Head of Operation and Cost Business, GM of New Business Unit, and GM of East Business Unit. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>
Yuan Dezu	<p>Mr. Yuan Dezu, born in September 1963, bachelor. In 1986, he graduated from Central TV University Huaxin Branch Campus, junior college education majored in Industrial Accounting. In 1997, he graduated from Hubei Communist Party School, majored in Enterprise Management, and got a Bachelor's Degree of Management. From 1998 to 2000, he had a correspondence course in the Party School of Central Committee of the Communist Party. In July 1981, He joined Huaxin Cement Plant (predecessor of the Company), and successively took the positions of the planner in the Sales Department, deputy chief of Administration Section of Sales Department, vice manager of Sales Management Department, manager of Logistics Department, DGM of Sales Company, Marketing GM of Hubei East Region, Marketing Director of Hubei East Region. From February 2011, he successively served as GM of Hubei Northwest Cement Business Unit, GM of Hubei West Business Unit, Head of Marketing, and GM of Western Region. He is now the Executive Vice Chairman and Secretary-General of the Hubei Cement Association. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Yang Hongbing	<p>Mr. Yang Hongbing, born in September 1972, Bachelor of Engineering, Master of Administration. In 1995, he graduated from the School of Mechanics of Huazhong University of Science and Technology majoring in Forging and Pressing. From 2015 to 2018, he studied at the School of Management, Huazhong University of Science and Technology. He joined Huaxin Cement Co., Ltd. in 1995. He successively took the positions of the engineer in Mechanics and Power Department, chief engineer in Dry Processing plant, assistant of the General Manager in Yichang Company, Deputy General Manager in Yichang Company and Project Manager for the phase II construction, Executive General Manager of Yichang Company, Executive General Manager of Zigui Company, Regional Production Director in Hubei West, General Manager of Hubei West Region. Since February 2011, he successively served as General Manager of Hubei Southwest Cement Business Unit, Chairman and General Manager of Huaxin Environmental Engineering Co., Ltd., and Director of Cement Business Unit of the Company. From February 2011 to January 2016, he was AVP of the Company. He became VP of the Company in January 2016.</p>
Xu Gang	<p>Mr. Xu Gang, born in March 1978, Master of Business Administration of Tsinghua University. He graduated from Safety Engineering major of China University of Geosciences in July 2000 and got the Bachelor's Degree of Engineering. In the meantime, he majored in Financial Management at Huazhong University of Science and Technology and got a Bachelor's Degree. From 2000 to May 2005, he successively took the positions of Safety Engineer, Safety Manager and Technique Manager in Beijing Xingfa Cement Company Ltd. and Beijing Shunfa Cement Company Ltd. From May 2005 to May 2009, he successively took the positions of Integration Manager of Lafarge Shui On Cement China Region Merger & Acquisition Project, Project Manager of Organization Structure Optimization and Strategic Manager of China region. From May 2009 to December 2015, he served as Lafarge's Marketing Director of Guizhou, Commercial Director of Chongqing, and Sales Director of Yunnan. From December 2015 to April 2016, he took the position of Marketing Director of Yunnan BU of Huaxin Cement. Since April 2016, he successively served as Head of Growth & Innovation, Head of Strategy Development & Procurement Businesses, and GM of Oversea Business Unit. From April 2016 to April 2018, he was AVP of the Company. From April 2018, he became VP of the Company.</p>
Chen Qian	<p>Mr. Chen Qian, born in September 1978, Master of Business Administration, Chinese Certified Public Accountant, Fellow Member of Chartered Global Management Accountant. He graduated from Fudan University with a Bachelor's Degree in World Economics in June 2001; in June 2008, he graduated from the Anderson School of Business in the United States with a Master's Degree in Business Administration. He started to work in 2001 and joined the Company in 2020. Before joining the Company, he successively acted as Senior Auditor of PricewaterhouseCoopers, Senior Consultant of Monitor Consulting Group, Chief Financial Officer of Sika Group China, Chief Financial Officer of IMI Critical Engineering Greater China and Korea, Chief Financial Officer of CIF Bureau Veritas China, and Chief Financial Officer of Terminix Group China. From May 2020 to April 2021, he served as the Deputy Chief Financial Officer of the Company. From April 2021, he became Vice President and Chief Financial Officer (CFO) of the Company.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experience
Ye Jiaying	<p>Mr. Ye Jiaying, born in August 1981, Bachelor of Laws in Wuhan University of Science and Technology, Master of Business Administration of China University of Political Science and Law. He started to work in 2005. Main working experience: Legal Commissioner of Shougang Group Mining Investment Company, Legal Manager and Office Director of Philippines Company of Shougang Group Mining Investment Company, Head of Investment Legal Department of Shougang Group Mining Investment Company, Capital Operation Manager of Capital Operation Department of China Aluminum Corporation, General Manager of the Legal Department of China Huaxin Post and Telecommunications Economic Development Centre, General Manager of the Legal Affairs Centre of Lianjia Group (Beijing). Since May 2017, he successively served as the Legal Affairs Director and the Chief of Legal Compliance & Securities and Investor Relations Business of Huaxin Cement Co., Ltd; and he concurrently held the post of Secretary of Chinese Communist Youth League. From August 2019 to April 2021, he was AVP of the Company. From April 2021, he became VP and Secretary to the Board of Directors of the Company.</p>
Wang Jiajun	<p>Mr. Wang Jiajun, born in December 1980, master, senior engineer. In 2003, he graduated from Wuhan University of Technology majoring in non-organic non-metal materials with a Bachelor's Degree of Engineering. In 2012, he graduated with a Master's Degree of Engineering in material engineering major from Wuhan University of Technology. From June 2003 to June 2006, he worked as a process design engineer in Wuhan Building Materials Industry Design and Research Institute. He joined Huaxin in June 2006 and successively served as Manager of the Process Department, Manager of Engineering Department, Head of Environmental Protection Technology Department, Operation & R & D Director, and General Manager of Environmental Protection Department. Since February 2021, he has served as General Manager of Environmental Engineering BU and General Manager of New Materials BU. From August 2019 to April 2021, he was AVP of the Company. From April 2021, he became VP of the Company.</p>

Note: 17 senior management and supervisors received a total of RMB13.3738 million (before tax) 2022 performance-linked bonus. Li Yeqing received RMB1.9896 million, Liu Fengshan received RMB0.9 million, Ming Jinhua received RMB0.861 million, Zhang Lin received RMB0.4896 million, Yang Xiaobing received RMB49.2 thousand, Liu Weisheng received RMB83.2 thousand, Zhu Yaping received RMB124.8 thousand.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

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

Description Chairman Xu Yongmo, independent directors Wong Kun Kau, Zhang Jiping, Jiang Hong, directors Martin Kriegner, Chi Kong Lo, Tan Then Hwee occupy positions in other companies, please see the above for their resumes.

2. REMUNERATION FOR THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

Decision procedure of the remuneration	The Remuneration and Assessment Committee of the Board of Directors proposes that the Board of Directors to discuss and decide the remuneration of senior management personnel; the annual remuneration involving directors and supervisors shall be submitted to the general meeting of shareholders for approval.
Basis of determining the remuneration	On 9 June 2023, the 25th Meeting of the Tenth Board of Directors approved the Proposal in Respect of 2022 Short-term Incentives for the Senior Management, 2023 KPI Assessment Plan for Top Management, Proposal on the Result of Share Granting of 2020–2022 Core Employees Stock Ownership Plan, specifying the short term incentive of 2022 of senior management, 2023 base salary and short term KPI assessment plan, grant result of 2020–2022 Core Employees Stock Ownership Plan. On 20 July, 2023, the 3rd Extraordinary Shareholders' General Meeting approved the Proposal on 2023–2025 Core Employees Stock Ownership Plan (draft); on the same day, the 27th Meeting of the Tenth Board of Directors approved Proposal on the Phase I (2023) Core Employee Stock Ownership Plan Under 2023–2025 Core Employee Stock Ownership Plan of the Company, specifying the first phase of the Core Employee Stock Ownership Plan.
Actually paid remuneration	During the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB40.391 million.
Actually paid remuneration at the end of the period	As at the end of the Reporting Period, the remuneration for directors, supervisors and senior management before tax was RMB40.391 million.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

3. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason
Martin Kriegner	Director	Appointed	—

There was no change in the information of the other Directors, Supervisors and senior management of the Company which are required to be disclosed in accordance with Rule 13.51B (1) of the HKEX Listing Rules.

4. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

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

During the Reporting Period and up to the date of this report, there has been no permitted indemnity provisions benefit the directors of the Company (including former directors) or any directors (including former directors) of the Company's affiliated companies.

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

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2023, none of the Directors nor their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

7. EMPLOYEE OF THE COMPANY AND MAJOR SUBSIDIARIES

The number of employees in the Company	903
The number of employees in major subsidiaries	19,901
Total number of employees	20,804
Retired or to be retired employees whose expenses are borne by the Company or major subsidiaries	4,185

Employee function	
Category	Number
Production	7,735
Sales	1,367
Technology	7,743
Financial	868
Administrative	3,091
	<hr/>
Total	20,804
	<hr/> <hr/>

Education	
Education	Number
Master or above	585
Bachelor	3,920
College	5,508
Others	10,791
	<hr/>
Total	20,804
	<hr/> <hr/>

As of 31 December 2023, there were 20,804 employees on the Group's payroll, among which 16,687 employees were male and 4,117 employees were female. The Company actively attract excellent talents, and strive to form a diversified and inclusion work environment to realize reasonable spread of gender, age and geographic of employees.

8. REMUNERATION POLICY

The Group adopts a comprehensive remuneration system to incentivize the employees to achieve the development goals of the Group and individual. Through the assessment of total remuneration package, the Company sets different KPI for different business units, by linking their performance with remuneration, so the employees can enjoy the rise of performance and are motivated.

9. ENDOWMENT INSURANCE FUND

For details of the endowment insurance fund, see Note VII (25) to the Financial Reports prepared in accordance with China Accounting Standards. The endowment insurance fund recorded in the profit and loss account of the Group for the year ended 31 December 2023 was RMB250 million.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

10. STAFF HOUSING

According to the relevant regulations of the PRC government, the Group shall pay contributions of the housing provident fund based on a certain percentage of employees' salaries. Saved for the above, the Group has no other accommodation related liabilities. For the year ended 31 December 2023, the total amount of housing provident fund paid by the Group was about RMB150 million.

11. TRAINING PLAN

In 2023, the Company upgraded the online learning platform "Huaxin Academy", providing bilingual learning environment for Chinese and foreign employees; fully tap internal resources to provide diversified and differentiated trainings to different employees in the management, technology, purchase, marketing, finance, human resources and safety, totaling at 8,885 trainings; actively help employees obtain qualifications to meet the qualification of company business.

12. LABOR OUTSOURCING

Unit: RMB

Total payment for labor outsourcing	346,481,774
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13. EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES

(1) 2020–2022 Core Employee Stock Ownership Plan (2020–2022 ESOP)

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

The 2020–2022 ESOP includes Plan A and Plan B. Plan A is a long-term incentive plan related to the Company's annual performance assessment, and Plan B is a long-term incentive plan linked to the Company's milestone performance assessment. The total capital of the plan didn't exceed RMB610 million, of which the total capital of Plan A didn't exceed RMB210 million, and the total capital of Plan B didn't exceed RMB400 million. The stocks applicable to this plan are all the A-shares of the Company repurchased with the Company's special account for repurchase.

On 9 June 2023, the 25th Meeting of the Tenth Board of Directors approved Proposal on the Granting Result of 2020–2022 ESOP and Proposal on the Partial Repurchase and Cancellation of Shares in the 2020–2022 ESOP, specifying granting result and request the shareholders' general meeting to authorize the Board and authorized person to handle the repurchase and cancel unvested shares due to failure in achieving performance target and the capital reduction.

On 20 July 2023, the Third Extraordinary General Meeting in 2023, the First A Share Class Meeting in 2023 and the First H Share Class Meeting in 2023 were held respectively to approve the Proposal on the Partial Repurchase and Cancellation of Shares in the 2020–2022 ESOP and Proposal on Requesting the Shareholders' General Meeting to Authorize the Board and its Authorized Person to Handle Related Matters of the 2020–2022 ESOP.

On 28 August 2023, the Company finished cancelling the unvested shares due to failure in achieving performance target.

On 28 October 2023, the first lock-up period of the 2020–2022 ESOP expired.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The details of the shares granted and to be granted according to the 2020–2022 ESOP are set out as followed:

Unit: share

Name of Participant	Position	As at	Granted	Vested within	Invalid within	Cancelled within	As at	Grant date ³	Fair value as at the	
		1 January 2023	within the year	the year ¹	the year	the year ²	31 December 2023		grant date (RMB)	Vested period
Li Yeqing	Executive director & CEO	164,223	0	67,134	66,554	105,768	97,669	2020.10.29	24.18	2023.10.29–2025.10.29
		1,488,095	0	0	1,488,095	1,488,095	0	2020.10.29	24.18	2024.10.29
Liu Fengshan	Executive director	40,000	0	40,000	0	0	40,000	2021.5.27	22.61	2023.10.29
		76,195	0	30,937	30,704	48,259	45,491	2020.10.29	24.18	2023.10.29–2025.10.29
Ming Jinhua	Chairman of the Board of Supervisors	241,815	0	0	241,815	241,815	0	2020.10.29	24.18	2024.10.29
		18,433	0	18,433	0	0	18,433	2021.5.27	22.61	2023.10.29
Zhang Lin	Supervisor	36,071	0	0	31,250	31,250	4,821	2022.5.31	19.83	2024.10.29–2025.05.31
		31,704	0	11,859	11,936	16,169	19,768	2020.10.29	24.18	2023.10.29–2025.10.29
Yang Xiaobing	Supervisor	186,011	0	0	186,011	186,011	0	2020.10.29	24.18	2024.10.29
		7,066	0	7,066	0	0	7,066	2021.5.27	22.61	2023.10.29
Zhu Yaping	Supervisor	6,140	0	2,475	2,459	3,819	3,681	2020.10.29	24.18	2023.10.29–2025.10.29
		24,925	0	0	24,925	24,925	0	2020.10.29	24.18	2024.10.29
Liu Weisheng	Supervisor	1,474	0	1,474	0	0	1,474	2021.5.27	22.61	2023.10.29
		26,630	0	10,827	10,744	16,926	15,886	2020.10.29	24.18	2023.10.29–2025.10.29
Others	Other core employees	48,363	0	0	48,363	48,363	0	2020.10.29	24.18	2024.10.29
		6,451	0	6,451	0	0	6,451	2021.5.27	22.61	2023.10.29
		9,550	0	3,699	3,701	5,363	5,849	2020.10.29	24.18	2023.10.29–2025.10.29
		48,363	0	0	48,363	48,363	0	2020.10.29	24.18	2024.10.29
		2,647	0	2,647	0	0	2,647	2021.5.27	22.61	2023.10.29
		3,801,027	0	1,408,565	1,643,080	2,376,671	2,157,947	2020.10.29	24.18	2023.10.29–2025.10.29
		12,843,037	0	0	12,843,037	12,843,037	0	2020.10.29	24.18	2024.10.29
		985,589	0	985,589	0	0	985,589	2021.5.27	22.61	2023.10.29
		99,668	0	0	77,285	77,285	22,383	2021.5.27	22.61	2024.5.27–2025.5.27
		0	42,087	0	42,087	42,087	0	2022.5.31	19.83	2025.5.31

Notes:

- Vested within the year is the number of shares unlockable after the expiration of the first lock-up period for 2020–2022 ESOP on 28 October 2023.
- Cancelled within the year includes the number of shares invalid in 2022 and canceled together with the shares invalid in 2023.
- The date of grant is the announcement date of the non-trading transfer of the underlying shares from the special securities account for repurchase to the special securities account of 2020–2022 ESOP.
- On the trading day immediately before 29 October 2020 (the grant date), the closing price of A share was RMB23.65; On the trading day immediately before 27 May 2021 (the grant date), the closing price of A share was RMB22.68; On the trading day immediately before 31 May 2022 (the grant date), the closing price of A share was RMB19.51.
- The weighted average closing price of A share on the trading day immediately before 29 October 2023 (the vest date) was RMB14.56.
- The accounting standards and policies to estimate the fair value of the shares in the 2020–2022 ESOP are set out in the Note XII in the of the financial statements prepared in accordance with the PRC Accounting Standards.

The maximum number of shares can be granted for each of the executive directors and the supervisors listed in the table above under the 2020–2022 ESOP will not exceed the total number of shares he/she has already been granted; and the number of shares for any other core employee can be granted will not exceed 70,463.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The 2020–2022 ESOP was approved in the 2nd Extraordinary Shareholders' General Meeting 2020 on 25 September 2020. The term of the 2020–2022 ESOP (including Plan A and Plan B) is 72 months commencing from the month when granted (i.e. from 29 October 2020 to 28 October 2026). The 2020–2022 ESOP terminates upon the expiration of the term or can be extended with the approval by the Board of Directors as proposed by the Administration Committee of the 2020–2022 ESOP.

(2) 2023–2025 Core Employee Stock Ownership Plan (2023–2025 ESOP)

On 30 June 2023, the 26th Meeting of the Tenth Board of Directors approved the Proposal on the 2023–2025 ESOP (draft) and its Summary and related proposals of the plan and submitted them to shareholders' general meeting for review.

On 20 July 2023, the 3rd Extraordinary Shareholders' General Meeting approved the Proposal on the 2023–2025 ESOP (draft), Proposal on the Administration Measures of 2023–2025 ESOP and Proposal to Shareholders' General Meeting to Authorize the Board of Directors to Handle Matters Related to the ESOP.

This 2023–2025 ESOP shall be implemented in three phases. During the 3 years from 2023 to 2025, an independent employee stock ownership sub-plan shall be developed for each year respectively. The total amount of funds used in 3 phases of this 2023–2025 ESOP will not exceed RMB223.5 million. The stocks under the 2023–2025 ESOP are sourced from the A shares of Huaxin Cement that have been repurchased by the Company through its special repurchase account and the stocks purchased (through, among others, block trading and centralized bidding) on the secondary market.

On the same day, the 27th Meeting of the Tenth Board of Directors approved Proposal on the Phase I (2023) ESOP Under 2023–2025 ESOP of the Company, specifying relevant contents of the first phase of the plan.

On 31 August 2023, non-trading transfer of shares of the first phase of the 2023 ESOP was completed.

On 27 September 2023, share purchase of the first phase of the 2023 ESOP was completed.

On 28 December 2023, the First Holders' Meeting of the Phase I (2023) ESOP Under 2023–2025 ESOP of Huaxin Cement Co., Ltd approved Proposal on Setting up the Administration Committee of the Phase I (2023) ESOP Under 2023–2025 ESOP, Proposal on Electing the Members of the Administration Committee of the Phase I (2023) ESOP Under 2023–2025 ESOP, Proposal on Authorizing the Administration Committee to Handle Related Matters of the Phase I (2023) ESOP Under 2023–2025 ESOP.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The details of the shares granted and to be granted according to the Phase I (2023) ESOP Under 2023–2025 ESOP are set out as followed:

Unit: share

Name of Participant	Position	As at	Granted	Vested within the year	Invalid within the year	Cancelled within the year	As at	Grant date	Fair value as at the grant date (RMB)	Vested period
		1 January 2023	within the year				31 December 2023			
Li Yeqing	Executive director & CEO	0	119,690	0	0	0	119,690			
Liu Fengshan	Executive director	0	55,156	0	0	0	55,156			
Ming Jinhua	Chairman of the Board of Supervisors	0	51,479	0	0	0	51,479			
Zhang Lin	Supervisor	0	30,336	0	0	0	30,336	2023.9.28	14.97	2024.9.28-
Yang Xiaobing	Supervisor	0	4,633	0	0	0	4,633			2026.9.28
Zhu Yaping	Supervisor	0	21,658	0	0	0	21,658			
Liu Weisheng	Supervisor	0	7,943	0	0	0	7,943			
Others	Other core employees	0	2,626,681	0	0	0	2,626,681			

Notes:

1. The grant date is the announcement date on completion of share purchase under this ESOP;
2. On the trading day immediately before 28 September 2023 (the grant date), the closing price of A share was RMB14.87.
3. The accounting standards and policies to estimate the fair value of the shares in the 2023–2025 ESOP are set out in the Note XII in the of the financial statements prepared in accordance with the PRC Accounting Standards

The maximum number of shares can be granted for each of the executive directors and the supervisors listed in the table above under the Phase I (2023) ESOP will not exceed the total number of shares he/she has already been granted; and the number of shares for any other core employee can be granted will not exceed 58,833.

The Phase I (2023) ESOP shall be valid for up to 60 months from the day when the Company makes an announcement that the last portion of shares to be transferred to the Phase I (2023) ESOP are transferred (i.e. from 28 September 2023 to 27 September 2028). The Phase I (2023) ESOP shall be terminated automatically if it is not renewed upon expiry. The term of the Phase I (2023) ESOP may be extended upon approval of the Holders attending the Holders' Meeting and representing over two thirds of the underlying shares and the Board of Directors, provided, however, that the term of the Phase I (2023) ESOP shall be extended by 12 months each time.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

1. DISCUSSION OF CORPORATE GOVERNANCE

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

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

The Company also complies with the *Corporate Governance Code* as set out in Appendix C1 to the HKEX Listing Rules (the "Corporate Governance Code"). The Company's corporate governance practices:

- (1) Shareholders and shareholders' general meetings: The Company convened and held shareholders' general meetings in accordance with the *Articles of Association of the Company*, *Procedural Rules of the Shareholders' General Meeting* and other relevant provisions. During the Reporting Period, the Company held the 2022 Annual General Meeting. When deliberating relevant proposals, the Company offered shareholders to vote online to protect the rights and interests of shareholders. The convening and voting procedures of previous shareholders' general meetings of the Company were all witnessed by lawyers on the spot and legal opinions were also issued. The resolutions of the shareholders' general meetings are legal and valid. During the Reporting Period, none of the shareholders engaged in insider dealing or damaged the interests of the Company and other shareholders.
- (2) The relationship between the controlling shareholders and the Company: The Company and the controlling shareholders are independent from each other in terms of personnel, assets, finance, organization and business, and each of them has independent accounting and bears responsibilities and risks independently. The controlling shareholders exercised the rights of investors and undertook obligations in strict accordance with the provisions of the *Company Law* of the People's Republic of China and the *Articles of Association of the Company*. The controlling shareholders abode by the code of conduct, and did not constitute horizontal competition with the Company, did not directly or indirectly interfere in the decision-making and business activities of the Company, and did not appropriate the Company's funds or require guarantee for it or for others. The Board of Directors, Board of Supervisors and internal departments of the Company operated independently.
- (3) Directors and the Board of Directors: All Directors exercised their rights and obligations according to laws and their own professional knowledge and ability to make independent, objective and fair judgments on the proposals submitted to the Board of Directors in good faith, diligence and responsibility in strict accordance with the *Articles of Association*, *Procedural Rules of the Board of Directors* and relevant laws and regulations. In the deliberation of proposals on connected transactions, directors that are not connected abstained from voting to ensure the fairness and reasonableness of connected transactions.
- (4) Information disclosure and transparency: The Company, in strict accordance with the provisions of the listing rules of the place where the Company's shares are listed, truly, accurately, completely and timely fulfilled its obligation of information disclosure in a just, fair and open way and ensured confidentiality before information disclosure, so that all shareholders can have equal access to the information.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

- (5) Investor relations and stakeholders: The Company attached great importance to the maintenance of investor relations. The Company designated the Secretary to the Board of Directors and the representative of securities affairs to be responsible for information disclosure and investor relations management, and treated the visits and consultations from shareholders and investors seriously. The Company fully respected and safeguarded the legitimate rights and interests of creditors, customers, suppliers and other stakeholders, strived for balance of interests among shareholders, employees and the society, actively participated in public welfare undertakings, valued its social responsibility, and promoted the steady and sustainable development of the Company.
- (6) Registration and management of insiders who have access to inside information: During the Reporting Period, the Company implemented the *Registration System for Insiders Who Have Access to Inside Information* in strict accordance with the requirements of regulators. In accordance with the *Registration System*, the Company has registered and put on record the information of insiders involved in the disclosure of inside information in the Company's regular reports. During the Reporting Period, there was no illegal insider dealing of the Company's stocks.
- (7) Anti-corruption, anti-fraud and reporting system and policies: The Company has formulated anti-bribery and anti-corruption regulations in accordance with the *Basic Internal Control Norms for Enterprises* and other relevant laws and regulations, together with the actual situation of the Company, to safeguard the legitimate rights and interests of the Company and shareholders and to reduce risks faced by the Company.

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

The shareholders' general meeting, the Board of Directors and the Board of Supervisors operated effectively in strict accordance with the *Articles of Association* the Company and their respective procedural rules. For the disclosure required under the *Corporate Governance Report* set out in Appendix C1 to the HKEX Listing Rules, please refer to relevant contents in Section 4 "Directors' Report", this section and other sections.

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

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix C3 to the HKEX Listing Rules (the "*Model Code*") as the code of conduct for all directors, supervisors and relevant employees (as defined in the *Corporate Governance Code*) for securities transactions of the Company. Having made enquiries to the directors and supervisors, the directors and supervisors confirmed that they have strictly complied with the provisions set out in the *Model Code* during the Reporting Period. At the same time, to the best of the Company's knowledge, there were no violations of the *Model Code* by employees.

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

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

Applicable Not applicable

The engagement of the controlling shareholders, de facto controllers and entities under their control in the same or similar business with the Company, the impact of horizontal competition or major changes in horizontal competition on the Company, the solutions taken, the progress of the solutions and the follow-up solutions.

Applicable Not applicable

4. SUMMARY OF SHAREHOLDERS' GENERAL MEETING

Meeting	Convening Date	Website where the Resolutions are Published and Available on Display	Publication Date of Resolutions	Resolutions
First Extraordinary Shareholders' General Meeting 2023	9 January, 2023	www.sse.com.cn	10 January, 2023	<ol style="list-style-type: none"> 1. Proposal on Appointment of Ernst & Young Hua Ming LLP (Special General Partnership) as the auditor for financial audit and internal control audit of the Company for the financial year ended 31 December 2022 and to authorize the Board of Directors to fix its remuneration 2. Appointment of Mr. Martin Kriegner as a non-executive director of the Tenth Board of Directors of the Company
Second Extraordinary Shareholders' General Meeting 2023	17 February, 2023	www.sse.com.cn	18 February, 2023	Proposal on Public Issue of Corporate Bonds
Annual Shareholders' General Meeting 2022	22 May, 2023	www.sse.com.cn	23 May, 2023	<ol style="list-style-type: none"> 1. 2022 Work Report of the Board of Directors 2. 2022 Work Report of the Board of Supervisors 3. 2022 Annual Report 4. 2022 Final Financial Report and 2023 Financial Budget Report 5. 2022 Profit Distribution Plan 6. Proposal on Reappointment of the Accounting Firm for 2023 Financial Audit and Internal Control Audit of the Company 7. Proposal on Adjusting the Limit on Financing Guarantee for Some Subsidiaries

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

Meeting	Convening Date	Website where the Resolutions are Published and Available on Display	Publication Date of Resolutions	Resolutions
Third Extraordinary General Meeting in 2023, First A Share Class General Meeting in 2023, and First H Share Class General Meeting in 2023	20 July, 2023	www.sse.com.cn	21 July, 2023	<ol style="list-style-type: none"> 1. Proposal on Partial Repurchase and Cancellation of Shares under the 2020-2022 Core Employees Stock Ownership Plan 2. Proposal to the Shareholders' General Meeting to Authorize the Board of Directors and its Authorized Persons to Handle All the Matters Related to the Repurchase and Cancellation of Partial Shares of the 2020-2022 Core Employees Stock Ownership Plan and Capital Reduction 3. Proposal on Designation of the Authorized Person of the Board of Directors 4. Proposal on the Corresponding Amendments to the Articles of Association 5. Proposal on the 2023-2025 Core Employee Stock Ownership Plan (draft) 6. Proposal on the Administration Measures of 2023-2025 Core Employee Stock Ownership Plan 7. Proposal to Shareholders' General Meeting to Authorize the Board of Directors to Handle Matters Related to the Employee Stock Ownership Plan

5. RIGHTS OF SHAREHOLDERS

(1) Convening extraordinary general meetings

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

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

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

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

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

In accordance with the *Articles of Association of the Company*, shareholders separately or aggregately holding no less than 3% of the shares of the Company may propose extraordinary motions to the convener in writing ten days before the convening of such general meeting. The convener shall issue supplementary notice of the general meeting to announce the content of the extraordinary motion within two days after receiving the proposed motions. The convener shall not amend the proposals listed in the aforesaid notice or add any new proposals subsequent to the dispatch of a notice of the general meeting.

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

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

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

6. BOARD OF DIRECTORS

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

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

CORPORATE GOVERNANCE & CORPORATE GOVERNANCE REPORT

The Directors confirm their individual and collective responsibility for preparing the financial statements of the Company for the year ended 31 December 2023. The Board has set up special committees including the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategy Committee and the Governance and Compliance committee etc. Those special committees have formulated their respective terms of references, are responsible to the Board of Directors, and make proposals and advisory opinions to the Board of Directors for deliberation under the unified leadership of the Board. Those special committees may engage an intermediary agency to provide independent professional advice, and the relevant expenses shall be borne by the Company. During the Reporting Period, aimed at making more scientific decisions and operating in a more standard and more effective manner, the Board of Directors actively expanded channels for information exchange, strengthened communication with the management, and timely responded to major issues.

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

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

Board meetings during the Reporting Period

Meeting	Time	Resolution
22nd Meeting of the Tenth Board of Directors	2023.1.31	<ol style="list-style-type: none"> 1. Proposal on Public Issue of Corporate Bonds 2. Proposal on the Acquisition of a Controlling Stake in the Oman Cement Company 3. Proposal on the Convention of 2023 2nd Extraordinary Shareholders' General Meeting
23rd Meeting of the Tenth Board of Directors	2023.3.27-28	<ol style="list-style-type: none"> 1. Annual Report 2022 and its abstract, announcement on the annual performance 2. Final Financial Report 2022 and Financial Budget Report 2023 3. Profit Distribution Proposal 2022 of the Company 4. Proposal on Reappointing the Accounting Firm for 2023 Financial Audit and Internal Control Audit of the Company 5. Internal Control Assessment Report 2022 of the Company 6. Proposal on Authorizing the Management to Conduct Cash Management 7. Proposal on Adjusting the Financing Guarantee for Some Subsidiaries 8. Proposal on the Reorganization of the Special Committees of the Tenth Board of Directors 9. Proposal on the Acquisition of South African and Mozambique Assets of InterCement 10. Work Report of the Board in 2022 11. Annual Work Report 2022 of Independent Directors

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Meeting	Time	Resolution
24th Meeting of the Tenth Board of Directors	2023.4. 27	<ol style="list-style-type: none"> 2023 First Quarterly Report of the Company Proposal on the Daily Related Party Transaction of Clinker Sales in 2023 Proposal in Respect of Convening the Annual Shareholders' General Meeting 2022
25th Meeting of the Tenth Board of Directors	2023.6. 9	<ol style="list-style-type: none"> Proposal on the Result of Share Granting of 2020–2022 Core Employees Stock Ownership Plan Proposal on the Repurchase and Cancellation of Partial Shares in the 2020–2022 Core Employees Stock Ownership Plan Proposal on Requesting the Shareholders' General Meeting to Authorize the Board and its Authorized Person to Handle All the Matters Related to the Repurchase and Cancellation of Partial Shares of the 2020–2022 ESOP and Capital Reduction Proposal on Designating Authorized Representative of the Board Proposal in Respect of 2022 Short-term Incentives for the Senior Management 2023 KPI Assessment Plan for Senior Management
26th Meeting of the Tenth Board of Directors	2023.6.30	<ol style="list-style-type: none"> Proposal on the Amendment of Related Articles in the Articles of Association Proposal on the 2023–2025 Core Employee Stock Ownership Plan (draft) and its Summary Proposal on the Administration Measures of 2023–2025 Core Employee Stock Ownership Plan Proposal on Requesting the Shareholders' General Meeting to Authorize the Board to Handle Related Matters of the Employee Stock Ownership Plan Proposal on Convening the 2023 Third Extraordinary Shareholders' General Meeting, 2023 First A Share Class Shareholders' General Meeting, 2023 First H Share Class Shareholders' General Meeting
27th Meeting of the Tenth Board of Directors	2023.7.20	Proposal on the Phase I (2023) Core Employee Stock Ownership Plan Under 2023–2025 Core Employee Stock Ownership Plan of the Company
28th Meeting of the Tenth Board of Directors	2023.8.24	Half Year Report 2023 and Results Announcement for the Six Months ended 30 June, 2023
29th Meeting of the Tenth Board of Directors	2023.10.27	<ol style="list-style-type: none"> 2023 Third Quarterly Report Proposal on Authorizing the Company's Management to Conduct Foreign Exchange Derivatives Business
30th Meeting of the Tenth Board of Directors	2023.12.15	<ol style="list-style-type: none"> 2024 Budget Report Proposal on Increasing the Capital of Huaxin (Hong Kong) International Holdings Limited Request for Approval for Making a Binding Offer for CIMA

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Directors' attendance at Board Meetings and Shareholders' General Meetings

Name	Number of meetings required to attend	Present at board meetings			Absent or present by proxy successively		Present at annual general meeting
		Present in person	Present by means of communication	Present by proxy	Absent	for twice	
Non-executive Director and Chairman of the Board							
Xu Yongmo	9	9	3	0	0	No	4
Executive Directors							
Li Yeqing	9	9	3	0	0	No	4
Liu Fengshan	9	9	3	0	0	No	4
Non-executive Directors							
Martin Kriegner	9	9	3	0	0	No	3
Lo Chi Kong	9	9	3	0	0	No	4
Tan Then Hwee	9	9	3	0	0	No	4
Independent non-executive Directors							
Wong Kun Kau	9	9	3	0	0	No	4
Zhang Jiping	9	9	3	0	0	No	4
Jiang Hong	9	9	3	0	0	No	4

Notes:

- Mr. Martin Kriegner was appointed as a non-executive Director on 9 January 2023.

Objections raised by directors to matters relating to the Company:

Applicable Not applicable

Directors' training

All Directors (Mr. Li Yeqing, Mr. Liu Fengshan, Mr. Xu Yongmo, Mr. Martin Kriegner (appointed on 9 January 2023), Mr. Lo Chi Kong, Ms. Tan Then Hwee, Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong) have participated in the Continuing Professional Development Programme during the Reporting Period for knowledge and skill update, so that they can continue to make informed and relevant contributions to the Board of Directors and that they are fully aware of their responsibilities, duties and obligations as directors of a dual-listed company.

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

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

- Formulating and reviewing corporate governance policies and practices of the Company and giving suggestions.
- Reviewing and monitoring the training and continuing professional development of directors and senior management. During the Reporting Period, the Board of Directors communicated relevant regulatory laws and regulations to the directors and senior management in a timely manner to help them continuously develop their professional competence and better perform their duties.

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- Reviewing and monitoring the Company's abidance by laws and regulations in terms of policies and practices. The Board of Directors continuously monitored the Company's operational compliance. The Company set up a Legal Department and engaged law firms to reduce legal and regulatory risks.
- Reviewing the Company's compliance with *Corporate Governance Code* contained in Appendix C1 to the *HKEX Listing Rules* and its disclosures in the *Corporate Governance Report*. The Board of Directors required the Company to strictly comply with the requirements on corporate governance set forth in the listing rules of the place where the shares of the Company are listed and disclose relevant corporate governance information in a timely manner.

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

8. CHAIRMAN AND PRESIDENT

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

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

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

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

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9. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

10. SPECIAL COMMITTEES TO THE BOARD OF DIRECTORS

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

- (1) The Company has set up the Strategy Committee in accordance with the *Code of Corporate Governance for Listed Companies*. The Strategy Committee is mainly responsible for conducting feasibility study on the Company’s long-term strategic plan and major strategic investment, reporting to and accountable to the Board of Directors. The terms of reference of the Strategy Committee have been published on the websites of the Company and SSE.
- (2) The Company has set up the Audit Committee in accordance with Rules 3.21 and 3.22 of the *HKEX Listing Rules* and the requirements of CSRC and SSE. The Audit Committee is responsible for conducting internal audit and supervision on the Company’s financial income, expenditure and economic activities, reporting to and accountable to the Board of Directors. The terms of reference of the Audit Committee have been published on the websites of the Company and SSE.

During the Reporting Period, the Audit Committee held meetings to jointly review the Company’s financial and accounting policies, internal control systems and relevant financial matters; expressed opinions on matters relating to the engagement of external auditors; received external auditor’s reports on the audit and review of the financial report, and analyzed and reviewed financial data in combination with other relevant information of the Company according to the requirements of laws, regulations and rules, so as to ensure the integrity, fairness and accuracy of the Company’s financial statements, reports and other relevant data; guided the internal audit, evaluated the work of the finance department, audit department and their responsible persons; supervised the improvement of the Company’s risk management and internal control system; assessed the effectiveness of risk management and internal control system; reviewed continuing connected transactions, conducted conflict of interests management, audited the Company’s entrusted wealth management business and met three times with the Company’s auditors, to establish a sound and effective internal control system.

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

During the Reporting Period, the Audit Committee held three meetings with the audit institutions engaged by the Company.

- (3) The Company has set up a Nomination Committee in accordance with Rule B.3.1 of the *Corporate Governance Code* and the requirements of CSRC and SSE. The Nomination Committee is mainly responsible for raising proposals on the replacement of directors and senior management, selecting and recommending new candidates to the Board of Directors, and evaluating the independence of independent non-executive directors. The terms of reference of the Nomination Committee have been published on the websites of the Company, SSE and SEHK.

The Company has formulated the *Board Diversity Policy*, which involves: (1) Policy statement: When deciding the composition of the Board of Directors, the Company will take into account the board diversity from various aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, expertise and term of service. All appointments to the Board of Directors will be made based on competence of the candidates, as well as the diversity under objective conditions. (2) Measurable objectives: The Company will select candidates based on a variety of criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, expertise and term of service. As of 31 December 2022, the Company has one female Director, which has satisfied the policy of diversity of the board of the Company. The Board is mindful of the measurable objectives as set out in the *Board Diversity Policy* for assessing the candidacy of the board members and will ensure that any successors to the Board shall follow the *Board Diversity Policy*.

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

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

The implementation and effectiveness of *Board Diversity policy* have been reviewed by the Board during the Reporting Period and will be reviewed annually. The Company acknowledges that the composition of the Board of Directors, members' background and procedures for selecting new directors comply with the requirements of the HKEX Listing Rules on board diversity and the requirements of the Company's Board Diversity Policy.

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- (4) The Company has established a Remuneration and Assessment Committee in accordance with Rules 3.25 and 3.26 of the *HKEX Listing Rules* and the requirements of CSRC and SSE. The Remuneration and Assessment Committee is mainly responsible for the formulation, management and assessment of the remuneration system for directors and senior management of the Company, approving the terms of executive directors' service contracts, and making suggestions on the remuneration for executive directors and senior management to the Board of Directors. The Remuneration and Assessment Committee reports to and is accountable to the Board of Directors. The terms of reference of the Remuneration and Assessment Committee have been published on the websites of the Company, SSE and SEHK.
- (5) During the Reporting Period, the members and meetings of the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategy Committee and the Governance and Compliance Committee of the Company are as follows:

Members of special committees to the Board of Directors

Types of special

committees

Name of member

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

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

Time	Agenda	Opinions and suggestions
2023.1.17	2022 Annual Audit Plan	Agreed.
2023. 3.27	Review 1. Annual Internal Control Assessment Report 2022 2. Financial report 2022 of the Company (draft), announcement on the annual performance 3. Proposal on Reappointment of the Accounting Firm for 2023 Financial Audit and Internal Control Audit of the Company 4. Duty Performance Report 2022 of the Audit Committee Hear 1. 2022 IA & IC Work Report 2. 2022 Audit Completion Report by the CPAs	Agreed the proposals in the meeting; agreed to submit them to the Board; put forward suggestions on the internal control audit, liabilities with interest and liquidity, asset return rate.
2023. 8.24	Review Half Year Report 2023 (incl. financial report) of the Company, announcement on the half year results Hear IA & IC Work Report in the first half of 2023	Agreed the proposals in the meeting; agreed to submit them to the Board; put forward suggestions on the expansion of RMX business, operating cashflow, general and administrative expenses, project investment and payment settlement.
2023.12.14	Review 1. 2023 Annual Audit Plan 2. 2024 Internal Audit & Internal Control Work Plan Hear Report on the Receivables and Long term Assets	Agreed the proposals in the meeting; agreed to submit them to the Board; put forward suggestions on long term asset depreciation, liabilities with interest, litigations, receivables.

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

Time	Agenda	Opinions and suggestions
2023. 12.14	Discussion on the Candidates of the Eleventh Board of Directors	

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

Time	Agenda	Opinions and suggestions
2023.4.12	Hear 2023–2025 Core Employee Stock Ownership Plan (draft)	Contribute suggestions to the performance indicators and weight.
2023.5.22	Review 1. Proposal in Respect of 2022 Short-term Incentives for the Senior Management 2. 2023 KPI Assessment Plan for Top Management 3. Proposal on the Result of Share Granting of 2020–2022 Core Employees Stock Ownership Plan 4. Proposal on the Repurchase and Cancellation of Partial Shares in the 2020–2022 Core Employees Stock Ownership Plan 5. 2023–2025 Core Employee Stock Ownership Plan (draft)	Agree to submit the items to the Board for review.
2023.12.14	Review on the remuneration of senior management	

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

Time	Agenda	Opinions and suggestions
2023.6.30	Corporate Strategy Report (2023–2026)	Agree to further define the orientation of the Company’s development.
2023.12.14	Macro situation outlook and strategy review	Recognize low-carbon sustainable development, integrated development, overseas expansion strategies and put forward suggestions.

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

Time	Agenda	Opinions and suggestions
2023.6.29	Hear 1. Report on the Compliance of Warrants 2. Report on the Ecological Environment Compliance Risk and Measures 3. Report on the Litigations from January to May in 2023	Suggestions on the quarry mountains operation, RMX business eco compliance and international business compliance
2023.12.14	Hear 1. Report on the Appointment Procedures of Directors in Subsidiary 2. Report on the Project Investment Control Procedure 3. Preparation and Sending of Board Papers	Suggestions on the appointment procedure of directors, general managers and legal representative in overseas branches and subsidiaries and review of project investment approved by the Board

During the Reporting Period, the Chairman to the Board convened a meeting with independent non-executive directors on 14 December 2023.

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

11. JOINT COMPANY SECRETARIES

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

In 2023, both Mr. Ye Jiaying and Ms. Lee Mei Yi complied with the training requirements set out in Rule 3.29 of the *HKEX Listing Rules*.

12. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The financial statements and results announcement of the Company for the year ended 31 December 2023 have been reviewed by the Audit Committee. All Directors agreed and confirmed their individual and collective responsibility for preparing the accounts as contained in the financial report for the year under review. The directors are responsible for the preparation of the financial statements for the relevant accounting periods under applicable statutory and regulatory requirements which gave a true and fair view of the financial status, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December, 2023, applicable accounting policies have been adopted and applied consistently. The directors are not aware of any uncertain events or circumstances which may materially affect the Company's ability to continue as a going concern.

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13. SPECIAL DESCRIPTION OF CASH DIVIDEND POLICY

Meet the requirements of the <i>Articles of Association</i> or resolutions of shareholders' general meetings	√ Yes <input type="checkbox"/> No
Dividend distribution standard and ratio are clear and cut	√ Yes <input type="checkbox"/> No
Decision procedure and system are complete	√ Yes <input type="checkbox"/> No
Independent directors performed duties and played their roles	√ Yes <input type="checkbox"/> No
Minority shareholders fully expressed their opinions and requests, and their legitimate rights have been fully protected	√ Yes <input type="checkbox"/> No

14. DEVELOPMENT AND IMPLEMENTATION OF INTERNAL CONTROL POLICIES DURING THE REPORTING PERIOD

(1) Internal control responsibility statement

The Board of Directors of the Company is responsible for establishing, improving and effectively implementing the internal control system, evaluating system effectiveness and truthfully disclosing the report on internal control effectiveness. In accordance with the *Company Law*, the *Securities Law*, the *Accounting Law of the People's Republic of China* and the *Guidelines of SSE for the Internal Control of Listed Companies*, *Basic Internal Control Norms for Enterprises* and other internal control rules, the Board of Directors has established and improved its risk control measures. i.e. risk-oriented internal control system, that cover various links in the Company's operation and management. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and the Board of Directors can only give reasonable instead of absolute assurance that there will be no material misstatement or loss. In the year, the Company, by testing the effectiveness of the internal control system on the spot, monitored risk level and provided reasonable assurance in terms of well-founded and standard application of operational risk control activities, secure asset security, as well as true, accurate and complete financial report and information disclosure, which promoted the Company's development.

(2) Development of the Company's risk control and internal control systems

① *Risk control & internal control and their characteristics*

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

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

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② *Organization structure regarding risk control and internal control*

The Board of Directors of the Company is responsible for the establishment, improvement and effective implementation of risk-oriented internal control, and shall assess its effectiveness at least once a year. Under the guidance and supervision of the Audit Committee to the Board of Directors, the Internal Audit and Internal Control Department of the Company is responsible for supervising, reviewing and evaluating the implementation of risk-oriented internal control by the Company and its subsidiaries, and coordinating internal control audit and other related matters. The Company's management is responsible for the effective operation of the risk-oriented internal control system.

During the Reporting Period, the Company conducted special audits on the effectiveness of risk control activities implemented by its 26 subordinate units and 20 audits on business process in high-risk fields such as procurement and sales and logistics, and organized annual internal control self-assessment within the headquarters and 287 subordinate units. The Company engaged Ernst & Young Hua Ming to audit the effectiveness of internal control over financial report, and a standard unqualified audit's report has been issued. During the Reporting Period, the Board of Directors assessed and confirmed the effectiveness and adequacy of the Company's internal control system.

③ *Procedures for identifying, assessing and control material risks*

The Company has established an internal monitoring system for material information, procedures for processing and releasing stock price-sensitive data and internal monitoring measures, a *Material Internal Events Report Policy* to define the specific scope of material internal events, and an effective communication mechanism. The obligor for reporting material internal events is responsible for submitting data to the Secretary to the Board of Directors in a timely, accurate, true and complete manner. The Secretary to the Board of Directors is required to analyze the material information received, make a judgment and report to the President of the Company in time. Material information involving a disclosure obligation shall be reported to the Board of Directors and the Board of Supervisors and disclosed to the public according to relevant regulations.

In terms of information disclosure, the Company has formulated the *Administrative Measures for Information Disclosure* and the *Registration System for Insiders Who Have Access to Inside Information* to prevent improper use and dissemination of sensitive information. The *Registration System for Insiders Who Have Access to Inside Information* clearly stipulates the confidentiality management of inside information, the registration of insiders who have access to inside information and the accountability. The Company regularly reminded the directors and employees to comply with all policies adopted in relation to inside information, including compliance with the *Model Code* set out in Appendix 10 to the *HKEX Listing Rules* for the trading of the Company's securities. At the same time, the Company disclosed information truthfully, accurately, completely and in a timely manner in accordance with the *HKEX Listing Rules*, the SSE Listing Rules and the *Articles of Association of the Company*, to ensure that all investors have equal and timely access to information about the Company.

④ *Measures for major internal control deficiencies*

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

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

Ernst & Young Hua Ming engaged by the Company has audited the effectiveness of internal controls relating to the Company's financial report and issued a standard unqualified auditor's report.

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

(4) Anti-corruption and whistleblowing measures

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

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

(5) Remuneration for independent auditors

Ernst & Young Hua Ming was appointed as an independent auditor of the Group on 22 May 2023 for the financial audit and internal control audit of the Company for the Reporting Period.

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

	Fees paid/payable (RMB)
Audit services — Annual audit and internal control audit	5,700,000
Non-audit services	—
	<u>5,700,000</u>

(6) Communication with the shareholders

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

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

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

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

(7) Documents of the articles of association

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

CORPORATE BONDS

1. CORPORATE BONDS

Unit: RMB100 million

Name	Abbreviation	Code	Issuing date	Value date	Date of expiry	Bond balance	Coupon rate (%)	Principal and interest payment	Trading place	Investor suitability (if any)	Risk of termination of listing
2020 overseas bonds	HXCEME	XS2256737722	19 Nov, 2020	19 Nov, 2020	18 Nov, 2025	21.25	2.25	Payment of interest half a year, debt maturity	Singapore Stock Exchange	Traded in the exchange	No
2021 public bonds for professional investors	21HX01	188650	25 Aug, 2021	25 Aug, 2021	24 Aug, 2024	13.00	3.26	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1st tranche)	22 HX 01	137544	19 July, 2022	19 July, 2022	18 July, 2025	5.00	2.99	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1st tranche)	22 HX 02	137545	19 July, 2022	19 July, 2022	18 July, 2027	4.00	3.39	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No
2023 public bonds for professional investors "Belt and Road" Technology Innovation Corporate Bond	23HXK1	240065	5 Dec, 2023	5 Dec, 2023	4 Dec, 2026	8.00	3.12	Payment of interest every year, debt maturity	Shanghai Stock Exchange	Traded in the exchange	No

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

Unit: RMB100 million

Bonds	Total raised fund	Used amount	Balance	Operation of the fund account (if any)	Rectification due to illegal use of fund (if any)	In alignment with the purpose, plan in the prospectus
2020 overseas bonds	300 million USD	300 million USD	0	The Company has set up a special account for raised funds, which is specially used for the acceptance, storage and transfer of fund raised from corporate bonds issued by the Company.	Not applicable	Yes
2021 public bonds for professional investors	12.98	12.98	0		Not applicable	Yes
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1st tranche)	4.99	4.99	0		Not applicable	Yes
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1st tranche)	3.99	3.99	0		Not applicable	Yes
2023 public bonds for professional investors "Belt and Road" Technology Innovation Corporate Bond (1st tranche)	7.99	7.99	0		Not applicable	Yes

CORPORATE BONDS

Progress and operation profit of the bonds:

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

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

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

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

2023 public bonds for professional investors “Belt and Road” Technology Innovation Corporate Bond (1st tranche): Handover of projects along the “Belt and Road” has finished and been operated.

3. ADJUSTMENT OF CORPORATE BOND CREDIT RATING

Bonds	Agency	Credit rating	Outlook change	Reason of change
2020 overseas bonds	MOODY'S INVESTORS SERVICE	Baa1	Negative	Impacted by macro economy and industry trend domestically
2021 public bonds for professional investors	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable
2022 corporate bonds for professional investors type I (linked with low-carbon transformation 1st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable
2022 corporate bonds for professional investors type II (linked with low-carbon transformation 1st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable
2023 public bonds for professional investors “Belt and Road” Technology Innovation Corporate Bond (1st tranche)	China Chengxin International Credit Rating Co., Ltd	AAA	No change	Not applicable

CORPORATE BONDS

4. FINANCIAL INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE TWO YEARS ENDED 31 DECEMBER 2023

Unit: RMB

Item	2023	2022	Change over the same period of last year (%)
Net profit attributable to shareholders of the Company after extraordinary items	2,322,113,737	2,578,634,452	-9.95
Liquid ratio	0.80	0.87	-8.05
Quick ratio	0.60	0.64	-6.25
Asset-liability ratio (%)	51.6%	52.0%	Decrease by 0.4 Percentage points
EBITDA/total liabilities	0.12	0.11	9.09
Interest coverage ratio	7.51	9.93	-24.37
Cash interest coverage ratio	12.08	14.08	-14.2
EBITDA Interest coverage ratio	12.71	16.11	-21.1
Loan repayment ratio (%)	100%	100%	—
Interest repayment ratio (%)	100%	100%	—

5. BOND REDEMPTION & INTEREST PAYMENT DURING THE REPORTING PERIOD

Bond	Redemption and issuance
2020 Overseas bonds	Payment on time and in full
2021 public bonds for professional investors (1st tranche)	Payment on time and in full
2022 corporate bonds type I (linked with low-carbon transformation 1st tranche)	Payment on time and in full
2022 corporate bonds type II (linked with low-carbon transformation 1st tranche)	Payment on time and in full
2023 public bonds for professional investors “Belt and Road” Technology Innovation Corporate Bond	Interest payment time undue

FIVE-YEAR FINANCIAL SUMMARY

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

Unit: RMB Million

Item	For the year ended 31 December				
	2023	2022	2021	2020	2019
Operating income	33,757	30,470	32,464	29,357	31,439
Total profit	4,326	3,988	7,373	7,664	8,716
Income tax expenses	1,108	965	1,568	1,490	1,695
Net profit	3,218	3,024	5,805	6,174	7,021
Net profit attributable to owners of the Company	2,762	2,699	5,364	5,631	6,342
Profit or loss attributable to minority interests	456	325	441	543	679
Item	2023	2022	2021	2020	2019
Total assets	68,800	64,242	52,550	43,929	36,646
Total liabilities	35,505	33,403	23,172	18,189	13,278
Total equity attributable to the Company	28,933	27,446	26,730	23,571	21,309
Total equity attributable to minority interests	4,362	3,392	2,648	2,169	2,059

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

AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No.70009578_C01
Huaxin Cement Co., Ltd.

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

I. AUDIT OPINION

We have audited the financial statements of Huaxin Cement Co., Ltd., which comprise the consolidated and company balance sheets as at 31 December 2023, and the consolidated and company income statements, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2023, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

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

AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No.70009578_C01
Huaxin Cement Co., Ltd.

III. KEY AUDIT MATTERS *(continued)*

Key audit matters:

Expected credit losses on accounts receivable

As at 31 December 2023, the carrying amounts of accounts receivable in the consolidated balance sheet and the company balance sheet were RMB2,259,496,157 and RMB760,371,988, respectively, and the amounts of provision for expected credit losses (“ECLs”) were RMB235,701,561 and RMB18,174,514, respectively. According to the different types of clients and other factors, the management classified the accounts receivable into groups of different credit risk characteristics. For each credit risk characteristic group, the management uses the ECLs model to estimate and make provision for bad debts. When estimating the ECLs, the management takes relevant information into consideration, including the customer’s historical default rate and other specific factors (such as the type of customers, the historical collections and write-offs of bad debts), as well as the expected macroeconomic environment to consider the forward-looking information. At the same time, the management pays attention to the collection of accounts receivable to identify additional indicators of default or impairment and determine whether additional provision for bad debts is required.

As the amount of accounts receivable was significant and the determination of ECLs required significant accounting judgments and estimations of the management, we identified the ECL of accounts receivable as a key audit matter.

Please refer to Note III. 9.Financial instruments, Note III. 31.Significant accounting judgments and estimates, Note V. 4.Accounts Receivable and Note XVI. 1.Accounts Receivable for disclosures of accounts receivable in the financial statements.

How our audit addressed the matters:

Our main procedures to address the ECLs of accounts receivable include:

- (1) Evaluating and testing the internal controls in relation to the ECLs of accounts receivable;
- (2) Reviewing and evaluating the ECLs model including the classification of groups by different credit risk characteristics, the estimation of credit loss of each classification, the historical statistics and other forward-looking information used to calculate the credit risk loss;
- (3) Testing the accuracy of aging of accounts receivable and the mathematical accuracy of the amount of ECLs calculated by the management using the ECLs model;
- (4) For accounts receivables assessed individually, selecting samples and reviewing the supporting documents (including the going concern condition, the market environment and the historical collection of the clients) to evaluate the reasonableness of the expected present value of cash flows and bad debts accrual by the management; and
- (5) Evaluating the adequacy of management’s disclosures regarding the ECLs of accounts receivable.

AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No.70009578_C01
Huaxin Cement Co., Ltd.

IV. OTHER INFORMATION

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

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

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

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

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

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No.70009578_C01
Huaxin Cement Co., Ltd.

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Huaxin Cement Co., Ltd. to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No.70009578_C01
Huaxin Cement Co., Ltd.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

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

Chinese Certified Public Accountant: **He Pei**

Beijing, the PRC

28 March 2024

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED BALANCE SHEET

Expressed in Renminbi Yuan

Assets	NOTE V	31 December 2023	31 December 2022
Current assets			
Cash and bank balances	1	5,849,465,351	7,038,341,792
Financial assets held for trading	2	1,495,675	41,711,538
Notes receivable	3	275,075,423	545,960,470
Accounts receivable	4	2,259,496,157	1,382,631,200
Receivables financing	5	746,018,692	527,248,935
Prepayments	6	417,878,731	353,870,798
Other receivables	7	747,268,432	477,956,891
Inventories	8	3,462,938,165	3,405,122,012
Other current assets	9	1,459,951,396	677,454,529
Total current assets		15,219,588,022	14,450,298,165
Non-current assets			
Debt investments		7,500,000	7,500,000
Long-term receivables	10	80,976,447	131,594,447
Long-term equity investments	11	512,863,351	438,886,647
Other equity investments	12	964,633,899	1,012,850,323
Other non-current financial assets		26,807,920	25,067,265
Fixed assets	13	27,752,373,906	22,720,804,975
Construction in progress	14	3,614,814,430	6,575,465,631
Right-of-use assets	15	1,680,707,457	979,311,070
Intangible assets	16	15,957,837,101	15,182,751,513
Development expenditures		69,333,195	45,429,082
Goodwill	17	769,271,896	618,543,411
Long-term prepaid expenses	18	956,770,986	817,417,303
Deferred tax assets	19	554,133,589	387,429,400
Other non-current assets		632,656,064	848,327,033
Total non-current assets		53,580,680,241	49,791,378,100
Total assets		68,800,268,263	64,241,676,265

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED BALANCE SHEET (continued)

Expressed in Renminbi Yuan

LIABILITIES AND EQUITY	NOTE V	31 December 2023	31 December 2022
Current liabilities			
Short-term borrowings	21	644,333,928	593,415,661
Notes payable	22	935,465,582	729,227,787
Accounts payable	23	7,827,004,238	8,366,283,316
Contract liabilities	24	717,019,466	681,610,930
Employee benefits payable	25	312,414,840	131,081,719
Taxes and surcharges payable	26	705,993,128	692,510,079
Other payables	27	1,004,517,942	915,096,046
Current portion of non-current liabilities	28	6,720,902,895	4,427,049,341
Other current liabilities		<u>66,563,047</u>	<u>88,609,421</u>
Total current liabilities		18,934,215,066	16,624,884,300
Non-current liabilities			
Long-term borrowings	29	8,623,019,715	7,282,088,824
Bonds payable	30	3,964,479,030	4,426,286,852
Including: Preference shares		147,690,327	148,943,421
Lease liabilities	31	1,348,727,671	759,905,754
Long-term payables	32	330,821,706	2,837,076,467
Long-term employee benefits payable	33	58,844,121	47,606,682
Provisions	34	757,554,644	442,260,626
Deferred income	35	264,404,822	291,877,454
Deferred tax liabilities	19	1,123,626,046	586,568,845
Other non-current liabilities	36	<u>99,693,000</u>	<u>104,940,000</u>
Total non-current liabilities		16,571,170,755	16,778,611,504
Total liabilities		35,505,385,821	33,403,495,804

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED BALANCE SHEET (continued)

Expressed in Renminbi Yuan

LIABILITIES AND EQUITY	NOTE V	31 December 2023	31 December 2022
Equity			
Share capital	37	2,078,995,649	2,096,599,855
Capital reserves	38	1,586,014,852	1,975,889,177
Less: Treasury shares	39	62,203,991	610,051,971
Accumulated other comprehensive income	40	(548,746,925)	(175,257,484)
Specialized reserves	41	63,717,385	37,644,851
Surplus reserves	42	1,111,880,257	1,111,880,257
Unappropriated profit	43	24,703,292,620	23,009,600,343
Total equity attributable to owners of the parent		28,932,949,847	27,446,305,028
Non-controlling interests		4,361,932,595	3,391,875,433
Total equity		33,294,882,442	30,838,180,461
Total liabilities and equity		68,800,268,263	64,241,676,265

The financial statements have been signed by:

Legal representative:
Li Yeqing

Financial controller:
Chen Qian

Accounting supervisor:
Wu Xin

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED INCOME STATEMENT

Expressed in Renminbi Yuan

	NOTE V	2023	2022
Revenue	44	33,757,087,272	30,470,382,363
Less: Cost of sales	44	24,741,414,727	22,481,901,607
Taxes and surcharges	45	744,928,971	585,791,991
Selling expenses	46	1,518,891,019	1,371,820,965
Administrative expenses	47	1,819,305,056	1,582,539,460
Research and development expenses		301,098,955	78,162,783
Finance costs	48	698,520,798	458,488,171
Including: Interest expenses	48	722,067,696	406,554,646
Interest income	48	132,479,213	84,844,797
Add: Other income	49	175,071,378	217,317,644
Investment income	50	59,287,160	17,140,874
Including: Income(Loss) from investments in associates and joint ventures	50	21,308,548	(15,582,356)
Losses (Gains) from changes in fair value	51	(36,444,365)	18,990,720
Credit impairment losses	52	(67,940,915)	(21,555,697)
Impairment losses of assets	53	(137,928,755)	(113,838,596)
Gains (Losses) on disposal of non-current assets	54	426,528,369	(7,161,791)
Operating profit		4,351,500,618	4,022,570,540
Add: Non-operating income	55	62,786,683	40,698,667
Less: Non-operating expenses	56	88,040,164	75,183,611
Profit before taxes		4,326,247,137	3,988,085,596
Less: Income tax expenses	57	1,108,149,035	964,530,723
Profit		3,218,098,102	3,023,554,873
Classified by continuity of operations			
Profit from continuing operations		3,218,098,102	3,023,554,873
Classified by attribution of ownership			
Profit attributable to owners of the parent		2,762,116,715	2,698,868,510
Profit attributable to non-controlling interests		455,981,387	324,686,363

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED INCOME STATEMENT *(continued)*

Expressed in Renminbi Yuan

	NOTE V	2023	2022
Other comprehensive income, net of tax		(422,303,449)	239,446,671
Other comprehensive income, net of tax, attributable to owners of the parent		(373,489,441)	130,092,648
Other comprehensive income that cannot be reclassified to profit or loss		(36,162,319)	(32,262,556)
Changes in fair value of other equity investment instruments		(36,162,319)	(32,262,556)
Other comprehensive income to be reclassified into profit or loss		(337,327,122)	162,355,204
Exchange differences on translation of foreign currency financial statements		(337,327,122)	162,355,204
Other comprehensive income, net of tax, attributable to non-controlling interests	40	(48,814,008)	109,354,023
Total comprehensive income		<u>2,795,794,653</u>	<u>3,263,001,544</u>
Including: Total comprehensive income attributable to owners of the Company		2,388,627,274	2,828,961,158
Total comprehensive income attributable to non-controlling interests		407,167,379	434,040,386
Earnings per share	58		
Basic earnings per share		<u>1.33</u>	<u>1.30</u>
Diluted earnings per share		<u>1.32</u>	<u>1.28</u>

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Renminbi Yuan

2023

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Capital reserves	Less: Treasury shares	Accumulated other comprehensive income	Specialized reserves	Surplus reserves	Unappropriated profit	Subtotal		
I. Balance at end of prior 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
II. Changes for the year	(17,604,206)	(389,874,325)	(547,847,980)	(373,489,441)	26,072,534	—	1,693,692,277	1,486,644,819	970,057,162	2,456,701,981
(1) Total comprehensive income	—	—	—	(373,489,441)	—	—	2,762,116,715	2,388,627,274	407,167,379	2,795,794,653
(2) Owners' contributions and reduction in capital	(17,604,206)	(389,874,325)	(547,847,980)	—	—	—	—	140,369,449	994,202,690	1,134,572,139
1. Capital contributions by owners	—	—	—	—	—	—	—	—	1,219,416,379	1,219,416,379
2. Amount of share-based payments recognised in equity	—	30,381,166	—	—	—	—	—	30,381,166	—	30,381,166
3. Share-based payment restricted stock unlocking	—	(69,830,162)	(69,830,162)	—	—	—	—	—	—	—
4. Acquisition of non-controlling interests	—	94,333,760	—	—	—	—	—	94,333,760	(241,360,580)	(147,026,820)
5. Sell of non-controlling interests	—	(944,285)	—	—	—	—	—	(944,285)	16,146,891	15,202,606
6. Shares buyback	—	—	19,014,864	—	—	—	—	(19,014,864)	—	(19,014,864)
7. Shares Write-off	(17,604,206)	(479,428,476)	(497,032,682)	—	—	—	—	—	—	—
8. Others	—	35,613,672	—	—	—	—	—	35,613,672	—	35,613,672
(3) Profit distribution	—	—	—	—	—	—	(1,068,424,438)	(1,068,424,438)	(432,984,750)	(1,501,409,188)
Dividend to shareholders	—	—	—	—	—	—	(1,068,424,438)	(1,068,424,438)	(432,984,750)	(1,501,409,188)
(4) Specialised reserves	—	—	—	—	26,072,534	—	—	26,072,534	1,671,843	27,744,377
1. Appropriated for the year	—	—	—	—	320,163,994	—	—	320,163,994	14,029,214	334,193,208
2. Utilisation for the year	—	—	—	—	(294,091,460)	—	—	(294,091,460)	(12,357,371)	(306,448,831)
III. Balance at the end of the year	2,078,995,649	1,586,014,852	62,203,991	(548,746,925)	63,717,385	1,111,880,257	24,703,292,620	28,932,949,847	4,361,932,595	33,294,882,442

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

Expressed in Renminbi Yuan

2022

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

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

Expressed in Renminbi Yuan

	NOTE V	2023	2022
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		30,570,922,906	28,725,662,825
Receipts of taxes and surcharges refunds		79,062,239	94,306,041
Other cash receipts relating to operating activities	59	371,280,226	366,471,932
Total of cash inflows from operating activities		31,021,265,371	29,186,440,798
Cash payments for goods and services		17,099,349,714	17,733,229,137
Cash payments to and on behalf of employees		2,552,757,596	2,692,241,310
Payments of all types of taxes and surcharges		3,524,544,060	3,166,840,307
Other cash payments relating to operating activities	59	1,609,058,930	1,026,435,824
Total cash outflows from operating activities		24,785,710,300	24,618,746,578
Net cash flows from operating activities	60	6,235,555,071	4,567,694,220
II. Cash flows from investing activities			
Cash receipts from returns of investments		3,236,801,613	4,043,000,000
Cash receipts from returns on investments		24,254,545	32,456,515
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		220,665,903	36,180,723
Net cash receipts from disposal of subsidiaries and other business units		—	—
Other cash receipts relating to investing activities	59	270,418,412	111,634,822
Total cash inflows from investing activities		3,752,140,473	4,223,272,060
Cash payments to acquire fixed assets, intangible assets and other long-term assets		4,850,149,645	7,718,000,495
Cash payments for investments		3,230,000,000	4,343,000,000
Net cash payments for acquisition of subsidiaries and other business units	60	2,100,895,481	66,365,072
Other cash payments relating to investing activities	59	25,000,000	479,243,322
Total cash outflows from investing activities		10,206,045,126	12,606,608,889
Net cash flows from investing activities		(6,453,904,653)	(8,383,336,829)

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Expressed in Renminbi Yuan

	NOTE V	2023	2022
III. Cash flows from financing activities:			
Cash proceeds from investments by others		221,161,655	546,007,402
Cash receipts from borrowings		4,977,397,505	5,485,850,938
Cash receipts from issuance of bonds		798,993,208	897,847,746
Other cash receipts relating to financing activities	59	<u>111,819,354</u>	<u>20,024,115</u>
Subtotal of cash inflows from financing activities		<u>6,109,371,722</u>	<u>6,949,730,201</u>
Cash repayment for debts		4,360,070,031	2,091,765,395
Cash payments for distribution of dividends or profit and interest expenses		2,195,276,409	2,813,259,066
Including: Dividends or profit paid to non-controlling shareholders of subsidiaries		432,893,052	268,262,311
Other cash payments relating to financing activities	59	<u>505,773,138</u>	<u>272,870,517</u>
Total cash outflows from financing activities		<u>7,061,119,578</u>	<u>5,177,894,978</u>
Net cash flows from financing activities		<u>(951,747,856)</u>	<u>1,771,835,223</u>
IV. Effect of exchange rate changes on cash and cash equivalents			
		<u>(75,808,355)</u>	<u>109,354,023</u>
V. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents at beginning of year	60	(1,245,905,793)	(1,934,453,363)
	60	<u>6,616,021,778</u>	<u>8,550,475,141</u>
VI. Cash and cash equivalents at end of year			
	60	<u>5,370,115,985</u>	<u>6,616,021,778</u>

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY BALANCE SHEET

Expressed in Renminbi Yuan

Assets	NOTE XVI	31 December 2023	31 December 2022
Current assets			
Cash and bank balances		2,708,096,309	3,371,482,031
Financial assets held for trading		—	41,711,538
Notes receivable		17,456,489	2,657,000
Accounts receivable	1	760,371,988	1,064,169,857
Receivables financing		65,624,483	6,006,461
Prepayments		91,622,165	202,336,689
Other receivables	2	6,961,764,759	4,853,948,075
Inventories		167,720,629	317,520,810
Non-current assets maturing within one year		—	1,580,000
Other current assets		84,902,758	30,437,969
Total current assets		10,857,559,580	9,891,850,430
Non-current assets			
Long-term receivables		52,109,087	61,595,884
Long-term equity investments	3	15,631,938,449	13,291,077,272
Other equity investments		964,633,899	1,012,850,323
Other non-current financial assets		26,807,920	25,067,265
Fixed assets		525,463,095	514,953,103
Construction in progress		28,249,066	67,298,137
Right-of-use assets		44,680,313	49,684,572
Intangible assets		107,962,995	110,473,423
Development expenditures		36,856,342	19,235,220
Long-term prepaid expenses		8,657,217	10,875,947
Deferred tax assets		72,250,575	7,589,057
Total non-current assets		17,499,608,958	15,170,700,203
Total assets		28,357,168,538	25,062,550,633

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY BALANCE SHEET (continued)

Expressed in Renminbi Yuan

LIABILITIES AND EQUITY	NOTE XVI	31 December 2023	31 December 2022
Current liabilities			
Short-term borrowings		30,000,000	—
Notes payable		473,500,000	190,606,110
Accounts payable		222,374,822	273,190,074
Contract liabilities		16,589,691	30,761,067
Employee benefits payable		28,545,054	28,132,478
Taxes payable		30,039,009	131,701,323
Other payables		7,092,303,257	6,772,872,313
Current portion of non-current liabilities		<u>1,738,370,539</u>	<u>928,941,258</u>
Total current liabilities		<u>9,631,722,372</u>	<u>8,356,204,623</u>
Non-current liabilities			
Long-term borrowings		2,062,280,000	961,060,000
Bonds payable		1,697,904,908	2,196,795,791
Lease liabilities		29,640,599	35,343,333
Long-term employee benefits payable		12,882,384	13,559,328
Provisions		6,864,253	6,864,253
Deferred income		<u>5,333,333</u>	<u>6,875,000</u>
Total non-current liabilities		<u>3,814,905,477</u>	<u>3,220,497,705</u>
Total liabilities		<u>13,446,627,849</u>	<u>11,576,702,328</u>
Owners' equity			
Share capital		2,078,995,649	2,096,599,855
Capital reserves		1,898,196,045	2,381,459,845
Less: Treasury shares		62,203,991	610,051,971
Accumulated other comprehensive income		(38,093,676)	(1,931,357)
Surplus reserves		1,111,880,257	1,111,880,257
Unappropriated profit		<u>9,921,766,405</u>	<u>8,507,891,676</u>
Total equity		<u>14,910,540,689</u>	<u>13,485,848,305</u>
Total liabilities and equity		<u>28,357,168,538</u>	<u>25,062,550,633</u>

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY INCOME STATEMENT

Expressed in Renminbi Yuan

	NOTE XVI	2023	2022
Revenue	4	3,329,835,701	5,004,556,691
Less: Cost of sales	4	3,016,320,483	4,730,600,508
Taxes and surcharges		12,221,859	12,904,229
Selling expenses		19,385,207	19,168,881
Administrative expenses		321,921,717	265,277,460
Research and development expenses		45,298,161	18,823,430
Finance costs		80,592,879	(13,108,353)
Including: Interest expenses		237,768,249	228,711,531
Interest income		162,453,221	171,004,866
Add: Other income		6,950,872	14,138,555
Investment income	5	2,625,502,110	2,254,893,130
Including: Income(losses) from investments in associates and joint ventures		15,586,153	(13,660,100)
Fair value gains(losses)		(39,970,883)	28,471,220
Credit impairment losses		6,709,555	(2,902,082)
Impairment losses of assets		(376,574)	(83,658)
Gains(losses) on disposal of non-current assets		791,860	(503,768)
Operating profit		2,433,702,335	2,264,903,933
Add: Non-operating income		631,205	7,306,424
Less: Non-operating expenses		4,641,784	1,231,611
Profit before taxes		2,429,691,756	2,270,978,746
Less: Income tax expenses		(52,607,411)	32,976,503
Net profit		2,482,299,167	2,238,002,243
Including: Profit from continuing operations		2,482,299,167	2,238,002,243
Other comprehensive income, net of tax		(36,162,319)	(32,262,556)
Other comprehensive income that will not be reclassified to profit or loss		(36,162,319)	(32,262,556)
Change in the fair value of other equity investments		(36,162,319)	(32,262,556)
Total comprehensive income		2,446,136,848	2,205,739,687

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY STATEMENT OF CHANGES IN EQUITY

Expressed in Renminbi Yuan

2023

	Share capital	Capital reserves	Less: Treasury shares	Accumulated other comprehensive income	Surplus reserves	Unappropriated profit	Total equity
I. Balance at end of prior 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
II. Changes for the year	(17,604,206)	(483,263,800)	(547,847,980)	(36,162,319)	—	1,413,874,729	1,424,692,384
(1) Total comprehensive income	—	—	—	(36,162,319)	—	2,482,299,167	2,446,136,848
(2) Owners' contributions and reduction in capital	(17,604,206)	(483,263,800)	(547,847,980)	—	—	—	46,979,974
1. Amount of share-based payments recognised in equity	—	30,381,166	—	—	—	—	30,381,166
2. Unlock restricted stock of Share-based payments	—	(69,830,162)	(69,830,162)	—	—	—	—
3. Repurchase of shares	—	—	19,014,864	—	—	—	(19,014,864)
4. Cancellation of shares	(17,604,206)	(479,428,476)	(497,032,682)	—	—	—	—
5. Others	—	35,613,672	—	—	—	—	35,613,672
(3) Profit distribution	—	—	—	—	—	(1,068,424,438)	(1,068,424,438)
Distribution to owners	—	—	—	—	—	(1,068,424,438)	(1,068,424,438)
(4) Specialised reserves	—	—	—	—	—	—	—
1. Appropriated for the year	—	—	—	—	—	—	—
2. Utilisation for the year	—	—	—	—	—	—	—
(5) Others	—	—	—	—	—	—	—
III. Balance at the end of the year	2,078,995,649	1,898,196,045	62,203,991	(38,093,676)	1,111,880,257	9,921,766,405	14,910,540,689

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

Expressed in Renminbi Yuan

2022

	Share capital	Capital reserves	Less: Treasury shares	Accumulated other comprehensive income	Surplus reserves	Unappropriated profit	Total equity
I. Balance at end of prior year	2,096,599,855	2,429,495,032	610,051,971	30,331,199	1,111,880,257	8,364,839,311	13,423,093,683
II. Changes for the year	—	(48,035,187)	—	(32,262,556)	—	143,052,365	62,754,622
(1) Total comprehensive income	—	—	—	(32,262,556)	—	2,238,002,243	2,205,739,687
(2) Owners' contributions and reduction in capital	—	(48,035,187)	—	—	—	—	(48,035,187)
1. Amount of share-based payments recognised in equity	—	(48,733,276)	—	—	—	—	(48,733,276)
2. Others	—	698,089	—	—	—	—	698,089
(3) Profit distribution	—	—	—	—	—	(2,094,949,878)	(2,094,949,878)
Distribution to owners	—	—	—	—	—	(2,094,949,878)	(2,094,949,878)
(4) Specialised reserves	—	—	—	—	—	—	—
1. Appropriated for the year	—	—	—	—	—	—	—
2. Utilisation for the year	—	—	—	—	—	—	—
(5) Others	—	—	—	—	—	—	—
III. Balance at the end 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

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY STATEMENT OF CASH FLOWS

Expressed in Renminbi Yuan

	NOTE XVI	2023	2022
I. Cash flows from operating activities			
Cash receipts from the sale of goods and the rendering of services		3,711,627,111	5,001,714,224
Receipts of tax and surcharges refunds		7,618,208	—
Other cash receipts relating to operating activities		904,771,667	1,117,576,440
Total cash inflows from operating activities		4,624,016,986	6,119,290,664
Cash payments for goods and services		2,565,205,423	4,546,955,837
Cash payments to and on behalf of employees		273,400,496	257,186,910
Payments of all types of taxes and surcharges		82,595,306	96,492,515
Other cash payments relating to operating activities		693,918,630	849,225,002
Total cash outflows from operating activities		3,615,119,855	5,749,860,264
Net cash flows from operating activities	6	1,008,897,131	369,430,400
II. Cash flows from investing activities			
Cash receipts from returns of investments		3,237,189,370	4,043,000,000
Cash receipts from returns on investments		2,211,199,711	2,476,743,230
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,416,214	29,786,802
Other cash receipts relating to investing activities		3,073,663,379	2,190,032,403
Total cash inflows from investing activities		8,523,468,674	8,739,562,435
Cash payments to acquire fixed assets, intangible assets and other long-term assets		46,383,119	90,780,359
Cash payments for investments		3,200,000,000	4,343,000,000
Net cash payments for acquisition of subsidiaries and other business units		2,312,540,000	1,290,970,212
Other cash payments relating to other investing activities		4,650,595,971	2,891,045,700
Total cash outflows from investing activities		10,209,519,090	8,615,796,271
Net cash flows from investing activities		(1,686,050,416)	123,766,164

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

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

COMPANY STATEMENT OF CASH FLOWS (continued)

Expressed in Renminbi Yuan

	NOTE XVI	2023	2022
III. Cash flows from financing activities			
Cash proceeds from investments by others		1,996,774,000	500,000,000
Cash receipts from borrowings		798,993,208	897,847,746
Other cash receipts relating to financing activities		3,177,888,609	172,636,693
		<u>5,973,655,817</u>	<u>1,570,484,439</u>
Total cash inflows from financing activities		<u>5,973,655,817</u>	<u>1,570,484,439</u>
Cash repayments for debts		1,350,600,500	195,860,000
Cash payments for distribution of dividends or profit and interest expenses		1,303,761,870	2,403,651,884
Other cash payments relating to financing activities		3,272,067,708	1,275,761,382
		<u>5,926,430,078</u>	<u>3,875,273,266</u>
Total cash outflows from financing activities		<u>5,926,430,078</u>	<u>3,875,273,266</u>
Net cash flows from financing activities		<u>47,225,739</u>	<u>(2,304,788,827)</u>
IV. Effect of exchange rate changes on cash and Cash equivalents			
		<u>(29,536,126)</u>	<u>25,688,894</u>
V. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents at beginning of year		(659,463,673)	(1,785,903,369)
		<u>3,365,759,060</u>	<u>5,151,662,429</u>
VI. Cash and cash equivalents at end of year			
		<u>2,706,295,387</u>	<u>3,365,759,060</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

I. BASIC INFORMATION

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

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

These financial statements were approved by a resolution of the board of directors of the Company on 28 March 2024.

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are presented on a going concern basis.

As at 31 December 2023, the Group’s current assets were RMB15,219,588,022 and current liabilities were RMB18,934,215,066. 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 loan facilities.

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.

III. MATERIAL 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, inventory valuation methods, inventory impairment provisions, the depreciation of fixed assets, the amortization of intangible assets, revenue recognition and measurement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2023 and their financial performance and cash flows for the year then ended.

2. Accounting period

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year.

3. Functional currency

The Company's functional and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the currency unit 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 places of business. In the preparation of financial statements, their functional currencies shall be translated into RMB.

4. Methodology for determining materiality criteria and basis for selection

	Materiality criteria
Significant account receivables for which bad debt provision is assessed on an individual basis	The amount of bad debt provision for a single customer was greater than RMB10 million
Significant bad debt recovered or reversed during the year	The reversal amount of bad debt provision for a single customer is greater than RMB10 million
Significant receivables written-off	The amount of write-off of bad debt provision for a single customer was greater than RMB10 million
Significant payment in advance with ageing over 1 year	The amount of payment in advance to a single supplier was greater than RMB10 million
Significant construction in progress	The company considers a single project under construction with a budget of more than RMB500 million as significant
Significant overdue accounts payable, contract liabilities, and other payables	Balance of single supplier/customer was greater than RMB10 million
Significant cash flows from investing activities	The company recognises a single cash flow amount more than RMB100 million as significant
Significant non-wholly owned subsidiaries	Amount of revenue from non-wholly owned subsidiaries greater than 3% of group's total revenue and the amount of minority shareholders' interests is greater than RMB300 million
Significant joint ventures or associates	Carrying value of long-term equity investments in joint ventures or associates greater than 5% of group's total assets

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

5. Business combinations

The Group only has business combinations not under common control.

Business combinations not involving entities under common control

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

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date. Goodwill is initially recognised and measured at cost, being the excess of the cost of the combination over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of the combination is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If after that reassessment, the cost of the combination is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

6. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company). An investor controls an investee if and only if the investor has all the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

If the accounting policies or the accounting period of a subsidiary are different from those of the Company, necessary adjustments are made to the subsidiary's financial statements based on the Company's own accounting policies or accounting period in preparing the consolidated financial statements. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against the non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

6. Consolidated financial statements *(continued)*

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

A change in the non-controlling interests, without a loss of control, is accounted for as an equity transaction.

7. Cash and cash equivalents

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

8. Foreign currency transactions and foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate on initial recognition, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates their functional currency amounts into RMB when preparing the financial statements as follows: as at the balance sheet date, the assets and liabilities are translated using the spot exchange rate at the balance sheet date, and equity items other than "unappropriated profit" are translated at the spot exchange rates at the dates of transactions; revenue and expense items in profit or loss are translated using the weighted average exchange rates for the period during which the transactions occur (unless this is inappropriate due to exchange rate fluctuations, in which case the spot exchange rates prevailing on the dates of the transactions are used). The resulting exchange differences are recognised in other comprehensive income.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the weighted average exchange rates for the period during which the cash flows occur (unless this is inappropriate due to exchange rate fluctuations, in which case the spot exchange rates prevailing on the dates of cash flows are used). 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

YEAR ENDED 31 DECEMBER 2023

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

9. 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

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the financial 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 (i) has transferred substantially all the risks and rewards of the financial asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets under contracts whose terms require delivery within the time frame generally established by regulation or convention in the marketplace concerned. The trade date is the date that the Group committed to purchase or sell a financial asset.

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

9. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

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

Debt investments measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. 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 investments at fair value through other comprehensive income

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognised using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Equity investments at fair value through other comprehensive income

The Group can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognised in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

Financial assets at fair value through profit or loss

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

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, or financial liabilities measured at amortised cost. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to financial liabilities measured at amortised cost are included in the initial recognition amounts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

9. Financial instruments *(continued)*

Classification and measurement of financial liabilities (continued)

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 derivative instruments attributable to financial liabilities) and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value. All changes in fair value of such financial liabilities are recognised in profit or loss except for the derivatives designated as hedging instruments in an effective hedge. Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value and gains or losses are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income. If gains or losses arising from the Group's own credit risk which are presented in other comprehensive income will lead to or expand accounting mismatch in profit or loss, the Group will include all the changes in fair value (including the amount affected by changes in the Group's own credit risk) of such financial liabilities in profit or loss.

Financial liabilities carried at amortised cost

After initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

Impairment of financial instruments

Based on the expected credit losses ("ECLs"), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost, and debt investments at fair value through other comprehensive income.

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.

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortised cost and the effective interest rate. If the credit risk of financial instruments is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

9. Financial instruments *(continued)*

Impairment of financial instruments (continued)

The Group assesses expected credit losses on financial instruments on an individual and portfolio basis. The Group assesses expected credit losses on financial instruments measured at amortized cost on an ageing portfolio basis, taking into account the credit risk characteristics of different customers and based on common risk characteristics. The Group assesses expected credit losses on an individual basis for financial instruments other than those that are assessed for expected credit losses on a portfolio basis as described above.

Please refer to Note IX. 2 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.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derivative financial instruments

The Group uses derivative financial instruments, such as interest rate swap contracts to hedge interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any profit or loss arising from changes in fair value of derivatives are taken directly in profit or loss.

Transfers of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

10. 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 all costs of purchase, costs of conversion and other costs. Cost is determined on the weighted average basis. Auxiliary materials include low value consumables and packing materials, which are on the immediate write-off basis.

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.

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 combination cost (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). 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 Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's individual financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

III. MATERIAL 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. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group'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, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after it has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures (However, any loss arising from such transactions which are attributable to an impairment loss shall be recognised at its entirety). 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 losses of the investee is recognised to the extent that 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 the obligations to assume further losses. The Group's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.

12. Fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

12. Fixed assets *(continued)*

Fixed assets are initially measured at cost, by taking into account the effect of any asset retirement obligations. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is calculated using the straight-line method, except for safety production funds and funds to maintain simple re-production. The useful lives, estimated residual value rates and annual depreciation rates of each category of the fixed assets are as follows:

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

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

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, and other relevant expenditures.

An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use. The standards are set as below.

	Standards for transferring to fixed assets
Buildings	Start to use
Machinery and equipment	Achieve the design requirement and complete the trail production

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 as an expense in the period in which they are incurred.

The capitalisation of borrowing costs commences only when the expenditures for the asset and the borrowing costs have been incurred, and the activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

14. Borrowing costs *(continued)*

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows: where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

15. Intangible assets

The intangible assets are amortised using the straight-line method over their useful lives. The useful lives are as follows:

	Useful life
Land use rights	40–50 years
Mining rights	Amortisation on the basis of production
Mine restoration fees	Amortisation on the basis of production
Concession right	10–20 years
Software use rights and others	5–10 years

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

YEAR ENDED 31 DECEMBER 2023

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

16. Impairment of assets

Impairment of assets other than the impairment of inventories, deferred tax assets and financial assets, is determined in the following way: 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 impairment testing; goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

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 expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for 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 asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill is allocated from the acquisition date on a reasonable basis, to each of the related asset groups or the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than an operating segment as determined by the Group.

The carrying amount of the related asset group to which goodwill has been allocated for impairment is compared to its recoverable amount. If the carrying amount of the asset group is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group, and then used to reduce the carrying amount of other assets within the asset group, on a pro-rata basis of the carrying amount of each asset.

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

17. Long-term deferred expenditures

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

18. Employee benefits

Employee benefits refer to all forms of consideration or compensation other than share-based payments given by the Group in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term 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 (defined contribution plan)

The employees of the Group participate in a pension scheme and unemployment insurance managed by the local government, and an enterprise pension fund, the corresponding expenses shall be included in the cost of related assets or profit or loss.

Post-employment benefits (defined benefit plan)

The Group's defined benefit plans are various supplementary benefit plans targeting those employees retiring before the designated dates and retired employees. These plans are impacted by interest rate risk and changes in the life expectancy of pension beneficiaries.

Remeasurements arising from the defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of the date of the plan amendment and the date that the Group recognises restructuring-related costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under cost of sales, administrative expenses, research and development expenses, selling expenses, and finance expenses in the income statement: service costs comprising current service costs, past service costs, gains and losses on settlements; net interest comprising interest income on plan assets, interest costs on the defined benefit obligation and interest on the effect of the asset ceiling.

19. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when the obligation is a present obligation of the Group and it is probable that an outflow of economic benefits from the Group will be required to settle the obligation, together with a reliable estimate can be made of the amount of the obligation, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

19. Provisions *(continued)*

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed and adjusted appropriately at each balance sheet date to reflect the current best estimate.

20. 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 XII.

21. 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

YEAR ENDED 31 DECEMBER 2023

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

22. Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

Sale of cement and other construction materials

The Group recognizes revenue from the sale of cement and other construction materials when the control of the goods has been transferred to the customer. According to the sales contract, the point of recognition of sales revenue is usually when the cement and other construction materials are shipped out of the Group's own warehouses or designated warehouses.

The Group uses the amount of consideration that it expects to be entitled to receive as a result of the transfer of merchandise to customers as the transaction price, which is determined in accordance with the terms of the contract, taking into account past business practices. Some of the Group's contracts provide for certain discounts when customers purchase merchandise over a certain quantity, which is directly offset against the amount payable by the customer for the merchandise purchased in the current period. The Group makes its best estimate of the discount in accordance with the expectation that the transaction price after the estimated discount will not exceed the amount by which it is highly probable that the cumulative recognized revenue will not be materially reversed by the time the related uncertainty is eliminated, and re-estimates the discount at each balance sheet date.

Contracts for the provision of services

The Group fulfills its performance obligations through the provision of services such as solid waste treatment and governmental household waste treatment to its customers. Since the economic benefits arising from the Group's performance are obtained and consumed by the customers at the same time as the Group's performance, the Group recognizes revenue in accordance with the progress of performance as performance obligations fulfilled in a certain period of time, unless the progress of performance is not reasonably determinable. The Group determines the progress of performance in the provision of services in accordance with the output method. When the progress of performance is not reasonably determinable, the Group recognizes revenue at the amount of costs incurred until the progress of performance is reasonably determinable, provided that the costs incurred by the Group are expected to be reimbursed.

23. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities depending on the relationship between the satisfaction of its performance obligations and the customer's payment in the balance sheet. The Group offsets the contract assets and contract liabilities under the same contract and presents the net amount.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer, and that right is conditioned on something other than the passage of time.

For details of how the Group measures and accounts for the ECLs of a contract asset, refer to Note III. 9.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

24. Contract cost assets

The Group's contract cost assets include the costs to obtain and fulfil a contract and are classified as inventories, other current assets and other non-current assets by liquidity.

The Group recognises as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs, unless the amortisation period of the asset is one year or less.

Other than the costs which are capitalised as inventories, fixed assets and intangible assets, etc., costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (1) the costs relate directly to a contract or to an anticipated contract, including direct labour, direct materials, overheads (or similar expenses), costs that are explicitly chargeable to the customer and other costs that are incurred only because an entity entered into the contract;
- (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- (3) the costs are expected to be recovered.

The contract cost asset is amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised.

The Group accrues provisions for impairment and recognises impairment losses to the extent that the carrying amount of a contract cost asset exceeds:

- (1) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
- (2) the costs that are expected to be incurred to transfer those related goods or services.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

25. Government grants

Government grants are recognised when all attaching conditions can be complied with and the grant will 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, judgement 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 relating to an asset shall be offset against the carrying amounts of relevant assets, or recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

26. Deferred income tax

Deferred tax is provided using the balance sheet liability method, on all 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 the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

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

- (1) when the taxable temporary difference arises from the initial recognition of goodwill, or 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 loss and does not give rise to equal taxable and deductible temporary differences; and
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when 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

YEAR ENDED 31 DECEMBER 2023

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

26. Deferred income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

- (1) when the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred 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 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 tax assets to be utilised. Unrecognised deferred 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 tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

27. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

27. Leases *(continued)*

As a lessee (continued)

Right-of-use assets

At the commencement date of the lease, the Group recognises a right-of-use asset. Right-of-use assets are initially measured at cost. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. 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 right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. 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 interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the Group remeasures the lease liability at the present value of revised lease payments upon a change in any of the following: in-substance fixed payments, the amounts expected to be payable under residual value guarantees, the index or rate used to determine lease payments, or the assessment or exercise of the purchase option, the renewal option or the option to terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

27. Leases *(continued)*

As a lessee (continued)

Short-term leases and low value asset leases

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease of the individual underlying asset with low value, when new, as a lease of low-value assets. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As a lessor of an operating lease

Rental income under an operating lease is recognised 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 recognised 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 applies the requirements in Note III. 22 to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As a lessee

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessee, measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the lessor; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessee, continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying Note III. 9.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

28. Share repurchases

Consideration and transaction costs paid for the repurchase of own equity instruments reduce shareholders' equity. Except for share-based payments, the issuance (including refinancing), repurchase, sale or cancellation of own equity instruments is treated as a change in equity.

29. Production safety cost

Safety production funds and funds to maintain simple re-production provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialised reserves. They are treated differently when being utilised: (i) the specialised reserves are offset against for those attributable to the expense nature; or (ii) the cumulative expenditures are recognised as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialised reserves are offset against with the full depreciation of the fixed asset, at the same amount.

30. Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity 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 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

31. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, 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. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the financial statements:

Business models

The classification of financial assets at initial recognition depends on the Group's business model for managing financial assets. When determining the business model, the Group considers the methods to include evaluation and reporting financial asset performance to key management, the risks affecting the performance of financial assets and the risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reason, timing, frequency and value of the sale before the maturity date of the financial assets.

Characteristics of contractual cash flows

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics, and the judgements on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, including when assessing the modification of the time value of money, the judgement on whether there is any significant difference from the benchmark cash flow and whether the fair value of the prepayment features is insignificant for financial assets with prepayment features.

Lease term — A lease contract that do not contains an option to extend the lease

The Group determines the lease term as the non-cancellable period of a lease, not together with the periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option. In assessing whether it is reasonably certain to exercise an option to extend the lease, the Group considers all relevant facts and circumstances that create an economic incentive for it to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date of the lease until the exercise date of the option. At the commencement date of the lease, considering that the exit cost is insignificant, and the Group will consider all the relevant facts to determine whether to exercise the option or not. Thus, the lease period do not contains the periods covered by an option to extend the lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

31. Significant accounting judgements and estimates *(continued)*

Estimation uncertainty

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 described below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

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

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indication exists. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an asset or asset group are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in Notes V.13, V.14, V.15, V.16 and V.18.

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 future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in Note V.17.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

31. Significant accounting judgements and estimates *(continued)*

Estimation uncertainty (continued)

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 tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred 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

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

Provision for decline in value of inventories

The Group's inventories are measured at the lower of the costs and net realisable value. Net realisable value of inventories is the estimated selling price of inventories 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 inventories 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 inventories and profit or loss in 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 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 expense is adjusted in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

31. Significant accounting judgements and estimates *(continued)*

Estimation uncertainty (continued)

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.

32. Changes in accounting policies and significant accounting estimates

Changes of accounting policies

Accounting Standard for Business Enterprises Interpretation No.16 issued in 2022 states that where a single transaction is not a business combination and affects neither accounting profit nor taxable profit (or tax loss), and equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such transaction, the exemption from initial recognition of deferred tax is not applicable. The Group has applied it since 1 January 2023. In a lease transaction in which a lease liability is initially recognised and included in a right-of-use asset at the commencement date of the lease and a transaction in which a provision is recognised and included in the cost of a fixed asset due to the decommissioning obligations of the fixed asset, for the taxable and deductible temporary differences arising on initial recognition of the asset and liability, the corresponding deferred tax liability and asset shall be recognised separately instead of not being recognised. In accordance with the transition requirements, the Group made adjustments for the above-mentioned transactions that occurred from the beginning of the earliest period presented in the financial statements on which the interpretation was initially applied to the date of changes to accounting policies; for lease liabilities and right-of-use assets and provisions and fixed assets related to decommissioning obligations recognised for the above-mentioned transactions due to the application of the interpretation at the beginning of the earliest period presented in the financial statements on which the interpretation was initially applied, where taxable and deductible temporary differences arose, the Group recognised the cumulative effect of the initial application of the interpretation as an adjustment to the opening balance of retained earnings and other related financial statement items of the earliest period presented in the financial statements. The implementation of this provision will not have a significant impact on the Group's financial position and operating results.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IV. TAXATION

1. Major categories of taxes and respective tax rates

	Tax basis	Tax rate
Value-added tax (VAT)	Except for the local tax rate applicable to the overseas companies 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%. Sales of concrete 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 are subject to levy at a rate of 3%. The VAT rate for transportation services and professional and technical services is 6%.	General taxation: 13%, 6% Simplified taxation: 3% Overseas companies: 18%, 17%, 16%, 15%, 12% and, 5%
Excise duty	The Group pays excise duty on cement sold in Maweni, Tanzania at the rate of TZS 2000/T as prescribed by the Tanzanian tax law	—
Urban maintenance and construction tax	It is levied at 7%, 5% and 1% of actual VAT paid.	7%, 5%, 1%
Education surcharge	It is levied at 3% of actual VAT paid.	3%
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 for leased 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.	self-occupied properties: 1.2% leased out properties: 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.	—
Corporate income tax	Except for the overseas subsidiaries adopting the local corporate income tax and the income tax concessions entitled 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.	Overseas companies: 30%, 28%, 20%, 18%, 15%, 13%, 12.5% and, 10%. Other companies: 25%, 16.5%, 15%, 12.5%, 9% and, 0%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IV. TAXATION *(continued)*

2. Tax concessions

2.1 Corporate income tax

The Group's subsidiary Huaxin Environmental Engineering Co., Ltd. Was granted the 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 entitled to a reduced tax rate of 15% for the year (2022: 15%).

The Group's subsidiary Huaxin Cement (Henan Xinyang) Co., Ltd. was granted the 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 entitled to a reduced tax rate of 15% for the year (2022: 15%).

The Group's subsidiary Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd. was granted the 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 entitled to a reduced tax rate of 15% for the year (2022: 15%).

The Group's subsidiary Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. was granted the 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 entitled 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 entitled to a reduced tax rate of 15% for the year (2022: 15%).

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IV. TAXATION *(continued)*

2. Tax concessions *(continued)*

2.1 Corporate income tax *(continued)*

The Group's subsidiaries Huaxin (Hainan) Investment Co., Ltd., Hainan Xinhongda Building Materials Co., Ltd., Hainan Baihuitong Supply Chain Technology Co., Ltd., and Hainan Huaxin Ronghui Concrete Co., Ltd, are enterprises established in Hainan Province. Pursuant to Cai Shui [2020] No. 31 Announcement of Corporate Income Tax Relief Policy in the 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.

Huaxin Cement (Tibet) Co., Ltd. and Tibet Huaxin Building Materials Co., Ltd. subsidiaries of the Group are among the key enterprises supporting and encouraging the development in the Tibet Autonomous Region. Pursuant to the "Measures for the Implementation of Enterprise Income Tax Policies in the Tibet Autonomous Region (Provisional)" issued by the Government of the People's Republic of China under No. 11 of the [2022], from 1 January, 2022 to 31 December, 2025, they will be exempted from the local portion of the enterprise income tax.

2.2 VAT

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

	31 December 2023	31 December 2022
Cash on hand	2,099,477	1,100,172
Bank deposits	5,319,976,718	6,549,623,633
Other cash and bank balances	527,389,156	487,617,987
Total	<u>5,849,465,351</u>	<u>7,038,341,792</u>
Including: Total amount of offshore deposits	1,216,250,877	1,152,053,351

2. Financial assets held for trading

Unit: RMB

	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss		
Equity investments	1,495,675	—
Derivative financial assets	—	41,711,538
Total	<u>1,495,675</u>	<u>41,711,538</u>

3. Notes receivable

Unit: RMB

	31 December 2023	31 December 2022
Bank Acceptance Bill	275,075,423	545,960,470
Less: Impairment allowance	—	—
Total	<u>275,075,423</u>	<u>545,960,470</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

3. Notes receivable (continued)

Among them, pledged notes receivable are as follows:

	31 December 2023	31 December 2022
Bank Acceptance Bill	—	2,720,000

Unit: RMB

Notes receivable that have been endorsed or discounted but are not yet due at the balance sheet date are as follows:

	31 December 2023		31 December 2022	
	Derecognised	Not derecognized	Derecognised	Not derecognized
Bank Acceptance Bill	—	200,844,348	—	479,119,683
Total	—	200,844,348	—	479,119,683

Unit: RMB

4. Accounts receivable

The ageing analysis of accounts receivable is as follows:

	31 December 2023	31 December 2022
Up to 6 months	1,774,340,469	1,130,096,842
6–12 months	327,137,999	164,377,772
1 to 2 years	228,421,668	129,150,787
2 to 3 years	41,812,808	34,853,374
Over 3 years	123,484,774	102,009,512
	2,495,197,718	1,560,488,287
Less: Impairment allowance	235,701,561	177,857,087
Total	2,259,496,157	1,382,631,200

Unit: RMB

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable (continued)

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

Unit: RMB

	Opening balance	Provision	Recovered or reversal	Write-offs	Closing balance
2023	<u>177,857,087</u>	<u>72,853,044</u>	<u>10,566,896</u>	<u>4,441,674</u>	<u>235,701,561</u>

Unit: RMB

	Opening balance	Provision	Recovered or reversal	Write-offs	Closing balance
2022	<u>164,229,940</u>	<u>32,215,778</u>	<u>15,619,947</u>	<u>2,968,684</u>	<u>177,857,087</u>

There were no reversals of bad debt provisions and no write-offs of individually significant amounts during the period.

Unit: RMB

	31 December, 2023				Carrying value
	Balance of carrying amount		Provision for bad debts		
	Amount	proportions (%)	Amount	Percentage of accruals (%)	
Receivables for which bad debt provision is assessed on an individual basis	<u>134,004,127</u>	<u>5</u>	<u>110,292,647</u>	<u>82</u>	<u>23,711,480</u>
Receivables for which bad debt provision is assessed on a portfolio basis	<u>2,361,193,591</u>	<u>95</u>	<u>125,408,914</u>	<u>5</u>	<u>2,235,784,677</u>
Total	<u>2,495,197,718</u>		<u>235,701,561</u>		<u>2,259,496,157</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable (continued)

Unit: RMB

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

As at 31 December 2023, receivables for which bad debt provision is assessed on an individual basis are as follows:

Unit: RMB

	Carrying amount	Provision for bad debts	Expected credit loss ratio (%)	Reasons for the provision
Client A	15,380,800	15,380,800	100	All uncollectible
Client B	11,322,334	11,322,334	100	All uncollectible
Other Client	<u>107,300,993</u>	<u>83,589,513</u>	78	Partly uncollectible
Total	<u>134,004,127</u>	<u>110,292,647</u>		

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

Unit: RMB

	Carrying amount	Provision for bad debts	Expected credit loss ratio (%)	Reasons for the provision
Client A	14,860,792	14,860,792	100	All uncollectible
Client B	11,133,541	11,133,541	100	All uncollectible
Other Client	<u>72,108,797</u>	<u>70,004,996</u>	97	Partly uncollectible
Total	<u>98,103,130</u>	<u>95,999,329</u>		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable (continued)

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

Category of cement receivable:

Unit: RMB

	31 December 2023		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within to 6 months	325,866,489	4	14,144,194
6-12 months	55,253,154	12	6,724,525
1-2 years	23,819,665	34	8,050,877
2-3 years	5,911	67	3,985
Over 3 years	4,453,387	95	4,236,199
Total	409,398,606		33,159,780

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable (continued)

Category of concrete receivable:

Unit: RMB

	31 December 2023		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	1,220,853,730	2	24,796,873
6 to 12 months	224,585,016	3	7,836,216
1 to 2 years	138,800,207	13	18,258,342
2 to 3 years	16,256,605	43	6,924,084
Over 3 years	6,295,847	74	4,672,266
Total	<u>1,606,791,405</u>		<u>62,487,781</u>

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable *(continued)*

Category of other business receivables

Unit: RMB

	31 December, 2023		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	209,890,138	2	3,530,931
6 to 12 months	45,416,292	5	2,109,953
1 to 2 years	46,934,251	12	5,712,494
2 to 3 years	12,595,669	34	4,222,709
Over 3 years	30,167,230	47	14,185,266
Total	<u>345,003,580</u>		<u>29,761,353</u>

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Accounts receivable (continued)

As at 31 December 2023, the top 5 of the balance of accounts receivable were as follows:

Unit: RMB

	31 December 2023			
	Balance at end of year	Percentage of total accounts receivable (%)	provision for bad debts	Net value
First	49,852,408	2	6,718,447	43,133,961
Second	34,018,492	1	4,196,579	29,821,913
Third	19,501,326	1	2,145,146	17,356,180
Fourth	17,928,225	1	1,972,105	15,956,120
Fifth	15,806,474	1	1,738,712	14,067,762
Total	<u>137,106,925</u>		<u>16,770,989</u>	<u>120,335,936</u>

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

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

5. Receivables financing

Unit: RMB

	31 December 2023	31 December 2022
Bank acceptance bills	<u>746,018,692</u>	<u>527,248,935</u>

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

Unit: RMB

	31 December 2023	31 December 2022
Bank acceptance bills	<u>—</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.

As at 31 December 2023, there was no pledged bank acceptance bills (31 December 2022: RMB26,413,178). For details of discounting and pledge of bank acceptance bills, please refer to Note V. 20.

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

Unit: RMB

	31 December 2023		31 December 2022	
	Derecognized	Not Derecognized	Derecognized	Not Derecognized
Bank acceptance bills	<u>2,036,671,648</u>	<u>—</u>	<u>1,931,042,708</u>	<u>—</u>
Total	<u>2,036,671,648</u>	<u>—</u>	<u>1,931,042,708</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

6. Prepayments

An ageing analysis of prepayments is as follows:

Unit: RMB

	31 December 2023		31 December 2022	
	Balance of carrying amount	Proportion (%)	Balance of carrying amount	Proportion (%)
Within 1 year	382,702,940	91	327,897,519	93
1 to 2 years	24,587,858	6	10,180,466	3
2 to 3 years	3,910,239	1	7,317,320	2
Over 3 years	6,677,694	2	8,475,493	2
Total	<u>417,878,731</u>	<u>100</u>	<u>353,870,798</u>	<u>100</u>

At 31 December 2023, there was no significant prepayments aging over one year (31 December 2022: Nil).

At 31 December 2023, the top 5 of the balance of prepayment were as follows:

Unit: RMB

	31 December 2023	
	Balance	Percentage of total amount (%)
First	64,000,000	15
Second	21,034,205	5
Third	17,002,670	4
Fourth	16,418,387	4
Fifth	15,343,406	4
Total	<u>133,798,668</u>	<u>32</u>

7. Other receivables

Unit: RMB

	31 December 2023	31 December 2022
Interests receivable	5,401,108	356,508
Dividends receivable	1,426,876	—
Other receivables	<u>740,440,448</u>	<u>477,600,383</u>
Total	<u>747,268,432</u>	<u>477,956,891</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

7. Other receivables *(continued)*

An ageing analysis of other receivables is as follows:

	Unit: RMB	
	31 December 2023	31 December 2022
Within 1 year	449,223,204	287,787,935
1 to 2 years	156,857,056	86,909,680
2 to 3 years	40,796,405	36,579,929
Over 3 years	197,910,488	168,565,924
Less: Impairment allowance	104,346,705	102,243,085
Total	<u>740,440,448</u>	<u>477,600,383</u>

Other receivables are classified by nature as follows:

	Unit: RMB	
	31 December 2023	31 December 2022
Receivables from disposal of assets (Note V.54)	272,542,989	—
Loans and out-of-pocket expenses	212,161,594	254,794,390
Margin and deposits	220,557,318	215,043,690
Earnest money to be returned	—	47,500,000
Petty cash	6,059,314	8,829,589
Others	133,465,938	53,675,799
Total	<u>844,787,153</u>	<u>579,843,468</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

7. Other receivables (continued)

Changes in impairment allowance for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

31 December 2023

Unit: RMB

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not yet credit-impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Opening balance	—	8,189,177	94,053,908	102,243,085
Accrual	—	9,493,429	—	9,493,429
Reversal	—	(3,838,662)	—	(3,838,662)
Write-off	—	(3,551,147)	—	(3,551,147)
Closing balance	—	10,292,797	94,053,908	104,346,705

There were no reversals of bad debt provisions and no write-offs of individually significant amounts during the period.

31 December 2022:

Unit: RMB

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not yet credit-impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Opening balance	—	9,222,749	94,053,908	103,276,657
Accrual	—	8,051,085	—	8,051,085
Reversal	—	(3,091,219)	—	(3,091,219)
Write-off	—	(5,993,438)	—	(5,993,438)
Closing balance	—	8,189,177	94,053,908	102,243,085

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

7. Other receivables (continued)

As at 31 December 2023, the top 5 of other receivables were as follows:

Unit: RMB

	Closing balance	Proportion in total balance of other receivables	Nature	Aging	Closing balance of provision for bad debts
First	272,542,989	32%	Receivables from disposal of assets	Within 1 year	—
Second	50,240,000	6%	Margin and deposits	Within 1 year, 1–2 years, 2–3 years, Over 3 years	—
Third	38,927,223	5%	Loans and out-of-pocket expenses	Over 3 years	38,927,223
Fourth	27,027,341	3%	Loans and out-of-pocket expenses	Over 3 years	27,027,341
Fifth	25,000,000	3%	Loans and out-of-pocket expenses	1–2 years	—
Total	<u>413,737,553</u>	<u>49%</u>			<u>65,954,564</u>

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

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

8. Inventories

Unit: RMB

	31 December 2023			31 December 2022		
	Balance of carrying amount	Provision for write-down/impairment	Carrying value	Balance of carrying amount	Provision for write-down/impairment	Carrying value
Raw materials	1,105,785,922	66,501	1,105,719,421	1,079,394,528	248,377	1,079,146,151
Work in progress	891,703,251	56,736,368	834,966,883	813,687,931	165,122	813,522,809
Finished goods	874,538,962	23,924,403	850,614,559	1,049,131,023	—	1,049,131,023
Spare parts	798,465,639	126,828,337	671,637,302	575,607,905	112,285,876	463,322,029
Total	<u>3,670,493,774</u>	<u>207,555,609</u>	<u>3,462,938,165</u>	<u>3,517,821,387</u>	<u>112,699,375</u>	<u>3,405,122,012</u>

31 December 2023

The movements in provision for write-down of inventories are as follows:

Unit: RMB

	Opening balance	Provision	Decrease		Closing balance
			Reversal	Write-off and others	
Raw materials	248,377	—	(91,389)	(90,487)	66,501
Work in progress	165,122	56,571,246	—	—	56,736,368
Finished goods	—	23,924,403	—	—	23,924,403
Spare parts	112,285,876	32,367,091	(17,824,630)	—	126,828,337
Total	<u>112,699,375</u>	<u>112,862,740</u>	<u>(17,916,019)</u>	<u>(90,487)</u>	<u>207,555,609</u>

31 December 2022

The movements in provision for write-down of inventories are as follows:

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

9. Other current assets

Unit: RMB

	31 December 2023	31 December 2022
Input VAT to be credited and prepaid income tax	719,948,991	642,158,558
Fixed deposit (Note)	681,571,424	—
Others	58,430,981	35,295,971
Total	<u>1,459,951,396</u>	<u>677,454,529</u>

Note: As at 31 December 2023, fixed deposits in local commercial banks with maturities term over three months but under a year are classified to other current assets and the annual interest rate is 6.25%.

10. Long-term receivables

Unit: RMB

	31 December 2023			31 December 2022		
	Balance of carrying amount	Impairment allowance	Carrying value	Balance of carrying amount	Impairment allowance	Carrying value
Loans	80,450,000	—	80,450,000	129,450,000	—	129,450,000
Others	526,447	—	526,447	2,144,447	—	2,144,447
Total	<u>80,976,447</u>	<u>—</u>	<u>80,976,447</u>	<u>131,594,447</u>	<u>—</u>	<u>131,594,447</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

11. Long-term equity investments

31 December 2023

Unit: RMB

	Opening balance	Increase in investment	Decrease in investment	Changes for the period			Closing balance
				Investment income or loss recognized under the equity method	Other equity changes	Cash dividends declared	
Associates							
Tibet High-tech Building Materials Group Co., Ltd.	345,368,185	—	—	17,150,803	(1,003,076)	—	361,515,912
Shanghai Wan'an Huaxin Cement Co., Ltd.	90,786,053	—	—	(1,564,650)	—	—	89,221,403
Zhangjiajie Tianzi Concrete Co., Ltd.	2,687,409	—	—	444,599	—	—	3,132,008
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	—	(45,000)	—	—	—	—
Xinyang Xinxin Mining Co., Ltd	—	30,000,000	—	—	—	—	30,000,000
Mondi Oman LLC	—	—	—	4,172,918	—	(5,208,521)	28,994,028
Subtotal	438,886,647	30,000,000	(45,000)	20,203,670	(1,003,076)	(5,208,521)	512,863,351
Total	438,886,647	30,000,000	(45,000)	20,203,670	(1,003,076)	(5,208,521)	512,863,351

31 December 2022

Unit: RMB

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

Note: Mondi Oman LLC is an associate of the newly acquired subsidiary Oman Cement Company SAOG. The appraised amount of the long-term equity investment in this associate at the point of acquisition was RMB30,029,631.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

12. Other equity investments

Unit: RMB

	2023	2022
Equity investment in unlisted companies 1	41,113,278	57,172,539
Equity investment in unlisted companies 2	923,520,621	955,677,784
Total	964,633,899	1,012,850,323

31 December 2023

Unit: RMB

	Gains recognized in other comprehensive income for the year	Losses recognized in other comprehensive income for the year	Accumulated gains recognized in other comprehensive income	Accumulated Losses recognized in other comprehensive income	Dividend income for the year
Equity investment in unlisted companies 1	—	16,059,261	29,388,612	—	—
Equity investment in unlisted companies 2	—	32,157,163	—	76,479,379	—
Total	—	48,216,424	29,388,612	76,479,379	—

31 December 2022

Unit: RMB

	Gains recognized in other comprehensive income for the year	Losses recognized in other comprehensive income for the year	Accumulated gains recognized in other comprehensive income	Accumulated Losses recognized in other comprehensive income	Dividend income for the year
Equity investment in unlisted companies 1	1,305,473	—	45,447,873	—	917,726
Equity investment in unlisted companies 2	—	44,322,216	—	44,322,216	—
Total	1,305,473	44,322,216	45,447,873	44,322,216	917,726

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 other equity instruments for strategic investment considerations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets

	31 December 2023	Unit: RMB 31 December 2022
Fixed assets	27,740,383,101	22,713,408,318
Disposal of fixed assets	11,990,805	7,396,657
Total	<u>27,752,373,906</u>	<u>22,720,804,975</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets (continued)

31 December, 2023

Unit: RMB

	Buildings	Machinery	Office equipment	Vehicles	Total
Cost					
Opening balance	18,032,658,256	22,479,965,845	315,334,664	492,897,822	41,320,856,587
Purchases	17,312,805	1,692,044	25,021,595	27,706,095	71,732,539
Transfers from construction in progress	2,772,940,054	2,521,029,435	—	—	5,293,969,489
Business combinations	922,242,903	1,113,237,911	10,997,513	8,461,281	2,054,939,608
Disposals or retirements	(148,567,776)	(223,213,165)	(5,797,719)	(35,005,524)	(412,584,184)
Exchange differences on foreign currency translation	(46,229,024)	(285,148,738)	(8,208,954)	(12,012,695)	(351,599,411)
Closing balance	<u>21,550,357,218</u>	<u>25,607,563,332</u>	<u>337,347,099</u>	<u>482,046,979</u>	<u>47,977,314,628</u>
Accumulated depreciation					
Opening balance	5,243,882,654	12,282,713,922	231,270,797	349,234,190	18,107,101,563
Depreciation provided during the year	724,366,452	1,280,149,352	22,650,627	51,247,372	2,078,413,803
Disposals or retirements	(50,545,811)	(132,377,355)	(13,933,189)	(30,187,533)	(227,043,888)
Exchange differences on foreign currency translation	(14,895,393)	(65,032,825)	(1,348,065)	(7,846,893)	(89,123,176)
Closing balance	<u>5,902,807,902</u>	<u>13,365,453,094</u>	<u>238,640,170</u>	<u>362,447,136</u>	<u>19,869,348,302</u>
Provision for impairment					
Opening balance	291,349,159	208,532,555	200,334	264,658	500,346,706
Impairment	446,585	528,089	1,839	6,183	982,696
Disposals or retirements	(73,754,565)	(59,991,612)	—	—	(133,746,177)
Closing balance	<u>218,041,179</u>	<u>149,069,032</u>	<u>202,173</u>	<u>270,841</u>	<u>367,583,225</u>
Carrying amount					
At end of year	<u>15,429,508,137</u>	<u>12,093,041,206</u>	<u>98,504,756</u>	<u>119,329,002</u>	<u>27,740,383,101</u>
At beginning of 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

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets (continued)

31 December 2022

	Unit: RMB				
	Buildings	Machinery	Office equipment	Vehicles	Total
Cost					
Opening balance	16,548,660,053	20,769,239,142	315,616,646	482,425,363	38,115,941,204
Purchases	67,445,927	71,448,148	21,548,525	47,665,102	208,107,702
Transfers from construction in progress	1,193,905,732	1,451,000,997	—	—	2,644,906,729
Business combinations	113,876,342	77,583,778	1,134,492	1,831,053	194,425,665
Disposals or retirements	(31,973,620)	(149,331,897)	(23,751,590)	(45,802,105)	(250,859,212)
Exchange differences on foreign currency translation	140,743,822	260,025,677	786,591	6,778,409	408,334,499
Closing balance	18,032,658,256	22,479,965,845	315,334,664	492,897,822	41,320,856,587
Accumulated depreciation					
Opening balance	4,578,862,529	11,169,905,685	230,146,597	338,001,193	16,316,916,004
Depreciation provided during the year	656,432,646	1,146,762,318	20,481,220	55,986,524	1,879,662,708
Disposals or retirements	(12,007,012)	(124,904,485)	(19,475,780)	(44,833,505)	(201,220,782)
Exchange differences on foreign currency translation	20,594,491	90,950,404	118,760	79,978	111,743,633
Closing balance	5,243,882,654	12,282,713,922	231,270,797	349,234,190	18,107,101,563
Provision for impairment					
Opening balance	282,613,594	189,851,200	270,867	259,129	472,994,790
Impairment	8,760,564	23,089,955	15,496	5,529	31,871,544
Disposals or retirements	(24,999)	(4,408,600)	(86,029)	—	(4,519,628)
Closing balance	291,349,159	208,532,555	200,334	264,658	500,346,706
Carrying amount					
At end of year	12,497,426,443	9,988,719,368	83,863,533	143,398,974	22,713,408,318
At beginning of year	11,687,183,930	9,409,482,257	85,199,182	144,165,041	21,326,030,410

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets (continued)

Fixed assets that are temporarily idle are as follows:

31 December 2023

Unit: RMB

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings	981,499,901	603,936,427	15,887,255	361,676,219
Machinery	1,568,531,530	1,252,388,443	15,470,314	300,672,773
Office equipment	12,812,718	11,156,939	—	1,655,779
Vehicles	39,301,207	37,231,281	42,528	2,027,398
Total	<u>2,602,145,356</u>	<u>1,904,713,090</u>	<u>31,400,097</u>	<u>666,032,169</u>

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets *(continued)*

Fixed assets leased out under operating leases are as follows:

31 December 2023

Unit: RMB

	Buildings	Machinery	Office equipment	Vehicles	Total
Cost					
Opening balance	21,613,672	15,977,124	1,140,721	1,075,921	39,807,438
Lease back	(19,899,799)	(13,706,135)	(1,047,132)	(1,021,720)	(35,674,786)
Closing balance	<u>1,713,873</u>	<u>2,270,989</u>	<u>93,589</u>	<u>54,201</u>	<u>4,132,652</u>
Accumulated depreciation					
Depreciation provided during the year	11,763,455	15,270,258	1,100,944	1,032,885	29,167,542
Provision	1,059,013	35,246	2,678	—	1,096,937
Lease back	(11,891,844)	(13,125,355)	(1,013,777)	(980,852)	(27,011,828)
Closing balance	<u>930,624</u>	<u>2,180,149</u>	<u>89,845</u>	<u>52,033</u>	<u>3,252,651</u>
Carrying amount					
At end of year	<u>783,249</u>	<u>90,840</u>	<u>3,744</u>	<u>2,168</u>	<u>880,001</u>
At beginning of 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

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets (continued)

31 December 2022

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

The Group determines whether there is any indication that an asset may be impaired at the balance sheet date. If there is an indication of impairment, the Group estimates its recoverable amount and performs an impairment test. The recoverable amount is the higher of the fair value of the cash-generating unit, net of disposal costs, and the present value of the cash-generating unit's estimated future cash flows.

The Group recognized an impairment provision for non-current assets of RMB2,247,040 during the year.

The reasons and methods used by the Group to make the impairment provision are set out below:

Recoverable amount is determined based on the present value of estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

13. Fixed assets (continued)

In 2023, due to the market environment and other factors, individual subsidiaries of the Group had underutilized their production capacity and suffered continuous operating losses, and there were obvious indications of impairment for these asset groups. These asset groups include fixed assets with a carrying value of RMB1,408,504,817 before impairment, intangible assets of RMB135,653,662, construction in progress of RMB18,905,146, right-of-use assets of RMB11,703,529, and long-term prepaid expenses of RMB931,189.

The Group's calculation of the present value of the projected future cash flows was based on the economic life years of the major equipment, the range of the years of the projection period used was 2–11 years, and the range of the pre-tax discount rate was 12%–18%. Other key assumptions used by the appraiser included the projected sales volume of the products of the asset groups to which they belonged, the future unit price of the sales, the growth rate, the projected gross profit margins, and the expense ratios, etc. The Group determined these key assumptions based on the operating results of these asset groups in previous years, the level of the industry and the forecast of the market development.

Based on the recoverable amounts determined by the present value of the estimated future cash flows as described above, the Group made impairment provisions of RMB982,696, RMB1,235,712, RMB3,916 and RMB24,716 for fixed assets, intangible assets, construction in progress and long term prepaid expenses, respectively, in respect of these asset groups during the year.

14. Construction in progress

	Unit: RMB	
	31 December 2023	31 December 2022
Construction in progress	3,509,006,781	6,457,406,302
Materials for construction of fixed assets	105,807,649	118,059,329
Total	<u>3,614,814,430</u>	<u>6,575,465,631</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

14. Construction in progress (continued)

Construction in progress

Unit: RMB

	31 December 2023			31 December 2022		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Maweni Clinker Phase II Project	763,536,471	—	763,536,471	102,756,141	—	102,756,141
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	621,398,818	—	621,398,818	2,333,601,120	—	2,333,601,120
Huaxin Environmental Engineering Series Project	384,179,550	—	384,179,550	273,965,578	—	273,965,578
Huangshi Cement Supporting Project	328,067,382	—	328,067,382	253,654,853	—	253,654,853
Huaxin Integrated Series Project	166,606,258	—	166,606,258	320,927,576	—	320,927,576
Others	1,255,491,748	10,273,446	1,245,218,302	3,182,770,564	10,269,530	3,172,501,034
Total	3,519,280,227	10,273,446	3,509,006,781	6,467,675,832	10,269,530	6,457,406,302

Changes of major construction in progress in 2023 are as below:

Unit: RMB

	Budget	Opening balance	Increase during the year	Transferred to fixed assets in the year	Other decrease	Closing balance	Source of funding	Percentage of project investment in budget (%)
Maweni Clinker Phase II Project	883,260,000	102,756,141	718,506,245	(57,725,915)	—	763,536,471	Self-owned funds and bank borrowings	86
Wuxue Industrial Park has an annual output of 30 million tons of mechanical sand and gravel project	9,957,000,000	2,333,601,120	385,894,974	(2,098,097,276)	—	621,398,818	Self-owned funds and bank borrowings	91
Huaxin Environmental Engineering Series Project	826,811,342	273,965,578	126,060,376	(11,786,417)	(4,079,987)	384,179,550	Self-owned funds and bank borrowings	N/A
Huangshi Cement Supporting Project	2,208,039,800	253,654,853	77,637,746	—	(3,225,217)	328,067,382	Self-owned funds	90
Huaxin Integrated Series Project	1,500,341,300	320,927,576	169,826,025	(299,857,963)	(24,289,380)	166,606,258	Self-owned funds	N/A
Others	N/A	3,172,501,034	1,550,377,541	(2,826,501,918)	(651,158,355)	1,245,218,302	Self-owned funds and bank borrowings	N/A
Total		6,457,406,302	3,028,322,907	(5,293,969,489)	(682,752,939)	3,509,006,781		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

14. Construction in progress (continued)

Construction in progress (continued)

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

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

14. Construction in progress (continued)

Construction in progress (continued)

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

31 December 2023

Unit: RMB

	Progress of works	Accumulated amount of capitalized interest	Including: capitalized interest for the year	Capitalization rate of interest for the year
Huaxin Huangshi Green Building Materials Billion Tons Machine-made Sand Project	91%	72,106,668	646,886	3.37%
Huaxin Environmental Engineering Series Project	N/A	4,633,503	4,149,614	3.67%
Huaxin Aggregate Series Project	N/A	14,356,434	3,506,115	4.45%
Maweni Clinker Phase II Project	86%	6,174,817	6,174,817	5.13%
Total		<u>97,271,422</u>	<u>14,477,432</u>	

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

14. Construction in progress *(continued)*

Construction in progress (continued)

Provision for impairment of construction in progress:

31 December 2023

Unit: RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for the provision
Fangxian County Project of Huaxin Environmental Engineering	1,520,583	—	—	1,520,583	The project has been suspended because the relocation work cannot be carried out
Loudi Project of Huaxin Environmental Engineering	5,473,353	—	—	5,473,353	The project has been suspended due to invalidation of initial planning
Mining Rights Project of Enping Company	1,892,993	—	—	1,892,993	The project has been suspended due to invalidation of safe production permit of mining
Mining rights of Heshangbao, Zigui	485,436	—	—	485,436	The project has been suspended due to invalidation of initial planning
Hainan Xinhongda Project	897,165	3,916	—	901,081	Performance not meeting expectations
Total	10,269,530	3,916	—	10,273,446	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

14. Construction in progress (continued)

Construction in progress (continued)

31 December 2022

Unit: RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for the provision
Fangxian County Project of Huaxin Environmental Engineering	1,520,583	—	—	1,520,583	The project has been suspended because the relocation work cannot be carried out
Loudi Project of Huaxin Environmental Engineering	5,473,353	—	—	5,473,353	The project has been suspended due to invalidation of initial planning
Mining Rights Project of Enping Company	1,892,993	—	—	1,892,993	The project has been suspended due to invalidation of safe production permit of mining
Mining rights of Heshangbao, Zigui	485,436	—	—	485,436	The project has been suspended due to invalidation of initial planning
Hainan Xinhongda Project	—	897,165	—	897,165	Performance not meeting expectations
Total	9,372,365	897,165	—	10,269,530	

Materials for construction of fixed assets:

Unit: RMB

	31 December 2023			31 December 2022		
	Balance of carrying amount	Provision for impairment	Carrying value	Balance of carrying amount	Provision for impairment	Carrying value
Special equipment	105,807,649	—	105,807,649	118,059,329	—	118,059,329
Total	105,807,649	—	105,807,649	118,059,329	—	118,059,329

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

15. Right-of-use assets

31 December 2023

Unit: RMB

	Land use right	Buildings and related facilities	Machinery and equipment	Automobiles and transportation vehicles	Total
Cost					
Opening balance	367,562,632	374,906,684	372,644,142	356,783	1,115,470,241
Addition	402,645,621	212,562,856	447,704,546	768,441	1,063,681,464
Business combinations not involving entities under common control	—	5,905,378	4,235,436	24,256,740	34,397,554
Decrease	(7,206,706)	(23,532,631)	(121,919,132)	(135,755)	(152,794,224)
Closing balance	<u>763,001,547</u>	<u>569,842,287</u>	<u>702,664,992</u>	<u>25,246,209</u>	<u>2,060,755,035</u>
Accumulated depreciation					
Opening balance	56,833,840	46,454,743	32,722,561	148,027	136,159,171
Depreciation provided during the year	103,421,228	74,550,989	83,619,604	284,203	261,876,024
Decrease	(1,525,738)	(2,357,944)	(13,968,180)	(135,755)	(17,987,617)
Closing balance	<u>158,729,330</u>	<u>118,647,788</u>	<u>102,373,985</u>	<u>296,475</u>	<u>380,047,578</u>
Carrying amount					
At end of year	<u>604,272,217</u>	<u>451,194,499</u>	<u>600,291,007</u>	<u>24,949,734</u>	<u>1,680,707,457</u>
At beginning of 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

YEAR ENDED 31 DECEMBER 2023

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

15. Right-of-use assets (continued)

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

16. Intangible assets

31 December 2023

Unit: RMB

	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
Cost						
Opening balance	3,500,417,326	12,694,047,327	565,426,793	168,200,597	294,634,392	17,222,726,435
Purchases	158,622,428	67,069,515	326,312,844	1,187,234	1,298,195	554,490,216
Transferred from construction in progress	104,493,748	295,701,845	—	4,798,072	15,719,485	420,713,150
Business combinations not involving entities under common control	580,320,336	719,520,386	—	—	4,124,089	1,303,964,811
Disposals	(26,297,999)	(2,752,262)	—	—	(4,652,160)	(33,702,421)
Exchange differences on foreign currency translation	(49,720,065)	(91,834,694)	(4,838)	—	(592,248)	(142,151,845)
Closing balance	<u>4,267,835,774</u>	<u>13,681,752,117</u>	<u>891,734,799</u>	<u>174,185,903</u>	<u>310,531,753</u>	<u>19,326,040,346</u>
Accumulated amortization						
Opening balance	613,848,915	937,427,857	149,467,615	63,778,064	226,209,726	1,990,732,177
Amortisation provided during the year	76,727,385	1,161,645,068	53,970,283	17,374,146	26,106,407	1,335,823,289
Disposals	(3,956,045)	(892,626)	—	—	(2,176,802)	(7,025,473)
Exchange differences on foreign currency translation	(62,866)	(1,498,878)	—	—	(243,461)	(1,805,205)
Closing balance	<u>686,557,389</u>	<u>2,096,681,421</u>	<u>203,437,898</u>	<u>81,152,210</u>	<u>249,895,870</u>	<u>3,317,724,788</u>
Provision for impairment						
Opening balance	6,102,538	23,524,969	—	—	19,615,238	49,242,745
Impairment	318,981	—	—	—	916,731	1,235,712
Closing balance	<u>6,421,519</u>	<u>23,524,969</u>	<u>—</u>	<u>—</u>	<u>20,531,969</u>	<u>50,478,457</u>
Carrying amount						
At end of the year	<u>3,574,856,866</u>	<u>11,561,545,727</u>	<u>688,296,901</u>	<u>93,033,693</u>	<u>40,103,914</u>	<u>15,957,837,101</u>
At 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

YEAR ENDED 31 DECEMBER 2023

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

16. Intangible assets (continued)

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

17. Goodwill

31 December 2023

Unit: RMB

	Opening balance	Increase Business combinations not involving entities under common control	Closing balance
Huaxin Cement (Daye) Co., Ltd.	189,057,605	—	189,057,605
Natal Portland Cement Company (Pty) Ltd.	—	152,986,320	152,986,320
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	—	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	—	101,685,698
CHILANGA Cement PLC	87,794,908	—	87,794,908
Hainan Xinhongda Building Materials Co., Ltd.	79,313,263	—	79,313,263
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	—	69,557,768
Yuzhno-Kyrgyzskiy Cement CJSC	59,573,587	—	59,573,587
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	21,492,135
Hainan Huaxin Fuli Concrete Co., LTD	—	21,944,066	21,944,066
Hainan Huaxin Dacheng Concrete Co., LTD	—	16,533,093	16,533,093
Yueyang Yonggu Concrete Co., Ltd	8,119,042	—	8,119,042
Hainan Huaxin Ronghui Concrete Co., Ltd	5,809,669	—	5,809,669
Total	748,171,583	191,463,479	939,635,062

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

17. Goodwill (continued)

31 December 2022

Unit: RMB

	Opening balance	Increase Business combinations not involving entities under common control	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
CHILANGA Cement PLC	87,794,908	—	87,794,908
Hainan Xinhongda Building Materials Co., Ltd.	79,313,263	—	79,313,263
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	—	69,557,768
Yuzhno-Kyrgyzskiy Cement CJSC	59,573,587	—	59,573,587
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	21,492,135
Yueyang Yonggu Concrete Co., Ltd	—	8,119,042	8,119,042
Hainan Huaxin Ronghui Concrete Co., Ltd	—	5,809,669	5,809,669
Total	734,242,872	13,928,711	748,171,583

31 December 2023

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

Unit: RMB

	Opening balance	Increase Provision	Closing balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	—	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	—	21,492,135
Hainan Xinhongda Building Materials Co., Ltd. (Note)	38,578,269	40,734,994	79,313,263
Total	129,628,172	40,734,994	170,363,166

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

17. Goodwill (continued)

31 December 2022

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

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

The Group acquired Natal Portland Cement Company (Pty) Ltd. in December 2023, resulting in goodwill of RMB152,986,320. Please refer to Note VII.1 for the calculation process.

The Group acquired Hainan Huaxin Fuli Concrete Co., LTD. in March 2023, resulting in goodwill of RMB21,944,066.

The Group acquired Hainan Huaxin Dacheng Concrete Co., LTD. in March 2023, resulting in goodwill of RMB16,533,093.

The cash-generating units containing goodwill above is constitute by each subsidiary and the cash flow generated is basically independent of other asset group. There have been no change in the cash-generating units containing goodwill in this year.

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

The estimated future cash flows of the asset group are based on the five-year financial budget approved by the management at a discount rate of 13%–30% before tax (2022: 11%–19%). The estimated cash flows of these assets groups beyond five years are determined at a fixed growth rate of 0% (2022: 0%) per annum. Other key assumptions adopted during the evaluation include estimated production capacity, future selling price, growth rate, expected gross profit margin and relevant expenditures of the asset product portfolio, and the above assumptions are based on the previous performance of these assets groups, industry standard and the management's expectations on market development.

Note: The assets group of Hainan Xinhongda Building Materials Co., Ltd. mainly comprises long-term assets, the carrying amount of the assets group is RMB84,657,014 as at 31 December 2023 (goodwill exclusive) (31 December 2022: RMB146,748,975). The carrying amount of goodwill allocated to the assets group is RMB40,734,994 (31 December 2022: RMB79,313,263), the recoverable amount was determined by the present value of estimated future cash flow of the assets group, the estimated future cash flow is based on the profit forecasts for the next 5 years approved by the management.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

18. Long-term deferred expenditures

31 December 2023

Unit: RMB

	Opening balance	Addition	Amortization	Impairment	Closing balance
Mine development cost	222,208,181	159,415,909	(53,647,762)	—	327,976,328
Relocation expenses	544,020,810	76,370,835	(50,089,017)	—	570,302,628
Others	51,188,312	23,734,959	(16,406,525)	(24,716)	58,492,030
Total	<u>817,417,303</u>	<u>259,521,703</u>	<u>(120,143,304)</u>	<u>(24,716)</u>	<u>956,770,986</u>

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

19. Deferred tax assets/Deferred tax liabilities

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

Unit: RMB

	31 December 2023		1 January 2023		31 December 2022	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets						
Provision for impairment of assets	383,880,347	76,770,764	298,079,144	53,269,637	298,079,144	53,269,637
Difference between the fair value and the tax cost of identifiable assets of business combination	1,011,320,512	228,817,495	619,381,463	183,907,098	619,381,463	183,907,098
Temporary differences arising from expense recognition	290,110,228	55,469,070	291,483,296	69,301,446	291,483,296	69,301,446
Unrealized profit arising from elimination of intra-group transactions	255,311,951	63,827,988	270,407,424	67,601,856	270,407,424	67,601,856
Deductible tax losses	627,902,488	151,997,263	262,968,180	59,998,535	262,968,180	59,998,535
Provision for staff welfare	86,626,752	17,453,761	97,268,792	21,282,715	97,268,792	21,282,715
Changes in fair value of other equity instruments	46,125,064	11,531,266	44,322,216	11,080,554	44,322,216	11,080,554
Lease	1,726,168,267	421,050,980	1,010,364,128	246,972,803	22,126,661	1,200,792
Provisions for Mine restoration	715,339,143	141,857,637	407,177,095	87,676,963	13,695,224	9,262,347
Others	77,758,564	16,784,960	30,865,510	7,716,379	30,865,510	7,716,379
Total	<u>5,220,543,316</u>	<u>1,185,561,184</u>	<u>3,332,317,248</u>	<u>808,807,986</u>	<u>1,950,597,910</u>	<u>484,621,359</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

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

Unit: RMB

	31 December 2023		1 January 2023		31 December 2022	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Deferred income tax liabilities						
Capitalization of interest on general borrowings	121,169,086	30,292,272	129,092,745	32,273,186	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	45,447,873	11,361,968
Changes in fair value of other non-current assets	22,946,195	5,736,549	21,205,538	5,301,385	21,205,538	5,301,385
Valuation appreciation on assets in business combination not involving enterprises under common control	2,362,534,710	610,403,499	1,315,571,953	328,892,988	1,315,571,953	328,892,988
Depreciation difference of fixed assets between accounting and tax basis	1,920,460,896	376,136,308	1,125,940,448	260,008,875	1,125,940,448	260,008,875
Lease	1,680,164,719	420,041,180	988,237,467	245,772,011	—	—
Intangible assets for Mine restoration	665,678,087	130,218,406	393,481,871	78,414,616	—	—
Others	580,425,069	171,386,299	250,360,656	45,922,402	250,360,656	45,922,402
Total	7,396,735,275	1,755,053,641	4,269,338,551	1,007,947,431	2,887,619,213	683,760,804

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

Unit: RMB

	31 December 2023		1 January 2023		31 December 2022	
	Offset Amount	Balance after offset	Offset Amount	Balance after offset	Offset Amount	Balance after offset
Deferred income tax assets	631,427,595	554,133,589	421,378,586	387,429,400	97,191,959	387,429,400
Deferred income tax liabilities	631,427,595	1,123,626,046	421,378,586	586,568,845	97,191,959	387,429,400

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

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

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

	Unit: RMB	
	31 December 2023	31 December 2022
Deductible temporary differences	2,164,272,028	2,043,187,879
Deductible losses	1,355,826,505	889,771,714
Total	<u>3,520,098,533</u>	<u>2,932,959,593</u>

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

	Unit: RMB	
	31 December 2023	31 December 2022
2023	—	56,428,025
2024	76,671,934	90,288,507
2025	41,370,682	43,711,507
2026	81,192,190	90,335,363
2027	510,073,759	570,202,790
2028	618,094,607	—
2029	—	8,364,466
2030	—	11,273,465
2032	5,745,083	19,167,591
2033	22,678,250	—
Total	<u>1,355,826,505</u>	<u>889,771,714</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

20. Assets with restricted ownership or usage rights

2023

Unit: RMB

	Carrying Amount	Book Value
Cash and bank balances (Note 1)	479,349,366	479,349,366
Fixed assets (Note 2)	5,325,242	5,325,242
Intangible assets (Note 3)	5,735,966	5,735,966
Total	<u>490,410,574</u>	<u>490,410,574</u>

2022

Unit: RMB

	Carrying Amount	Book Value
Cash and bank balances (Note 1)	422,320,014	422,320,014
Notes receivable	2,720,000	2,720,000
Receivables financing	26,413,178	26,413,178
Fixed assets (Note 2)	5,687,992	5,687,992
Intangible assets (Note 3)	27,492,441	27,492,441
Total	<u>484,633,625</u>	<u>484,633,625</u>

Note 1: For restricted cash and bank balances, refer to Note V.60.

Note 2: As at 31 December 2023, the Group obtained short-term borrowings by pledging buildings with a carrying value of RMB5,325,242 (31 December 2022: RMB5,687,992). For short-term borrowings, please refer to Note V.21.

Note 3: As at 31 December 2023, the Group obtained short-term borrowings by pledging land use rights with a carrying value of RMB5,735,966 (31 December 2022: RMB27,462,441). For short-term borrowings, please refer to Note V.21.

21. Short-term borrowings

Unit: RMB

	31 December 2023	31 December 2022
Mortgaged borrowings (note 1)	13,000,000	31,000,000
Credit borrowings	191,021,027	114,258,701
Guaranteed borrowings (note 2)	440,312,901	448,156,960
Total	<u>644,333,928</u>	<u>593,415,661</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

21. Short-term borrowings (continued)

Note 1: As at 31 December 2023 and 31 December 2022, details and value of collaterals corresponding to mortgaged borrowings of the Group are set out in Note V. 20.

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

As at the balance sheet date, the Group had no overdue borrowings.

22. Notes payables

Unit: RMB

	31 December 2023	31 December 2022
Commercial acceptance bills	—	68,794,307
Bank acceptance bills	935,465,582	660,433,480
Total	935,465,582	729,227,787

As at 31 December 2023, there were no outstanding notes payable (31 December 2022: Nil).

23. Accounts payable

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

Unit: RMB

	31 December 2023	31 December 2022
Within 1 year (inclusive of 1 year)	6,279,191,709	7,234,349,975
1 to 2 years (inclusive of 2 years)	747,849,708	631,936,804
2 to 3 years (inclusive of 3 years)	481,044,971	238,643,172
Over 3 years	318,917,850	261,353,365
Total	7,827,004,238	8,366,283,316

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

24. Contract liabilities

Unit: RMB

	31 December 2023	31 December 2022
Advance on sales of goods	<u>717,019,466</u>	<u>681,610,930</u>
Total	<u>717,019,466</u>	<u>681,610,930</u>

As at 31 December 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.

25. Employee benefits payable

31 December 2023

Unit: RMB

	Opening balance	Increase	Decrease	Closing balance
Short-term remunerations	114,692,740	2,407,987,837	2,237,793,047	284,887,530
Post-employment benefits (defined contribution plan)	4,008,374	261,798,590	261,310,179	4,496,785
Other benefits due within 1 year	<u>12,380,605</u>	<u>60,475,227</u>	<u>49,825,307</u>	<u>23,030,525</u>
Total	<u>131,081,719</u>	<u>2,730,261,654</u>	<u>2,548,928,533</u>	<u>312,414,840</u>

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

25. Employee benefits payable (continued)

Short-term remuneration is as follows:

31 December 2023

Unit: RMB

	Opening balance	Increase	Decrease	Closing balance
Wages or salaries, bonuses, allowances and subsidies	82,720,628	1,808,140,457	1,647,264,919	243,596,166
Staff welfare	354,218	226,923,698	223,780,004	3,497,912
Social security contributions	2,986,055	180,411,971	173,119,827	10,278,199
Including: Medical insurance	2,448,964	165,827,002	158,471,753	9,804,213
Work injury insurance	468,612	14,091,936	14,235,618	324,930
Maternity insurance	68,479	493,033	412,456	149,056
Housing funds	1,911,908	151,432,977	152,804,009	540,876
Union running costs and employee education costs	26,719,931	41,078,734	40,824,288	26,974,377
Total	114,692,740	2,407,987,837	2,237,793,047	284,887,530

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

25. Employee benefits payable (continued)

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

Defined contribution plan are as follows:

31 December 2023

Unit: RMB

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension	3,502,008	251,641,669	251,111,145	4,032,532
Unemployment insurance	506,366	10,156,921	10,199,034	464,253
Total	<u>4,008,374</u>	<u>261,798,590</u>	<u>261,310,179</u>	<u>4,496,785</u>

31 December 2022

Unit: RMB

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

The Group participated in the pension insurance and unemployment insurance plan managed by local government. According to the plan, the Group made contributions based on 0.1%–20% and 0.5–1% of the basic wages of employees. In addition to the monthly deposit fees mentioned above, the Group has no further payment obligations. The corresponding expenses are included in the current profit or loss or the cost of related assets when incurred.

26. Taxes payable

Unit: RMB

	31 December 2023	31 December 2022
VAT	171,866,451	192,343,209
Corporate income tax	383,439,328	240,537,438
Individual income tax	3,540,527	7,369,590
Resources tax	43,483,679	40,688,021
Land appreciation tax	22,234,348	21,147,193
Others	81,428,795	190,424,628
Total	<u>705,993,128</u>	<u>692,510,079</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

27. Other accounts payable

	31 December 2023	31 December 2022
		Unit: RMB
Interests payable		
Interests of corporate bonds	38,363,669	36,436,171
Interests on borrowings	11,136,058	3,642,862
	<u>49,499,727</u>	<u>40,079,033</u>
Dividends payable		
Dividends on common stock	19,421,582	35,235,662
Dividends on non-controlling shareholders		
— CHILANGA Cement PLC non-controlling shareholders	14,105,539	14,013,841
	<u>33,527,121</u>	<u>49,249,503</u>
Other payables		
Deposits	426,704,051	319,848,785
Non-controlling shareholders' borrowings and other payables	189,981,444	179,732,967
Payables for equity acquisition and others	136,462,234	139,785,187
Amounts collected on behalf and temporary receipts	5,213,855	74,882,462
Government borrowings	5,000,000	5,000,000
Others	158,129,510	106,518,109
	<u>921,491,094</u>	<u>825,767,510</u>
Total	<u>1,004,517,942</u>	<u>915,096,046</u>

As at 31 December 2023, significant other payables over one year of the Group are as follows:

	Amount payable	Reasons for un-repayment
Non-controlling shareholders' borrowings and other payables	176,739,244	Undue
Payables for equity acquisition and others	122,724,134	Payment Criteria is not met
Total	<u>299,463,378</u>	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

27. Other accounts payable (continued)

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

Unit: RMB

	Amount payable	Reasons for un-repayment
Non-controlling shareholders' borrowings and other payables	177,377,150	Undue
Payables for equity acquisition and others	124,312,748	Payment Criteria is not met
Total	<u>301,689,898</u>	

28. Non-current liabilities due within one year

Unit: RMB

	31 December 2023	31 December 2022
Bonds payable due within one year	1,299,459,200	—
Long-term borrowings due within one year	2,362,002,247	2,193,087,502
Long-term payables due within one year	2,805,780,537	2,084,119,248
Lease liabilities due within one year	253,660,911	149,842,591
Total	<u>6,720,902,895</u>	<u>4,427,049,341</u>

29. Long-term borrowings

Unit: RMB

	31 December 2023	31 December 2022
Guaranteed borrowings (Note 1)	7,673,321,341	6,995,926,978
Credit borrowings	3,291,140,621	2,224,500,000
Pledged borrowings (Note 2)	20,560,000	250,420,000
Mortgaged borrowings (Note 3)	—	4,329,348
Less: Long-term borrowings due within one year		
Guaranteed borrowings	1,837,541,747	1,197,898,154
Credit borrowings	514,180,500	898,000,000
Pledged borrowings	10,280,000	92,860,000
Mortgaged borrowings	—	4,329,348
Total	<u>8,623,019,715</u>	<u>7,282,088,824</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

29. Long-term borrowings *(continued)*

As at 31 December 2023, the annual interest rates of the borrowings above were 1.65%–20.6% (31 December 2022: 2.65%–7.15%).

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

Note 2: As at 31 December 2023 and 31 December 2022, details and value of collaterals corresponding to pledged borrowings of the Group are set out in Note V. 20.

Note 3: As at 31 December 2023 and 31 December 2022, details and value of collaterals corresponding to mortgaged borrowings of the Group are set out in Note V. 20.

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

	31 December 2023	31 December 2022
Within 1 year	2,362,002,247	2,193,087,502
1–2 years	3,403,929,002	2,421,597,318
2–5 years	4,497,586,168	4,206,408,619
Over 5 years	721,504,546	654,082,887
Total	<u>10,985,021,962</u>	<u>9,475,176,326</u>

Unit: RMB

30. Bonds payable

(1) Bonds payable

	31 December 2023	31 December 2022
Overseas bond issued in 2020 (Note 1)	2,118,883,795	2,080,547,640
Bonds issued to professional investors in 2021 (Phase I) (Note 2)	—	1,298,627,200
Company bonds issued in 2022(Low-carbon transition-linked bonds) (Phase I) (Note 3)	898,886,009	898,168,591
Preference shares of subsidiary (Note 4)	147,690,327	148,943,421
Bonds issued in 2023 (Note 5)	799,018,899	—
Total	<u>3,964,479,030</u>	<u>4,426,286,852</u>

Unit: RMB

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

30. Bonds payable *(continued)*

(1) Bonds payable (continued)

- 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.
- Note 5: Approved by the Zheng Jian Xu Ke [2023] No. 1069 of the China Securities Regulatory Commission, the Company issued "Belt and Road" Science and Technology Innovation Corporate Bond (First Issue) (Variety I) corporate bonds with a total amount of RMB800 million on 8 December 2023 at a coupon rate of 3.12%. The corporate bonds are calculated with simple interest which is paid on a year basis and with a period of three years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

30. Bonds payable (continued)

(2) Changes in bonds payable

As at 31 December, 2023, the balance of bonds payable is presented below:

Unit: RMB

Bond Name	Face value	Coupon rate	Issue date	Term	Issue amount	Balance at the beginning of the year	Issued during the year	Amortization of discount and premium	Current year reimbursement	Currency exchange gains and losses	Transfer to non-current liabilities due within one year	Balance at end of year	Balance of interest payable
Issuance of overseas bonds in 2020	100	2.25%	2020/11/19	5 years	1,973,460,000	2,080,547,640	—	3,097,822	—	35,238,333	—	2,118,883,795	5,577,626
Public Offering of Bonds for Professional Investors (Phase I), 2021	100	3.26%	2021/8/25	3 years	1,300,000,000	1,298,627,200	—	832,000	—	—	1,299,459,200	—	14,833,000
2022 Issuance of Corporate Bonds (Low Carbon Transition Linked Bonds) in 2022 (Phase I) Variety I	100	2.99%	2022/7/19	3 years	500,000,000	498,982,550	—	398,566	—	—	—	499,381,116	7,475,000
2022 Issuance of Corporate Bonds (Low Carbon Transition Linked Bonds) in 2022 (Phase I) Variety II	100	3.39%	2022/7/19	5 years	400,000,000	399,186,041	—	318,852	—	—	—	399,504,893	6,780,000
Public Offering of "Belt and Road" Science and Technology Innovation Corporate Bonds for Professional Investors in 2023 (First Issue)	100	3.12%	2023/12/5	3 years	800,000,000	—	798,993,208	25,691	—	—	—	799,018,899	—
Total					4,973,460,000	4,277,343,431	798,993,208	4,672,931	—	35,238,333	1,299,459,200	3,816,788,703	34,665,626

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

Unit: RMB

Name of bond	Face value	Coupon rate	Issue date	Term	Issue amount	Opening balance	Issuance for the period	Amortization of premium or discount	Repayment	Exchange gain or loss	Closing balance	Balance of accrued interest
Overseas bond issued in 2020	100	2.25%	2020/11/19	5 years	1,973,460,000	1,901,938,824	—	2,941,587	—	175,667,229	2,080,547,640	5,484,623
Bonds issued to professional investors in 2021 (Phase I)	100	3.26%	2021/8/25	3 years	1,300,000,000	1,297,795,200	—	832,000	—	—	1,298,627,200	14,833,000
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) Type I	100	2.99%	2022/7/19	3 years	500,000,000	—	498,804,303	178,247	—	—	498,982,550	6,685,972
Company bonds issued in 2022 (Low-carbon transition-linked bonds) (Phase I) Type II	100	3.39%	2022/7/19	5 years	400,000,000	—	399,043,443	142,598	—	—	399,186,041	6,064,333
Total					4,173,460,000	3,199,734,024	897,847,746	4,094,432	—	175,667,229	4,277,343,431	33,067,928

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

30. Bonds payable (continued)

(3) Movements in preference shares

As at 31 December 2023, the closing balance of preference shares is listed as below:

Unit: RMB

Outstanding financial instruments	Opening balance		Exchange gains or losses		Gains or losses on changes in fair value		Closing balance		Balance of accrued interest
	Shares	Carrying amount	Carrying amount	Carrying amount	Shares	Carrying amount			
Preference shares of the subsidiary	19,250,000	148,943,421	2,273,424	(3,526,518)	19,250,000	147,690,327	3,698,043		
Total	19,250,000	148,943,421	2,273,424	(3,526,518)	19,250,000	147,690,327	3,698,043		

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

Unit: RMB

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

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

Unit: RMB

Items	31 December 2023	31 December 2022
1 to 2 years	2,618,264,911	1,298,627,200
2 to 5 years	1,198,523,792	2,978,716,231
Over 5 years	147,690,327	148,943,421
Total	3,964,479,030	4,426,286,852

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

31. Lease liabilities

	Unit: RMB	
	31 December 2023	31 December 2022
Lease liabilities	1,602,388,582	909,748,345
Less: lease liabilities due within one year	253,660,911	149,842,591
Total	<u>1,348,727,671</u>	<u>759,905,754</u>

32. Long-term accounts payable

	Unit: RMB	
	31 December 2023	31 December 2022
Long-term payables	<u>330,821,706</u>	<u>2,837,076,467</u>

Long-term payables

	Unit: RMB	
	31 December 2023	31 December 2022
Transaction fees of mining rights paid in installments	3,072,820,053	4,921,195,715
Finance lease back payable	63,782,190	—
Less: Transaction fees of mining rights paid by installments due within one year	2,784,520,323	2,084,119,248
Finance lease payable due within 1 year	21,260,214	—
Total	<u>330,821,706</u>	<u>2,837,076,467</u>

Analysis of maturity of long-term payables:

	Unit: RMB	
	31 December 2023	31 December 2022
Within 1 year (inclusive of 1 year)	2,805,780,537	2,084,119,248
1 to 2 years (inclusive of 2 years)	74,405,687	2,639,230,325
2 to 5 years (over 2 years and inclusive of 5 years)	236,844,919	181,460,518
Over 5 years	19,571,100	16,385,624
Total	<u>3,136,602,243</u>	<u>4,921,195,715</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

33. Long-term employee compensation payable

Unit: RMB

	31 December 2023	31 December 2022
Net liabilities of defined benefit plan (Note 1)	81,874,646	59,987,287
Less: To be paid within one year	<u>23,030,525</u>	<u>12,380,605</u>
Total	<u><u>58,844,121</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 retired employees. These plans are impacted by interest rate risk and changes in the life expectancy of pension beneficiaries.

34. Provisions

31 December 2023

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Mine restoration fees (Note 1)	441,260,626	366,823,714	(51,529,696)	756,554,644
Others (Note 2)	<u>1,000,000</u>	—	—	<u>1,000,000</u>
Total	<u><u>442,260,626</u></u>	<u><u>366,823,714</u></u>	<u><u>(51,529,696)</u></u>	<u><u>757,554,644</u></u>

31 December 2022

Unit: RMB

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

Note 1: The estimated restoration costs will be incurred in the following years to restore the mine of subsidiaries within the Group.

Note 2: Provisions for Others include the expected compensation for contingency litigation by subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

35. Deferred income

31 December 2023

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Government grants	<u>291,877,454</u>	<u>7,877,360</u>	<u>(35,349,992)</u>	<u>264,404,822</u>

31 December 2022

Unit: RMB

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

36. Other non-current liabilities

Unit: RMB

	31 December 2023	31 December 2022
Advance on sales of goods	<u>99,693,000</u>	<u>104,940,000</u>
Total	<u>99,693,000</u>	<u>104,940,000</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

37. Share capital

31 December 2023

Unit: RMB

	31 December 2023	Increase/ decrease during the year Write off	31 December 2022
Listed shares without restriction of trading			
RMB ordinary shares	1,361,879,855	(17,604,206)	1,344,275,649
Overseas listed ordinary shares	734,720,000	—	734,720,000
Total	<u>2,096,599,855</u>	<u>(17,604,206)</u>	<u>2,078,995,649</u>

31 December 2022

Unit: RMB

	31 December 2022	Increase/ decrease during the year Write off	31 December 2021
Listed shares without restriction of trading			
RMB ordinary shares	1,361,879,855	—	1,361,879,855
Domestic listed foreign shares	734,720,000	(734,720,000)	—
Overseas listed ordinary shares	—	734,720,000	734,720,000
Total	<u>2,096,599,855</u>	<u>—</u>	<u>2,096,599,855</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

38. Capital reserve

31 December 2023

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Share premium	1,804,099,519	131,064,909	480,487,162	1,454,677,266
Equity incentive	71,429,695	30,381,166	69,830,162	31,980,699
Others	100,359,963	—	1,003,076	99,356,887
Total	<u>1,975,889,177</u>	<u>161,446,075</u>	<u>551,320,400</u>	<u>1,586,014,852</u>

The Employee Stock Purchase Plan in 2020–2022 granted 2,597,156 restricted shares to employees and the restricted share were unlocked in 2023. Besides, some of the repurchased shares were cancelled because they could not be vested due to failure to meet the performance conditions and the resignation of employees, totaling 17,604,206 shares.

31 December 2022

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Share premium	1,811,326,903	268,622	7,496,006	1,804,099,519
Equity incentive	120,162,971	—	48,733,276	71,429,695
Transferred from capital reserve recognized under the previous accounting system	45,377,303	—	—	45,377,303
Compensation from the government for plant relocation	7,553,919	—	—	7,553,919
Government grants for capital investments	42,818,800	—	—	42,818,800
Changes in special reserve of associates	3,911,852	698,089	—	4,609,941
Total	<u>2,031,151,748</u>	<u>966,711</u>	<u>56,229,282</u>	<u>1,975,889,177</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

39. Treasury stock

31 December 2023

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Treasury share for equity incentive plan	<u>610,051,971</u>	<u>19,014,864</u>	<u>566,862,844</u>	<u>62,203,991</u>

The Company repurchased 1,267,600 shares and incurred expenditures of RMB19,014,864 for the employee incentive program in 2023.

40. Other comprehensive income

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

31 December 2023

Unit: RMB

	1 January 2023	Increase	31 December 2023
Changes in fair value of investment in other equity instruments	(1,931,357)	(36,162,319)	(38,093,676)
Exchange differences on foreign currency translation	<u>(173,326,127)</u>	<u>(337,327,122)</u>	<u>(510,653,249)</u>
Total	<u>(175,257,484)</u>	<u>(373,489,441)</u>	<u>(548,746,925)</u>

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

40. Other comprehensive income (continued)

Changes in other comprehensive income:

31 December 2023

Unit: RMB

	Amount before tax	Less: Income tax	Attributable to the shareholders of the parent company	Attributable to non- controlling shareholders
Other comprehensive income not allowed to be reclassified to profit or loss				
Changes in fair value of investment in other equity instruments	(48,216,424)	(12,054,105)	(36,162,319)	—
Other comprehensive income to be reclassified into profit or loss				
Exchange differences on foreign currency translation	(386,141,130)	—	(337,327,122)	(48,814,008)
Total	(434,357,554)	(12,054,105)	(373,489,441)	(48,814,008)

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

41. Specific reserve

31 December 2023

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Production safety cost	<u>37,644,851</u>	<u>320,163,994</u>	<u>294,091,460</u>	<u>63,717,385</u>

31 December 2022

Unit: RMB

	Opening balance	Addition	Reduction	Closing balance
Production safety cost	<u>—</u>	<u>205,683,364</u>	<u>168,038,513</u>	<u>37,644,851</u>

42. Surplus reserves

31 December 2023

Unit: RMB

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

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

42. Surplus reserves (continued)

According to the requirements of the Company Law and the Articles of Association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed. After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserve. Upon approval, the 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 2023 (2022: Nil).

43. Retained earnings

Unit: RMB

	31 December 2023	31 December 2022
Retained earnings as at the beginning of the year	23,009,600,343	22,405,681,711
Net profit attributable to the shareholders of the parent company	2,762,116,715	2,698,868,510
Less: Ordinary share dividends payable	1,068,424,438	2,094,949,878
Retained earnings at the end of the year	<u>24,703,292,620</u>	<u>23,009,600,343</u>

Upon the approval at the 2023 annual general meeting of the Company convened on 23 May 2023, the profit distribution for the year 2022 was calculated based on 2,094,949,878 shares (the total share capital of the Company of 2,096,599,855 shares minus the number of shares repurchased on the special account for repurchase on the record date of dividend-payment of 1,649,977 shares), with the distribution of a cash dividend of RMB0.51 per share (tax inclusive).

44. Operating revenue and costs

Unit: RMB

	2023		2022	
	Revenue	Cost	Revenue	Cost
Principal operations	33,460,262,641	24,528,047,754	30,168,692,817	22,332,075,543
Other operations	296,824,631	213,366,973	301,689,546	149,826,064
Total	<u>33,757,087,272</u>	<u>24,741,414,727</u>	<u>30,470,382,363</u>	<u>22,481,901,607</u>

In 2023 and 2022, there is no revenue from a single customer exceeding 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

44. Operating revenue and costs (continued)

The operating revenue from contracts with customers is as follows:

	Unit: RMB	
	2023	2022
Timing of revenue recognition	33,742,978,634	30,449,370,612
At a point in time	33,097,148,643	29,775,628,777
Over time	645,829,991	673,741,835
Rental income — operating lease	14,108,638	21,011,751
Total	<u>33,757,087,272</u>	<u>30,470,382,363</u>
Main types of product		
Sales of cement	18,331,734,881	18,829,682,529
Sales of concrete	7,652,223,198	5,132,828,829
Sales of aggregate	5,363,828,939	3,064,928,809
Sales of clinker	947,002,919	1,758,355,585
Others	1,462,297,335	1,684,586,611
Total	<u>33,757,087,272</u>	<u>30,470,382,363</u>

Operating costs are disaggregated as follows:

	Unit: RMB	
	2023	2022
Timing of revenue recognition		
At a point in time	24,295,454,164	22,038,164,491
Over time	445,960,563	443,737,116
Total	<u>24,741,414,727</u>	<u>22,481,901,607</u>
Main types of product		
Sales of cement	13,425,727,572	13,944,658,651
Sales of concrete	6,467,900,216	4,321,263,005
Sales of aggregate	2,902,999,002	1,370,864,491
Sales of clinker	843,819,065	1,577,161,155
Others	1,100,968,872	1,267,954,305
Total	<u>24,741,414,727</u>	<u>22,481,901,607</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

44. Operating revenue and costs *(continued)*

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

	Unit: RMB	
	2023	2022
Sale of products	<u>642,914,995</u>	<u>740,633,501</u>
Total	<u>642,914,995</u>	<u>740,633,501</u>

Other information:

The business activities of the Group include manufacturing and selling cement, clinker, aggregate, concrete, new building materials and waste disposal etc.

Selling cement and new building materials

Revenue is recognized at a point in time in accordance with the contractual performance obligations, using the transfer of control as the criterion for revenue recognition. The Group settles with its customers on a cash-on-delivery basis and on a cash-on-delivery basis, whereby cash-on-delivery is made on credit to customers in accordance with the customers' credit ratings and credit limits approved by the Group, and the customers make payments in accordance with the agreed-upon billing periods.

Rendering services

The performance obligation is satisfied over time as services are rendered and payment is generally settled on a timely basis. The group recognize the revenue upon completion of disposal amount.

Information relating to the transaction price apportioned to the remaining performance obligation:

As at 31 December 2023, the amount of revenue corresponding to contracts entered into but not yet fulfilled or earlier performance obligations amounted to RMB717,019,466, which is recognized as revenue within the next 2 years (31 December 2022: RMB681,610,930).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

45. Tax and surcharges

Unit: RMB

	2023	2022
City maintenance and construction tax	74,651,338	52,946,066
Education surcharges	53,179,525	44,063,716
Resource tax	391,613,143	298,586,538
Property tax	48,539,811	46,869,207
Land-use tax	58,086,727	53,716,910
Environment protection tax	48,244,759	58,010,769
Others	70,613,668	31,598,785
Total	<u>744,928,971</u>	<u>585,791,991</u>

46. Selling expenses

Unit: RMB

	2023	2022
Consumption of materials	519,462,950	488,188,396
Staff costs	401,326,075	417,878,024
Depreciation and amortization expenses	123,522,458	101,878,562
Electric charge	106,735,024	90,893,770
Repair expenses	42,086,901	30,648,978
Sales expenses	186,663,415	142,583,835
Others	139,094,196	99,749,400
Total	<u>1,518,891,019</u>	<u>1,371,820,965</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

47. Administrative expenses

	Unit: RMB	
	2023	2022
Employee compensation and labor costs	915,426,617	848,373,286
Depreciation and amortization expenses	241,750,003	203,270,529
Agency fees	86,719,903	91,382,948
Office expenses	282,876,819	206,652,399
Environmental protection and greening fees	65,489,157	50,902,306
Property insurance expenses	20,890,843	15,922,586
Rental expenses	4,294,164	2,210,727
Others	201,857,550	163,824,679
Total	<u>1,819,305,056</u>	<u>1,582,539,460</u>

For the current year, the above administrative expenses include audit fee of RMB5,700,000 (31 December 2022: RMB5,700,000), among which internal control audit fee of RMB500,000 (31 December 2022: RMB500,000)

48. Finance costs

	Unit: RMB	
	2023	2022
Interest expenses	664,197,382	446,819,553
Interest expenses on lease	72,347,746	29,299,022
Less: Interest	132,479,213	84,844,797
Less: Interest capitalized	14,477,432	69,563,929
Exchange gains	89,704,059	126,424,800
Others	19,228,256	10,353,522
Total	<u>698,520,798</u>	<u>458,488,171</u>

For the current year, the capitalized interest in construction in progress is RMB14,477,432 (2022: RMB69,563,929).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

49. Other gains

	Unit: RMB	
	2023	2022
Tax refunds from comprehensive utilization of resources	35,911,106	75,651,346
Amortization of deferred income	35,349,992	29,253,722
Other Government subsidies related to the ordinary activities	103,810,280	112,412,576
Total	<u>175,071,378</u>	<u>217,317,644</u>

50. Investment income

	Unit: RMB	
	2023	2022
Gains from long-term equity investments under equity method	20,203,670	(15,582,356)
Investment gains from held for trading financial assets during the holding Period	35,651,736	29,529,951
Others	3,431,754	3,193,279
Total	<u>59,287,160</u>	<u>17,140,874</u>

51. Gains (losses) from changes in fair value

	Unit: RMB	
	2023	2022
Held-for-trading financial assets	(41,711,538)	29,747,215
Other non-current financial assets	1,740,655	(1,275,995)
Bonds payable	3,526,518	(9,480,500)
Total	<u>(36,444,365)</u>	<u>18,990,720</u>

52. Impairment losses on credit

	Unit: RMB	
	2023	2022
Losses on impairment of account receivables	62,286,148	16,595,831
Losses on impairment of other receivables	5,654,767	4,959,866
Total	<u>67,940,915</u>	<u>21,555,697</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

53. Impairment losses on assets

	Unit: RMB	
	2023	2022
Losses on impairment of goodwill	40,734,994	38,578,269
Losses on impairment of fixed assets	982,696	31,871,544
Losses on impairment of intangible assets	1,235,712	25,717,776
Losses on decline in value of inventory	94,946,721	16,079,506
Losses on decline in value of construction in process	3,916	897,165
Losses on impairment of long-term prepaid expenses	24,716	694,336
Total	<u>137,928,755</u>	<u>113,838,596</u>

54. Gains/(Losses) on disposal of assets

	Unit: RMB	
	2023	2022
Gains/(Losses) on disposal of intangible assets	426,528,369	(7,161,791)
Total	<u>426,528,369</u>	<u>(7,161,791)</u>

For the current year, the Group entered an agreement with the Urban Renovation and Renewal Bureau of Qingshan District of Wuhan, named "Monetary Compensation Agreement for the Expropriation of Non-residential Houses on State-owned Land in Qingshan District". The Group's industrial land located in Qingshan Town of Qingshan District of Wuhan, which has an aggregate area of 48,336 square meters, was to be stored and the compensation, the total amount is RMB481,684,602 under the agreement.

55. Non-operating income

	Unit: RMB		
	2023	2022	Recognised in non-recurring profit and loss for 2023
Government subsidies in relation to the ordinary activities	476,797	3,757,954	476,797
Gains on disposal of fixed assets	1,525,715	3,898,065	1,525,715
Negative goodwill (Note VII.1(1))	41,441,891	—	41,441,891
Others	19,342,280	33,042,648	13,575,754
Total	<u>62,786,683</u>	<u>40,698,667</u>	<u>57,020,157</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

56. Non-operating expenses

	Unit: RMB		
	2023	2022	Recognised in non-recurring profit and loss for 2023
Losses on disposal of fixed assets	10,488,733	5,852,195	10,488,733
Expenses on donation	20,830,307	24,607,769	20,830,307
Expenses on compensation	3,508,957	373,357	3,508,957
Others	53,212,167	44,350,290	53,212,167
Total	<u>88,040,164</u>	<u>75,183,611</u>	<u>88,040,164</u>

57. Income tax expense

	Unit: RMB	
	2023	2022
Current income tax expense	1,180,013,990	905,849,286
Deferred income tax expense	(71,864,955)	58,681,437
Total	<u>1,108,149,035</u>	<u>964,530,723</u>

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

	Unit: RMB	
	2023	2022
Profit before tax	4,326,247,137	3,988,085,596
Income tax expense at 25% rate	1,081,561,784	997,021,399
Effect of different tax rates of some subsidiaries	(166,616,118)	(161,780,637)
Effect of non-taxable income	(6,047,761)	(2,351,173)
Expenses not deductible costs	28,395,848	33,531,186
Effect of additional deductions for research and development expenses	(16,741,936)	(12,338,653)
Effect of use of deductible losses and temporary differences from previous years	(23,043,729)	(48,468,160)
Effect of deductible temporary difference and deductible losses not recognized	152,676,943	136,768,254
Withholding income tax on expected distribution of earnings of foreign subsidiaries	56,289,852	—
Others	1,674,152	22,148,507
Income tax expense at the effective tax rate of the Group	<u>1,108,149,035</u>	<u>964,530,723</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

58. Earnings per share

	2023 RMB/share	2022 RMB/share
Basic earnings per share		
Continuing operations	<u>1.33</u>	<u>1.30</u>
Diluted earnings per share		
Continuing operations	<u>1.32</u>	<u>1.28</u>

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

The diluted element of earnings per share is determined by current net profit attributable to the Company's ordinary shareholders, after adjusted for dilutive potential ordinary share.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

58. Earnings per share *(continued)*

Basic and diluted earnings per share are calculated as follows:

	Unit: RMB	
	2023	2022
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,762,116,715	2,698,868,510
Less: Cash dividends expected to unlock future restricted shareholders	<u>427,379</u>	<u>1,874,965</u>
	<u>2,761,689,336</u>	<u>2,696,993,545</u>
Add: Cash dividends expected to unlock future restricted shareholders	427,379	1,874,965
Less: The effect of subsidiaries dilutive potential ordinary share	<u>26,694,823</u>	<u>46,923,087</u>
Adjusted net profit for the period attributable to the Company's ordinary shareholders	<u>2,735,421,892</u>	<u>2,651,945,423</u>
Attributed to:		
Continuing operations	<u>2,735,421,892</u>	<u>2,651,945,423</u>
Shares	2023	2022
Weighted average number of ordinary shares in issue of the Company	2,074,039,458	2,073,910,517
Dilution effect-the weighted average of common shares Restricted shares	<u>848,093</u>	<u>2,389,465</u>
The adjusted weighted average of the Company's common shares outstanding	<u>2,074,887,551</u>	<u>2,076,299,982</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

59. Notes to the statement of cash flows items

(1) *Cash related to operating activities*

	Unit: RMB	
	2023	2022
Other cash receipts relating operating activities		
Government subsidy	112,342,037	144,925,630
Receipt of security deposit, petty cash	109,625,541	98,484,161
Interest income	127,434,613	84,844,797
Others	21,878,035	38,217,344
Total	371,280,226	366,471,932
Other cash payments relating to operating activities		
Selling and administrative expenses etc. paid	1,152,007,475	846,279,918
Deposit and other amounts paid	162,546,352	49,284,541
Other current accounts	294,505,103	130,871,365
Total	1,609,058,930	1,026,435,824

(2) *Cash related to investing activities*

	Unit: RMB	
	2023	2022
Other cash receipts relating to investing activities		
Funds, interest rate swaps	3,207,547,225	4,064,972,367
Total	3,207,547,225	4,064,972,367
Cash payments for other investing activities		
Funds, interest rate swaps	3,200,000,000	3,343,000,000
Payments for investments in non-trading equity instruments	—	1,000,000,000
Total	3,200,000,000	4,343,000,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

59. Notes to the statement of cash flows items (continued)

(2) Cash related to investing activities (continued)

	Unit: RMB	
	2023	2022
Other cash receipts relating to investing activities		
Cash and cash equivalents held by subsidiaries on the date of purchase	—	111,634,822
Receipt of refund of mining claim deposits	100,003,372	—
Loans and advances received	115,715,040	—
Equity margin refund received	54,700,000	—
Total	<u>270,418,412</u>	<u>111,634,822</u>
Cash payments for other investing activities		
Payment of equity-related amounts	—	208,800,000
Payment of borrowings	25,000,000	170,439,950
Payment of bidding deposit on mining rights auction	—	100,003,372
Total	<u>25,000,000</u>	<u>479,243,322</u>

(3) Cash related to financing activities

	Unit: RMB	
	2023	2022
Other cash receipts relating to financing activities		
Receive after sale finance lease payment and security deposit	60,000,000	15,000,000
Sale of non-controlling equity funds	15,202,606	5,024,115
Others	36,616,748	—
Total	<u>111,819,354</u>	<u>20,024,115</u>
Other cash payment relating to financing activities		
Rental payment	350,475,832	190,532,519
Payment for purchasing non-controlling shares	133,288,720	59,079,325
Payment for repurchasing shares	19,014,864	—
Reimbursement of funds borrowed	2,993,722	—
Payment the sale and leaseback principal and security deposit	—	23,258,673
Total	<u>505,773,138</u>	<u>272,870,517</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

59. Notes to the statement of cash flows items (continued)

(3) Cash related to financing activities (continued)

The movements in liabilities arising from financing activities are presented below:

Unit: RMB

	Balance at the beginning of the year	Decrease in current year		Increase in the current year		Balance at end of year
		Cash movements	Non-cash changes	Cash movements	Non-cash changes	
Short-term borrowings	593,415,661	771,838,701	—	781,453,004	41,303,964	644,333,928
Taxes payable	129,019,490	173,231,546	—	—	71,570,511	27,358,455
Other payables	274,061,503	2,025,038,585	71,570,511	—	2,114,293,985	291,746,392
Non-current liabilities due						
within one year	2,342,930,093	3,938,707,162	—	—	5,532,159,641	3,936,382,572
Long-term borrowings	7,282,088,824	—	3,128,938,828	4,195,944,501	273,925,218	8,623,019,715
Bonds payable	4,426,286,852	—	1,299,459,200	798,993,208	38,658,170	3,964,479,030
Lease liabilities	759,905,754	—	565,186,090	—	1,154,008,007	1,348,727,671
Long-term payables	—	—	21,260,214	60,000,000	3,782,190	42,521,976
Total	<u>15,807,708,177</u>	<u>6,908,815,994</u>	<u>5,086,414,843</u>	<u>5,836,390,713</u>	<u>9,229,701,686</u>	<u>18,878,569,739</u>

Significant activities not involving current cash receipts and disbursements:

Unit: RMB

	2023	2022
Bank acceptance bills endorsed for payment of goods and services	4,948,144,317	4,926,869,009
Bank acceptance bills endorsed for payment of construction work	1,060,736,200	1,138,201,817

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

60. Supplementary information on the statement of cash flows

(1) Supplementary information on the statement of cash flows

Reconciliation of profit to net cash flows from operating activities:

	Unit: RMB	
	2023	2022
Net profit	3,218,098,102	3,023,554,873
Add: Provision for impairment of assets	137,928,755	113,838,596
Credit impairment losses	67,940,915	21,555,697
Depreciation of fixed assets	2,078,413,803	1,879,662,708
Depreciation of right-of-use assets	261,876,024	101,334,445
Amortization of intangible assets	1,335,823,289	585,812,062
Amortization of long-term amortized expenses	120,143,304	79,813,380
Amortization of deferred income	(35,349,992)	(29,253,722)
(Gain)Loss on disposal of fixed assets, intangible assets and other long-term assets	(426,528,369)	7,161,791
Loss on retirement of fixed assets	8,963,018	1,954,130
Loss(gain) on change in fair value	36,444,365	(18,990,720)
Financial cost	768,052,993	412,195,047
Investment losses	(59,287,160)	(17,140,874)
Increase in deferred income tax assets	(107,270,761)	(40,336,682)
Increase in deferred income tax liabilities	35,405,806	86,176,921
Decrease in inventory	376,206,526	136,007,261
Increase in operating receivables	(2,096,121,332)	(1,920,700,440)
Increase in operating payables	514,815,785	145,049,747
Net cash flows from operating activities	<u>6,235,555,071</u>	<u>4,567,694,220</u>

Major investing and financing activities that do not involve cash:

	Unit: RMB	
	2023	2022
Bank acceptance bills endorsed for payment of construction work	<u>1,060,736,200</u>	<u>1,138,201,817</u>
Total	<u>1,060,736,200</u>	<u>1,138,201,817</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

60. Supplementary information on the statement of cash flows *(continued)*

(1) *Supplementary information on the statement of cash flows (continued)*

Net change in cash and cash equivalents:

	Unit: RMB	
	2023	2022
Balance of cash at the end of the year	5,370,115,985	6,616,021,778
Less: Balances of cash equivalents at the beginning of the year	<u>6,616,021,778</u>	<u>8,550,475,141</u>
Net decrease in cash and cash equivalents	<u>(1,245,905,793)</u>	<u>(1,934,453,363)</u>

(2) *Information on purchasing subsidiaries and other business units*

Information on purchasing subsidiaries and other business units

	Unit: RMB	
	2023	2022
Cash paid for acquisition of subsidiaries and other operating units	3,018,643,929	83,600,000
Less: Cash and cash equivalents held by subsidiaries and other operating units at acquisition date	934,809,501	136,632,121
Add: Cash or cash equivalents paid in the current period for business mergers that occurred in previous periods	<u>17,061,053</u>	<u>7,762,371</u>
Net cash paid(received) for acquisition of subsidiaries and other business units	<u>2,100,895,481</u>	<u>(45,269,750)</u>
Include: Cash received relating to other investing activities	—	(111,634,822)
Net cash payments for acquisition of subsidiaries and other business units	<u>2,100,895,481</u>	<u>66,365,072</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

60. Supplementary information on the statement of cash flows *(continued)*

(3) Cash and cash equivalents

Unit: RMB

	2023	2022
Cash	5,370,115,985	6,616,021,778
Including: Cash on hand	2,099,477	1,100,172
Bank deposits	5,319,976,718	6,549,623,633
Other cash and cash equivalents	48,039,790	65,297,973
Balance of cash and cash equivalents at end of the year	<u>5,370,115,985</u>	<u>6,616,021,778</u>

(4) Monetary funds not classified as cash and cash equivalents

Unit: RMB

	2023	2022	Rationale
Deposits for acceptance bills and letter of credit	191,761,439	160,128,771	Guarantees
Deposits for mine land reclamation	178,534,606	134,135,878	Guarantees
Deposit for auction of mining rights	—	100,003,372	Guarantees
Deposits for letter of guarantee	24,230,908	20,987,510	Guarantees
Other cash and bank balances with restrictions	84,822,413	7,064,483	Guarantees and other restricted funds
Total	<u>479,349,366</u>	<u>422,320,014</u>	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

61. Foreign currency monetary items

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

Unit: RMB

	31 December 2023			31 December 2022		
	Original currency	Exchange rate	As RMB	Original currency	Exchange rate	As RMB
Cash and bank balances						
USD	75,690,431	7.0827	536,092,617	183,655,849	6.9646	1,279,089,528
CNY	9,490,385	1.0000	9,490,385	3,342,772	1.0000	3,342,772
EUR	2,743,534	7.8592	21,561,983	573,292	7.4229	4,255,486
HKD	237,388	0.9062	215,121	69,300	0.8933	61,906
ZAR	29,617	0.3819	11,312	6,043	0.4112	2,485
ZMW	3,787	0.2775	1,051	3,787	0.3853	1,459
KES	5,245	0.0454	238	5,245	0.0564	296
TZS	69,300	0.0028	196	69,300	0.0030	209
CHF	11	8.0909	89	11	7.2727	80
RUB	182	0.0824	15	182	0.0934	17
SGD	2	5.5000	11	2	5.0000	10
MZN	4,770	0.0159	76	—	—	—
KZT	444,500	0.0157	6,992	—	—	—
Accounts receivable						
USD	1,730,057	7.0827	12,253,474	1,152,388	6.9646	8,025,920
Other receivables						
USD	220,683	7.0827	1,563,031	55,588	6.9646	387,146
Accounts payable						
USD	70,486	7.0827	499,230	7,260,256	6.9646	50,564,777
EUR	—	—	—	585,191	7.4229	4,343,816
CNY	5,448,945	1.0000	5,448,945	4,137,044	1.0000	4,137,044
ZAR	—	—	—	1,303,136	0.4113	536,006
CHF	58,049	8.4184	488,679	—	—	—
Other payables						
CNY	4,935,178	1.0000	4,935,178	3,472,531	1.0000	3,472,531
USD	—	—	—	134,454	6.9646	936,420
ZAR	214,645	0.3819	81,979	—	—	—
EUR	91,038	7.8592	715,486	—	—	—
CHF	22,568	8.4184	189,986	—	—	—
HKD	14,030,340	0.9062	12,714,294	—	—	—
Interest payable						
USD	1,088,060	7.0827	7,706,402	608,845	6.9646	4,240,363
Bonds payable						
USD	19,250,000	7.0827	136,341,976	19,250,000	6.9646	134,068,550
Non-current Liabilities due within One year						
USD	38,020,000	7.0827	269,284,256	38,580,000	6.9646	268,694,268
Long-term borrowings						
USD	77,400,000	7.0827	548,200,980	122,940,000	6.9646	856,227,924

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

62. Lease

(1) As a lessee

	Unit: RMB	
	2023	2022
Interest expense on lease liabilities	72,347,746	29,299,022
Lease costs recognized in profit or loss using the simplified approach	15,293,775	21,796,429
Total cash outflows related to leases	<u>365,620,890</u>	<u>212,328,948</u>

The Group has lease contracts for various items of land, houses and buildings, machinery, vehicles, and other equipment used in its operations. Leases of houses and buildings and machinery generally have lease terms of 3–8 years, while those of vehicles and other equipment generally have lease terms of 3–8 years. Generally, the Group is restricted from assigning and subleasing the underlying assets and some contracts require the Group to maintain certain financial ratios.

(2) As lessor

The Group has entered into operating leases on underlying assets subject to operating leases, and the lease terms are between 2016 and 2025. Some leases include clauses for extension and termination options and variable lease payments. Residual value risk of the underlying assets is not significant.

Operating leases

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

	Unit: RMB	
	2023	2022
Rental income	<u>14,108,638</u>	<u>21,011,751</u>

The Group had total future minimum lease receivables (undiscounted) with its tenants falling due as follows:

	Unit: RMB	
	2023	2022
Within 1 year, inclusive	7,454,662	14,108,638
1 to 2 years inclusive	3,914,849	7,454,662
2 to 3 years inclusive	—	3,914,849
Total	<u>11,369,511</u>	<u>25,478,149</u>

For fixed assets leased out under operating leases, refer to Note V.13.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VI. RESEARCH AND DEVELOPMENT EXPENDITURES

The Research and development expenditures by nature is as follows (*excluding amortization of self-developed intangible assets*):

	Unit: RMB	
	2023	2022
Material Consumption	130,101,855	4,969,332
Employee remuneration and labor costs	122,054,996	73,446,284
Depreciation and amortization expense	25,802,010	3,344,100
Others	46,935,744	31,439,345
Total	324,894,605	113,199,061
Including: Expensed research and development expenditure	301,098,955	78,162,783
Capitalized research and development expenditure	23,795,650	35,036,278

Development expenditures on R&D projects eligible for capitalization are listed below:

	Increase			
	Balance at beginning of year	Internal development	Business combinations not under common control	Balance at end of year
Project 1	19,235,220	17,621,122	—	36,856,342
Project 2	26,193,862	6,174,528	—	32,368,390
Project 3	—	—	108,463	108,463
Total	45,429,082	23,795,650	108,463	69,333,195

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combination not involving entities under common control

Business combination not involving entities under common control occurred during the year are presented below:

Unit: RMB

	Point of equity acquired	Cost of equity acquired	Percentage of equity acquired (%)	Methods of equity acquisition	Acquisition date	Basis for determining the acquisition date	Operating income of the subsidiary purchased from the acquisition date to the end of the year	Net profit of the subsidiary purchased from the acquisition date to the end of the year	Net cash flows of the subsidiary purchased from the acquisition date to the end of the year
Oman Cement Company SAOG	2023/4/6	USD194,531,906	59.58	Purchase	2023/4/6	Transfer control	942,659,246	164,095,567	(449,397,289)
Natal Portland Cement Company Proprietary Limited	2023/12/31	USD231,563,000	100.00	Purchase	2023/12/31	Transfer control	—	—	—

- (1) The fair values and carrying amount of the identifiable assets and liabilities of Oman Cement Company SAOG at the acquisition date are as follows:

Unit: RMB

	6 April 2023 Fair value	6 April 2023 Carrying amount
Cash and bank balances	766,736,979	766,736,979
Accounts receivable	163,267,949	163,267,949
Inventories	251,974,342	250,590,064
Other current assets	679,834,750	679,834,750
Fixed assets	1,342,746,633	1,660,649,513
Other assets	90,312,867	89,656,419
Accounts payable	103,700,117	103,700,118
Other accounts payable	63,847,061	63,847,061
Non-current liabilities due within one year	628,207,246	628,207,246
Deferred tax liabilities	74,832,081	122,211,404
Other liabilities	108,034,074	108,034,074
Total	2,316,252,941	2,584,735,771
Non-controlling interests	(936,229,439)	(1,044,750,199)
Net assets acquired	1,380,023,502	1,539,985,572
Net assets acquired exceed the cost of combination in profit or loss	(41,441,891)	
Cost of the combination	1,338,581,611	Note

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VII. CHANGES IN THE SCOPE OF CONSOLIDATION *(continued)*

1. Business combination not involving entities under common control *(continued)*

- (1) The fair values and carrying amount of the identifiable assets and liabilities of Oman Cement Company SAOG at the acquisition date are as follows: *(continued)*

Note: Cash paid by the Group in the business combination was USD194,531,906.

The Group uses valuation techniques to determine the fair value of the subject company's assets and liabilities at the date of purchase. The valuation methods for major assets and their key assumptions are set out below.

The valuation method for fixed assets is the replacement cost method and the valuation method of inventory is the sales deficit method.

- (2) The fair values and carrying amount of the identifiable assets and liabilities of Natal Portland Cement Company Proprietary Limited on the acquisition date are as follows:

Unit: RMB

	31 December 2023 Temporary value	31 December 2023 Carrying amount
Cash and bank balances	167,696,888	167,696,888
Accounts receivable	56,891,087	56,891,087
Inventories	267,581,986	267,581,986
Fixed assets	672,096,377	672,096,377
Construction in progress	98,474,403	98,474,403
Intangible assets	1,288,235,818	37,402,547
Other assets	76,005,342	76,005,341
Long-term borrowings	260,640,121	260,640,121
Deferred tax liabilities	455,699,430	105,466,114
Accounts payable	162,253,218	162,253,218
Employee compensation payable	72,937,363	72,937,363
Other liabilities	135,860,275	135,860,274
Non-controlling interests	49,415,496	49,415,496
Net assets acquired	<u>1,490,175,998</u>	<u>589,576,043</u>
Goodwill on acquisition (temporary)	<u>152,986,320</u>	Note 1
Cost of the combination	<u>1,643,162,318</u>	Note 2

Note 1: Up to the date when the financial statements were approved and authorised for issue, the appraisal of the assets acquired, such as buildings and land use rights, has not been completed. Therefore, the fair value of each identifiable asset and the amount of goodwill can only be determined temporarily. The adjustments to the recognized temporal value before 31 December 2024 (12 months after the acquisition date) are deemed to be recognized and measured at the acquisition date.

Note 2: Cash paid by the Group in the business combination was USD231,563,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VII. CHANGES IN THE SCOPE OF CONSOLIDATION (continued)

2. Deregistration of subsidiaries

The Group deregistered 7 subsidiaries during the year. Information of these subsidiaries is as follows:

	Proportion of shareholding of parent company before deregistration	Reason for not being subsidiary
Huaxin Aggregate (Wuxue) Co., LTD	100%	Deregistration
Huaxin Concrete (Changyang) Co., LTD	100%	Deregistration
Huaxin New Building Materials (Wuhan) Co., LTD	100%	Deregistration
Huaxin New Building Materials (Hainan) Co., LTD	100%	Deregistration
Jiujiang Rongda Energy Saving and Environmental Protection Building Materials Co., LTD	100%	Deregistration
Huaxin New Building Materials (Enshi) Co., LTD	100%	Deregistration
Huaxin Kayul New Building Materials Co., LTD	38%	Deregistration

3. Establishment of new subsidiaries

	Acquired method
Huaxin Concrete (Wuhan Caidian) Co., LTD	Establishment
Changsha Huaxin Commercial Mixing New Material Co., LTD	Establishment
Zhangjiagang Huaxin Southeast Concrete Co., LTD	Establishment
Changshu Huaxin Jinlong Concrete Co., LTD	Establishment
Zhangjiagang Huaxin Xingang Concrete Co., LTD	Establishment
Taicang Huaxin Longhe Concrete Co., LTD	Establishment
Changzhou Huaxin Concrete Jin Concrete Co., LTD	Establishment
Changzhou Huaxin Concrete Co., LTD	Establishment
Nantong Huaxin Jinlong Concrete Co., LTD	Establishment
Huaxin Concrete (Wuhan Jiangxia) Co., LTD	Establishment
Changzhou Huaxin Boai Concrete Co., LTD	Establishment
Nanchong Huaxin New Building Material 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 Co., LTD	Establishment
Shanghai Huaxin Runshen Concrete Co., LTD	Establishment
Huaxin Concrete (Ezhou Gedian Economic and Technological Development) Co., LTD	Establishment
Huaxin Wuhan Building Materials Trading Co., LTD	Establishment
Chenzhou Huaxin New Building Materials Co., LTD	Establishment
Tianjin Baihuitong Supply Chain Technology Co., LTD	Establishment
Huaxin New Building Material Co., LTD	Establishment
Taizhou Huaxin Tianhou Concrete Co., LTD	Establishment

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

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

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc.						
Huaxin Cement (Yangxin) Co., LTD	Yangxin	Yangxin	Manufacture and sale of building materials	50,000	100	—
Huaxin Cement (Wuxue) Co., LTD	Wuxue	Wuxue	Manufacture and sale of building materials	30,000	100	—
Huaxin Cement (Chibi) Co., LTD	Chibi	Chibi	Manufacture and sale of building materials	14,000	100	—
Huaxin Cement (Yichang) Co., LTD	Yichang	Yichang	Manufacture and sale of building materials	15,000	100	—
Huaxin Cement (Xiangyang) Co., LTD	Xiangyang	Xiangyang	Manufacture and sale of building materials	14,000	100	—
Huaxin Cement (Enshi) Co., LTD	Enshi	Enshi	Manufacture and sale of building materials	6,000	67	33
Huaxin Cement (Zhaotong) Co., LTD	Zhaotong	Zhaotong	Manufacture and sale of building materials	10,000	60	40
Huaxin Cement (Tibet) Co., LTD	Tibet	Tibet	Manufacture and sale of building materials	5,000	79	—
Huaxin Cement (Wuhan) Co., LTD	Wuhan	Wuhan	Manufacture and sale of building materials	6,000	70	30
Wuhan Ganghua Cement Co., LTD	Wuhan	Wuhan	Manufacture and sale of building materials	4,000	50	—
Huaxin Cement (Xiantao) Co., LTD	Xiantao	Xiantao	Manufacture and sale of building materials	2,390	80	—
Huaxin Cement (Yueyang) Co., LTD	Yueyang	Yueyang	Manufacture and sale of building materials	5,000	45	55
Huaxin Concrete (Wuhan) Co., LTD	Wuhan	Wuhan	Production and sale of concrete	19,830	100	—
Huaxin Concrete (Huangshi) Co., LTD	Huangshi	Huangshi	Production and sale of concrete	3,000	—	100
Huaxin Cement (Henan Xinyang) Co., LTD	Xinyang	Xinyang	Manufacture and sale of building materials	20,000	100	—
Huangshi Huaxin Cement Research and Design Co., LTD	Huangshi	Huangshi	Engineering and design of building materials	1 million	99	—
Hubei Dailing Future Environmental Protection Packaging Technology Co., LTD	Huangshi	Huangshi	Manufacture and sale of cement bags	6,000	100	—
Huaxin Cement (Zigui) Co., LTD	Zigui	Zigui	Manufacture and sale of building materials	24,000	100	—
Huaxin Cement (Zhuzhou) Co., LTD	Zhuzhou	Zhuzhou	Manufacture and sale of building materials	34,000	100	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Cement (Chenzhou) Co., LTD	Chenzhou	Chenzhou	Manufacture and sale of building materials	22,000	100	—
Huaxin Cement (Macheng) Co., LTD	Macheng	Macheng	Manufacture and sale of building materials	6,500	100	—
Huaxin Environmental Engineering (Wuxue) Co., LTD	Wuxue	Wuxue	Environmental design, construction, and waste disposal	6,000	—	100
Huaxin Chibi Packaging Co., LTD	Chibi	Chibi	Manufacture and sale of cement bags	310	—	100
Huaxin Cement Technology Management (Wuhan) Co., LTD	Wuhan	Wuhan	Technology development and consulting services	2,000	100	—
Huaxin Ezhou Packaging Co., LTD	Ezhou	Ezhou	Production and sale of cement bags	3,400	—	100
Huaxin Cement (Huangshi) Bulk Storage & Transportation Co., LTD	Huangshi	Huangshi	Loading and unloading, warehousing and other services	2,000	100	—
Huaxin Cement Xiangyang Xiangcheng Co., LTD	Xiangyang	Xiangyang	Production and sale of building materials	4,000	100	—
Huaxin Cement (Quxian) Co., LTD	Quxian	Quxian	Production and sale of building materials	24,000	100	—
Huaxin Cement (Wanyuan) Co., LTD	Wanyuan	Wanyuan	Manufacture and sale of building materials	20,200	100	—
Huaxin Cement Chongqing Fuling Co., LTD	Fuling	Fuling	Manufacture and sale of building materials	20,000	100	—
Huaxin Cement (Daoxian) Co., LTD	Daoxian	Daoxian	Manufacture and sale of building materials	18,000	100	—
Huaxin Cement (Kunming Dongchuan) Co., LTD	Kunming	Kunming	Manufacture and sale of building materials	14,000	100	—
Huaxin Cement (Lengshuijiang) Co., LTD	Lengshuijiang	Lengshuijiang	Manufacture and sale of building materials	20,000	90	—
Huaxin Environmental Engineering Co., LTD	Wuhan	Wuhan	Environmental design, construction and waste disposal	100,000	100	—
Huaxin Aggregate (Yangxin) Co., LTD	Yangxin	Yangxin	Production and sale of construction aggregates	14,000	—	100
Huaxin Central Asia Investment (Wuhan) Co., LTD	Wuhan	Wuhan	Investment	40,000	100	—
Xinyang Huaxin Concrete Co., LTD	Xinyang	Xinyang	Production and sale of concrete	2,500	—	100
Huaxin Cement (Huangshi) Equipment Manufacturing Co., LTD	Huangshi	Huangshi	Manufacture, repair and installation of electromechanical equipment	13,000	—	100
Huaxin Zhuzhou Packaging Co., LTD	Zhuzhou	Zhuzhou	Manufacture and sale of cement bags	500	—	100
Nanzhang Huaxin Xinrui Hotel Management Co., LTD	Nanzhang	Nanzhang	Accommodation services	50	—	99

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Environmental Engineering (Huangshi) Co., LTD	Huangshi	Huangshi	Environmental design and construction, waste disposal, etc.	720	—	100
Tibet Huaxin Building Materials Co., LTD	Tibet	Tibet	Production and sale of concrete	3,500	—	56
Huaxin Quxian Packaging Co., LTD	Quxian	Quxian	Production and sale of cement bags	500	—	100
Huaxin Cement (Sangzhi) Co., LTD	Sangzhi	Sangzhi	Manufacture and sale of building materials	15,000	80	—
Huaxin Concrete (Wuhan Caidian) Co., LTD	Wuhan	Wuhan	Production and sale of concrete	2,500	—	100
Nantong Huaxin Shengyuan Concrete Co., LTD	Nantong	Nantong	Production and sale of concrete	3,000	—	100
Changsha Huaxin Mixed New Material Co., LTD	Changsha	Changsha	Production and sale of concrete	3,500	—	100
Zhangjiagang Huaxin Southeast Concrete Co., LTD	Zhangjiagang	Zhangjiagang	Production and sale of concrete	3,000	—	100
Changshu Huaxin Jinlong Concrete Co., LTD	Changshu	Changshu	Production and sale of concrete	3,000	—	100
Zhangjiagang Huaxin Xinggong Concrete Co., LTD	Zhangjiagang	Zhangjiagang	Production and sale of concrete	3,000	—	100
Taicang Huaxin Longhe Concrete Co., LTD	Taicang	Taicang	Production and sale of concrete	3,000	—	100
Changzhou Huaxin Tongjin Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	3,000	—	100
Changzhou Huaxin Tongxin Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	3,000	—	100
Nantong Huaxin Jinlong Concrete Co., LTD	Nantong	Nantong	Production and sale of concrete	3,000	—	100
Huaxin Concrete (Wuhan Jiangxia) Co., LTD	Wuhan	Wuhan	Production and sale of concrete	2,500	—	100
Changzhou Huaxin Boai Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	3,000	—	100
Jiujiang Huaxin Concrete Co., LTD	Jiujiang	Jiujiang	Production and sale of concrete	3,000	—	100
Jiujiang Rongda Energy Saving and Environmental Protection Building Materials Co., LTD	Jiujiang	Jiujiang	Production and sale of concrete	500	—	100
Huaxin Concrete (Xiaogan) Co., LTD	Xiaogan	Xiaogan	Production and sale of concrete	2,500	—	100
Huaxin Concrete Co., LTD	Wuhan	Wuhan	Investments	13,500	100	—
Huaxin Concrete Xiangyang Fancheng District Co., LTD	Xiangyang	Xiangyang	Production and sale of concrete	2,550	—	100
Huaxin Building Materials Xiangyang Xiangcheng District Co., LTD	Xiangyang	Xiangyang	Production and sale of concrete	1,410	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Nanchong Huaxin New Building Materials Co., LTD	Nanchong	Nanchong	Production and sale of building materials	1,000	—	100
Huaxin New Building Materials (Wuding) Co., LTD	Wuding	Wuding	Production and sale of building materials	2,500	—	100
Changshu Huaxin Shunfeng Concrete Co., LTD	Changshu	Changshu	Production and sale of concrete	3,000	—	100
Huaxin Logistics (Changyang) Co., LTD	Changyang	Changyang	Logistics services	500	—	100
Abra Holdings Ltd	Mauritius	Mauritius	Investments	USD40 million	—	100
Shanghai Huaxin Runshen Concrete Co., LTD	Shanghai	Shanghai	Production and sale of concrete	3,000	—	100
Huaxin Concrete (Ezhou Gedian Economic and Technological Development) Co., LTD	Wuhan	Wuhan	Production and sale of concrete	2,500	—	100
Huaxin Wuhan Building Materials Trading Co., LTD	Wuhan	Wuhan	Production and sale of building materials	1,000	—	100
Chenzhou Huaxin New Building Materials Co., LTD	Chenzhou	Chenzhou	Production and sale of building materials	300	—	100
Tianjin Baihuitong Supply Chain Technology Co., LTD	Tianjin	Tianjin	Logistics services	1,000	—	100
Quxian Huaxin New Building Material Co., LTD	Quxian	Quxian	Production and sale of building materials	500	—	100
Taizhou Huaxin Tianhou Concrete Co., LTD	Taizhou	Taizhou	Production and sale of concrete	3,000	—	100
Huaxin Aggregate Co., LTD	Wuhan	Wuhan	Investments	5,000	100	—
Huaxin New Building Materials Co., LTD	Wuhan	Wuhan	Production and sale of new materials	9,000	100	—
Huaxin Environmental Engineering (Zhuzhou) Co., LTD	Zhuzhou	Zhuzhou	Environmental design, construction and waste disposal	2,400	—	100
Huaxin Environmental Engineering (Xinyang) Co., LTD	Xinyang	Xinyang	Environmental design, construction, and waste disposal	5,000	—	100
Huaxin Equipment Engineering Co., LTD	Huangshi	Huangshi	Manufacture and repair of electromechanical equipment	19,000	100	—
Huaxin Environmental Engineering Fengjie County Co., LTD	Fengjie	Fengjie	Environmental design, construction, and waste disposal	2,000	—	100
Huaxin (Hong Kong) International Holdings Ltd.	Hong Kong	Hong Kong	Investment	2,545	100	—
Huaxin Environmental Engineering Nanzhang Co., LTD	Nanzhang	Nanzhang	Environmental design, construction and waste disposal	1,500	—	100
Huaxin Environmental Engineering (Zhuhai) Co., LTD	Zhuhai	Zhuhai	Environmental design, construction, and waste disposal	6,000	—	80

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Concrete (Zhuzhou) Co., LTD	Zhuzhou	Zhuzhou	Manufacture and sale of concrete	2,500	—	100
Huaxin Environmental Engineering (Fangxian) Co., LTD	Fangxian	Fangxian	Environmental design, construction and waste disposal	1,000	—	100
Huaxin Concrete (Enshi) Co., LTD	Enshi	Enshi	Production and sale of concrete	1,200	—	100
Huaxin Environmental Engineering (Ezhou) Co., LTD	Ezhou	Ezhou	Environmental design, construction and waste disposal	2,000	—	100
Huaxin Environmental Engineering (Yingcheng) Co., LTD	Yingcheng	Yingcheng	Environmental design, construction and waste disposal	2,500	—	100
Huaxin Concrete (Ezhou) Co., LTD	Ezhou	Ezhou	Production and sale of concrete	2,500	—	100
Huaxin Concrete (Jianli) Co., LTD	Jianli	Jianli	Production and sale of concrete	2,500	—	100
Enping Huaxin Environmental Engineering Co., LTD	Enping	Enping	Environmental design, construction and waste disposal	500	—	80
Huaxin Concrete (Yichang) Co., LTD	Yichang	Yichang	Concrete production and sales	5,000	—	100
Huaxin Concrete (Daoxian) Co., LTD	Daoxian	Daoxian	Production and sale of concrete	2,500	—	100
Huaxin Environmental Engineering (Zigui) Co., LTD	Zigui	Zigui	Environmental design, construction and waste disposal	2,100	—	100
Huaxin Environmental Engineering (Youxian) Co., LTD	Youxian	Youxian	Environmental design, construction and waste disposal	2,900	—	100
Huaxin Hong Kong (Cambodia) Investment Co., LTD	Hong Kong	Hong Kong	Investment	HKD1	—	100
Xiangyang Huaxin Logistics Co., LTD	Xiangyang	Xiangyang	Loading and unloading, storage and other services	100	—	100
Huaxin Hong Kong (Central Asia) Investment Co., LTD	Hong Kong	Hong Kong	Investments	40,000	—	51
Huaxin Concrete (Changyang) Co., LTD	Changyang	Changyang	Production and sale of concrete	1,000	—	100
Huaxin Environmental Engineering (Wanyuan) Co., LTD	Wanyuan	Wanyuan	Environmental design, construction and waste disposal	1,000	—	100
Huaxin Environmental Engineering (Zhaotong) Co., LTD	Zhaotong	Zhaotong	Environmental design, construction and waste disposal	2,000	—	100
Huaxin Environmental Engineering (Daye) Co., LTD	Daye	Daye	Environmental design, construction and waste disposal	60	—	100
Huaxin Environmental Engineering (Loudi) Co., LTD	Loudi	Loudi	Environmental design, construction and waste disposal	4,000	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Environmental Engineering Yunyang County Co., LTD	Yunyang	Yunyang	Environmental design, construction and waste disposal	2,000	—	100
Huaxin Narayani Investment (Shanghai) Co., LTD	Shanghai	Shanghai	Investment	1 million	100	—
Wuhan Longwangzui Huaxin Environmental Engineering Co., LTD	Wuhan	Wuhan	Environmental design, construction and waste disposal	1,200	—	100
Huaxin Environmental Engineering (Yidu City) Co., LTD	Yidu	Yidu	Environmental design, construction and waste disposal	3,000	—	100
Wuhan South Prince Lake Huaxin Environmental Engineering Co., LTD	Wuhan	Wuhan	Environmental design, construction and waste disposal	1,000	—	100
Huaxin (Zigui) Logistics Co., LTD	Zigui	Zigui	Loading and unloading, storage and other services	500	—	100
Chongqing Fuling Huaxin Environmental Engineering Co., LTD	Chongqing	Chongqing	Environmental design, construction and waste disposal	100	—	100
Huaxin (Jianchuan) Environmental Engineering Co., LTD	Jianchuan	Jianchuan	Environmental design, construction and waste disposal	1,500	—	100
Huaxin (Lijiang) Environmental Engineering Co., LTD	Lijiang	Lijiang	Environmental design, construction and waste disposal	1,500	—	100
Huaxin Environmental Engineering (Yichang) Co., LTD	Yichang	Yichang	Environmental design, construction and waste disposal	2,000	100	—
Chongqing Huaxin New Building Materials Co., LTD	Chongqing	Chongqing	Manufacture and sale of new materials	500	—	100
Huaxin Environmental (Shiyan) Renewable Resources Utilization Co., LTD	Shiyan	Shiyan	Environmental design, construction and waste disposal	2,000	—	100
Huaxin New Building Materials (Wuhan) Co., LTD	Wuhan	Wuhan	Manufacture and sale of new materials	1,500	—	60
Huaxin New Material (Changyang) Co., LTD	Changyang	Changyang	Manufacture and sale of new materials	21,300	—	100
Huaxin Cement (Huangshi) Co., LTD	Huangshi	Huangshi	Manufacture and sale of building materials	91,600	80	14
Huaxin New Building Materials (Fumin) Co., LTD	Fumin	Fumin	Production and sale of new materials	3,000	—	65
Zhuzhou Huaxin Logistics Co., LTD	Zhuzhou	Zhuzhou	Loading and unloading, storage and other services	200	—	100
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., LTD	Zhuzhou	Zhuzhou	Environmental design, construction and waste disposal	1,300	—	80
Huaxin (Nanzhang) Renewable Resources Utilization Co., LTD	Nanzhang	Nanzhang	Industrial Solid Waste, Hazardous	2,000	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., LTD	Yangxin	Yangxin	Environmental design, construction and waste disposal	1,500	—	100
Wuhan Huaxin Changshankou Logistics Co., LTD	Wuhan	Wuhan	Loading and unloading, warehousing and other services	1,000	—	100
Huaxin Concrete (Yangxin) New Material Co., LTD	Yangxin	Yangxin	Concrete Production and Sales	2,500	—	100
Huaxin Environmental Engineering (Badong) Co., LTD	Badong	Badong	Environmental design, construction and waste disposal	2,000	—	100
Huaxin New Building Materials Xiangyang Co., LTD	Xiangyang	Xiangyang	Production and sales of new materials	3,000	—	100
Huaxin Anti-seepage and Energy-saving Special New Material (Fumin) Co., LTD	Fumin	Fumin	Production and sale of new materials	500	—	86
Huaxin Aggregate (Zhuzhou) Co., LTD	Zhuzhou	Zhuzhou	Production and sale of construction aggregates	10,000	—	70
Huaxin (Huangshi) Logistics Co., LTD	Huangshi	Huangshi	Loading and unloading, warehousing and other services	2,000	100	—
Huaxin (Lijiang) Environmental Protection New Material Co., LTD	Lijiang	Lijiang	Production and sale of new materials	6,000	—	70
Shannan Huaxin Environmental Engineering Co., LTD	Shannan	Shannan	Environmental design, construction and waste disposal	3,000	—	79
Wuhan Changshankou Huaxin Environmental Engineering Co., LTD	Wuhan	Wuhan	Environmental design, construction and waste disposal	10,000	—	100
Huaxin Hong Kong (Tanzania) Investment Co., LTD	Hong Kong	Hong Kong	Investment	HKD 10,000	—	100
Hubei Huaxin Environmental Logistics Co., LTD	Huangshi	Huangshi	Loading and unloading, warehousing, transportation, etc.	1,000	—	100
Huaxin Jiaotou (Chibi) New Building Materials Co., LTD	Chibi	Chibi	Manufacture and sale of new materials	10,000	—	51
Huaxin Environmental Engineering (Yunnan) Co., LTD	Kunming	Kunming	Environmental design, construction and waste disposal	3,000	—	100
Huaxin Chaokolong New Building Material Technology (Huangshi) Co., LTD	Huangshi	Huangshi	Production and sale of new materials	5,000	—	100
HX International (Tanzania) Limited.	Tanzania	Tanzania	Investments	TSZ 10 million	—	100
Huaxin Commercial Concrete Xianning Co., LTD	Xianning	Xianning	Production and sale of concrete	2,500	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
NETNIXLTD Cyprus Investment Entity	Cyprus	Cyprus	Investments	10 thousand EUR	—	100
Huaxin Cement (Songming) Co., LTD	Kunming	Kunming	Production and sale of building materials	3,000	—	100
Huaxin Environmental Engineering (Changyang) Co., LTD	Changyang	Changyang	Environmental design, construction and waste disposal	3,000	—	100
Huaxin (Changyang) Renewable Resources Utilization Co., LTD	Changyang	Changyang	Environmental design, construction and waste disposal	3,000	—	100
Huangshi Huaxin Green Building Material Industry Co., LTD	Huangshi	Huangshi	Production and sale of construction aggregates	430,000	58	—
Huaxin Concrete (Huanggang) Co., LTD	Huanggang	Huanggang	Production and sale of concrete	2,500	—	100
Huaxin Concrete (Macheng) Co., LTD	Macheng	Macheng	Production and sale of concrete	2,500	—	100
Chongqing Huaxin Renewable Resources Utilization Co., LTD	Chongqing	Chongqing	Industrial Solid Waste	1,000	—	100
Huaxin Environmental Engineering (Hefeng) Co., LTD	Hefeng	Hefeng	Environmental design, construction and waste disposal	1,000	—	100
Huaxin New Building Materials (Luonan) Co., LTD	Luonan	Luonan	Production and sale of new materials	5,000	—	55
Changzhou Huaxin Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	6,000	—	100
Huaxin Lightweight Building Aggregate (Changyang) Co., LTD	Changyang	Changyang	Production and sale of construction aggregates	1,600	—	100
Huaxin Cement International Finance Company Limited	Hong Kong	Hong Kong	Investments	USD10,000	—	100
Huaxin New Building Materials (Kunming) Co., LTD	Kunming	Kunming	Production and sale of new materials	5,000	—	100
Huaxin (Hainan) Investment Co., LTD	Haikou	Haikou	Investments	USD250 million	60	40
Yangxin Fuhua Handling Co., LTD	Yangxin	Yangxin	Loading and unloading, warehousing and other services	30,000	—	58
Huaxin Concrete (Shishou) Co., LTD	Shishou	Shishou	Production and sale of concrete	2,500	—	100
Huaxin Concrete Suizhou Co., LTD	Suizhou	Suizhou	Production and sale of concrete	2,500	—	100
Huaxin New Material (Enshi) Co., LTD	Enshi	Enshi	Production and sale of new materials	4,000	—	100
Huaxin Gangcheng Building Materials (Huangshi) Co., LTD	Huangshi	Huangshi	Production and sale of construction aggregates	20,000	—	51

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Property Management Huangshi Co., LTD	Huangshi	Huangshi	Property management services	300 million	100	—
Huaxin Environmental Engineering (Guangdong) Co., LTD	Guangzhou	Guangzhou	Environmental design and construction, waste disposal, etc.	1,000	—	100
Huaxin Phosphogypsum (Wuxue) Co., LTD	Wuxue	Wuxue	Production and sale of new materials	2,000	—	100
Huaxin Chunjin Building Materials (Wuxue) Co., LTD	Wuxue	Wuxue	Manufacture and sale of building materials	5,000	—	32
Huaxin New Building Materials (Wuxue) Co., LTD	Wuxue	Wuxue	Production and sale of new materials	3,000	—	100
Huaxin New Material (Yidu) Co., LTD	Yidu	Yidu	Manufacture and sale of new materials	2,500	—	100
Huaxin Fine Calcium (Xiangyang) Co., LTD	Xiangyang	Xiangyang	Manufacture and sale of building materials	2,700	—	100
Hainan Baihuitong Supply Chain Technology Co., LTD	Haikou	Haikou	Loading and unloading, warehousing and other services	1,000	—	100
Fumin Park New Building Materials Co., LTD	Fumin	Fumin	Production and sale of new materials	1,000	—	100
Huaxin Concrete (zigui) Co., LTD	Zigui	Zigui	Production and sale of concrete	2,500	—	100
Huaxin Concrete (Qianjiang) Co., LTD	Qianjiang	Qianjiang	Production and sale of concrete	2,500	—	100
Nanjing Huaxin Concrete Co., LTD	Nanjing	Nanjing	Production and sale of concrete	5,000	—	100
Yancheng Huaxin Concrete Co., LTD	Yancheng	Yancheng	Production and sale of concrete	3,000	—	100
Huaxin Concrete Xiangyang Co., LTD	Xiangyang	Xiangyang	Production and sale of concrete	2,500	—	100
Huaxin Zhongnan (Wuhan) Environmental Technology Co., LTD	Wuhan	Wuhan	Environmental design, construction and waste disposal	500	—	55
Huaxin Environmental Engineering (Chongqing) Co., LTD	Chongqing	Chongqing	Environmental design, construction and waste disposal	4,100	—	100
Jingjiang Huaxin Concrete Co., LTD	Jingjiang	Jingjiang	Production and sale of concrete	2,500	—	100
Huaxin Fortress New Building Materials (Daye) Co., LTD	Daye	Daye	Production and sale of new materials	3,000	—	100
Huaxin Concrete (Yangxin) Co., LTD	Yangxin	Yangxin	Production and sale of concrete	2,500	—	100
Huaxin Concrete (Daye) Co., LTD	Daye	Daye	Production and sale of concrete	2,500	—	100
Changzhou Huaxin Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	3,000	—	100
Huaxin (Zhuzhou) New Material Technology Co., LTD	Zhuzhou	Zhuzhou	Production and sale of new materials	3,500	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Concrete (Tianmen) Co., LTD	Tianmen	Tianmen	Production and sale of concrete	2,500	—	100
Huaxin New Material (Zigui) Co., LTD	Zigui	Zigui	Production and sale of new materials	1,000	—	100
Huaxin New Building Materials (Hainan) Co., LTD	Wenchang	Wenchang	Production and sale of new materials	4,100	—	100
Zhenjiang Huaxin Jingfa Concrete Co., LTD	Zhenjiang	Zhenjiang	Production and sale of concrete	3,000	—	100
Changzhou Huaxin Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	3,000	—	100
Changzhou Huaxin Concrete Co., LTD	Changzhou	Changzhou	Production and sale of concrete	3,000	—	100
Huaxin Green Building Materials (Wuxue) Co., LTD	Wuxue	Wuxue	Manufacture and sale of building materials	50,000	—	59
Huaxin Environmental Engineering (Hunan) Co., LTD	Changsha	Changsha	Environmental design, construction and waste disposal	1,000	—	100
Huaxin Concrete Xiangyang Xiangcheng District Co., LTD	Xiangyang	Xiangyang	Production and sale of concrete	2,500	—	100
Huaxin New Building Materials (Huangshi) Co., LTD	Huangshi	Huangshi	Production and sale of new materials	5,000	100	—
Huaxin New Building Materials (Honghe) Co., LTD	Honghe	Honghe	Production and sale of new materials	2,500	—	100
Nantong Huaxin Chunfa Concrete Co., LTD	Nantong	Nantong	Production and sale of concrete	3,000	—	100
Taicang Huaxin Xinyang Concrete Co., LTD	Taicang	Taicang	Production and sale of concrete	2,500	—	100
Nantong Taisheng Huaxin Concrete Co., LTD	Nantong	Nantong	Production and sale of concrete	3,000	—	100
Huaxin Concrete (Hanchuan) Co., LTD	Hanchuan	Hanchuan	Production and sale of concrete	2,500	—	100
Huaxin Yawan Concrete Co., LTD	Tajikistan	Tajikistan	Manufacture and sale of building materials	2,000	—	38
Huaxin Kayul (Soght) Cement Co., LTD	Tajikistan	Tajikistan	Manufacture and sale of building materials	TJS 223.04 million	—	36
Huaxin Cement Narayani Co., LTD	Nepal	Nepal	Manufacture and sale of building materials	USD28 million	—	100
Cambodian Chakrey Ting packaging Co., Ltd.	Cambodia	Cambodia	Manufacture and sale of cement bags	USD5 million	—	68
Huaxin Cement Jizak Co., LTD	Uzbekistan	Uzbekistan	Manufacture and sale of building materials	USD30 million	—	100
Cambodia Concrete Chakrey Ting Co., LTD	Cambodia	Cambodia	Production and sale of concrete	USD60	—	68
Huaxin Cambodia Trading Co., LTD	Cambodia	Cambodia	Import and export trade of cement	USD 600,000	—	100
Huaxin Kayul New Building Materials Co., LTD	Tajikistan	Tajikistan	Production and sale of new materials	TJS28 million	—	32

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Cement (Hefeng) National Building Materials Co., LTD	Hefeng	Hefeng	Manufacture and sale of building materials	4,764	51	—
Huaxin Hongta Cement (Jinghong) Co., LTD	Jinghong	Jinghong	Manufacture and sale of building materials	17,961	51	—
Huaxin Cement (Changyang) Co., LTD	Changyang	Changyang	Manufacture and sale of building materials	24,900	100	—
Huaxin Cement (Jingzhou) Co., LTD	Jingzhou	Jingzhou	Manufacture and sale of building materials	8,080	88	12
Huaxin Cement (Fangxian) Co., LTD	Fangxian	Fangxian	Manufacture and sale of building materials	8,000	70	—
Huaxin Cement (Danjiangkou) Co., LTD	Danjiangkou	Danjiangkou	Manufacture and sale of building materials	2,450	—	70
Huaxin Cement (Diqing) Co., LTD	Diqing	Diqing	Manufacture and sale of building materials	9,500	69	—
Huaxin Jinlong Cement (Yunxian) Co., LTD	Yunxian	Yunxian	Manufacture and sale of building materials	8,000	80	—
Huaxin Cement Suizhou Co., LTD	Suizhou	Suizhou	Manufacture and sale of building materials	4,100	60	—
Huaxin Concrete Jingmen Co., LTD	Jingmen	Jingmen	Production and sale of concrete	2,500	—	100
Hainan Huaxin Dacheng Concrete Co., LTD	Haikou	Haikou	Production and sale of concrete	3,000	—	70
Hainan Huaxin Fuli Concrete Co., LTD	Haikou	Haikou	Production and sale of concrete	2,800	—	70
Nanjing Huaxin Pingda Building Material Technology Co., LTD	Nanjing	Nanjing	Production and sale of concrete	3,000	—	100
Huanggang Jiamei New Material Technology Co., LTD	Huanggang	Huanggang	Production and sale of concrete	2,500	—	100
Yangzhou Huaxin Jiangyang Concrete Co., LTD	Yangzhou	Yangzhou	Production and sale of concrete	3,000	—	100
Huaxin Tianbang Concrete (Wuhan Hanyang) Co., LTD	Wuhan	Wuhan	Production and sale of concrete	2,500	—	100
Xishui County Concrete Sheng Building Material Co., LTD	Xishui	Xishui	Manufacture and sale of building materials	2,500	—	100
Suzhou Liangxing Concrete Co., LTD	Suzhou	Suzhou	Production and sale of concrete	3,000	—	100
Huaxin Concrete Xianning Co., LTD	Xianning	Xianning	Production and sale of concrete	4,200	—	100
Zaoyang Huaxin Concrete Co., LTD	Zaoyang	Zaoyang	Production and sale of concrete	2,500	—	84
Huaxin Concrete (Daye) Co., LTD	Daye	Daye	Production and sale of building materials	32,700	70	—
Huaxin Cement (Ezhou) Co., LTD	Ezhou	Ezhou	Manufacture and sale of building materials	5,000	70	—
Hubei Zhushen Building Materials Co., LTD	Wuhan	Wuhan	Production and sale of concrete	2,500	—	84

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Huaxin Concrete (Chongyang) Co., LTD	Xianning	Xianning	Production and sale of concrete	2,588	—	51
Saltec Golden Eagle Cement (Hong Kong) Limited	Hong Kong	Hong Kong	Investments	HKD1	—	65
Huaxin Cement (Enping) Co., LTD	Enping	Enping	Production and sale of building materials	2,800	—	65
Huaxin Concrete Xiangyang Co., LTD	Xiangyang	Xiangyang	Production and sale of concrete	2,500	—	84
Huaxin Environmental Engineering (Shiyan) Co., LTD	Shiyan	Shiyan	Environmental design, construction and waste disposal	5,000	—	100
Huaxin Cement (Fumin) Co., LTD	Fumin	Fumin	Manufacture and sale of building materials	39,000	—	100
Yunnan Huaxin Dongjun Cement Co., LTD	Kunming	Kunming	Manufacture and sale of building materials	26,000	—	100
Huaxin Cement (Lijiang) Co., LTD	Lijiang	Lijiang	Manufacture and sale of building materials	10,000	—	100
Huaxin Cement (Honghe) Co., LTD	Honghe	Honghe	Manufacture and sale of building materials	50,000	—	100
Huaxin Cement (Chuxiong) Co., LTD	Chuxiong	Chuxiong	Manufacture and sale of building materials	3,260	—	100
Yanshan Yuanda Red River Cement Co., LTD	Honghe	Honghe	Manufacture and sale of building materials	300	—	100
Huaxin Cement (Jianchuan) Co., LTD	Jianchuan	Jianchuan	Manufacture and sale of building materials	27,000	—	100
Huaxin Cement (Yunlong) Co., LTD	Yunlong	Yunlong	Manufacture and sale of building materials	30,000	—	100
Huaxin Cement (Lincang) Co., LTD	Lincang	Lincang	Manufacture and sale of building materials	36,090	—	100
Panzhihua Huaxin Cement Co., LTD	Panzhihua	Panzhihua	Manufacture and sale of building materials	1,000	—	100
Kunming Chongde Cement Co., LTD	Kunming	Kunming	Manufacture and sale of building materials	38,200	—	100
Yunnan Huaxin Building Materials Investment Co., LTD	Kunming	Kunming	Investment	305,883	100	—
Kunming Huaxin Logistics Co., LTD	Kunming	Kunming	Loading and unloading, warehousing and other services	1,000	—	100
Yunnan State Capital Cement Kunming Co., LTD	Kunming	Kunming	Manufacture and sale of building materials	13,038	—	100
Chongqing Huaxin Yanjing Cement Co., LTD	Chongqing	Chongqing	Manufacture and sale of building materials	21,000	100	—
Chongqing Huaxin Diwei Cement Co., LTD	Chongqing	Chongqing	Manufacture and sale of building materials	45,268	97	0
Chongqing Huaxin Sentian Cement Co., LTD	Chongqing	Chongqing	Manufacture and sale of building materials	27,000	100	—
Huaxin Guizhou Dingxiu Special Cement Co., LTD	Guizhou	Guizhou	Manufacture and sale of building materials	23,107	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Unit: RMB

Name of significant subsidiaries	Place of principal business	Place of principal registration	Business Nature	Registered capital RMB0'000	Percentage of shareholding (%)	
					Direct	Indirect
Subsidiaries acquired through establishment or investment, etc. <i>(continued)</i>						
Guizhou Shucheng Rui'an Cement Co., LTD	Guizhou	Guizhou	Manufacture and sale of building materials	20,000	—	70
Chongqing Huaxin Logistics Co., LTD	Chongqing	Chongqing	Loading and unloading, warehousing and other services	50	—	98
Chongqing Huaxin Phoenix Lake Concrete Co., LTD	Chongqing	Chongqing	Production and sale of concrete	5,107	100	—
Chongqing Huaxin Tiancheng Concrete Co., LTD	Chongqing	Chongqing	Production and sale of concrete	3,250	100	—
Mauritius Somerset Investment Co., LTD	Mauricio	Mauricio	Investments	177 million USD	100	—
Yunwei Baoshan Organic Chemical Co., LTD	Baoshan	Baoshan	Production and sale of building materials	10,000	—	80
Hainan Xinhongda Building Materials Co., LTD	Haikou	Haikou	Production and sale of new materials	1,500	—	100
Yidu Honghua Xintong Logistics Co., LTD	Yidu	Yidu	Loading and unloading, warehousing and other services	4,500	—	100
Huaxin Concrete (Huangmei) Co., LTD	Huangmei	Huangmei	Production and sale of concrete	2,600	—	100
Hainan Huaxin Ronghui Concrete Co., LTD	Haikou	Haikou	Production and sale of concrete	3,000	—	70
Nantong Tongchang Building Material Co., LTD	Nantong	Nantong	Production and sale of building materials	3,000	—	100
Yueyang County Yonggu Concrete Co., LTD	Yueyang	Yueyang	Production and sale of concrete	3,350	—	100
Yangzhou Huaxin Dingli Concrete Co., LTD	Yangzhou	Yangzhou	Production and sale of concrete	2,500	—	100
Oman Cement Company SAOG	Oman	Oman	Production and sale of building materials	OMR 33,087,271	—	65
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Manufacture and sale of building materials	USD6,000	—	68
Yuzhno-Kyrgyzskiy Cement CJSC	Kyrgyzstan	Kyrgyzstan	Manufacture and sale of building materials	KGS 528 million	—	100
Stone Group LLL	Kyrgyzstan	Kyrgyzstan	Management and staffing services	KGS 1,000	—	100
Power Assets LLL	Kyrgyzstan	Kyrgyzstan	Land and Building Rental Services	KGS 1,000	—	100
Maweni limestone limited	Tanzania	Tanzania	Manufacture and sale of building materials	TZS 1 million	—	100
CHILAN GA Cement PLC	Zambia	Zambia	Manufacture and sale of building materials	ZMW 10,001,995	—	80
Portland Cement (Malawi) Limited	Malawi	Malawi	Manufacture and sale of building materials	MWK 15,786,274	—	100
Natal Portland Cement Company (Pty) Ltd.	South Africa	South Africa	Manufacture and sale of building materials	644 million ZAR	—	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

Basis for holding half or less of the voting rights but still controlling the investee and for holding more than half of the voting rights but not controlling the investee is listed as below.

Note 1: The Group holds 59% of the shares of Huaxin Green Building Materials (Wuxue) Co., Ltd and Huaxin Green Building Materials (Wuxue) Co., Ltd holds 55% of the shares of Huaxin Chunjin Building Materials (Wuxue) Co., Ltd. Therefore, the Group holds 32% of the shares of Huaxin Chunjin Building Materials (Wuxue) Co., Ltd indirectly. The board of directors of Huaxin Chunjin Building Materials (Wuxue) Co., Ltd adopts the simple majority principle in making resolutions. There are three members in the board of directors and the Group has the right to appoint two directors, with 67% of the voting rights. Therefore, the Group has control over Huaxin Chunjin Building Materials (Wuxue) Co., Ltd.

Note 2: The Group holds 100% of the shares of Huaxin (Hong Kong) International Holdings Co.,Ltd and 51% of the shares of Huaxin Hong Kong (Central Asia) Investment Co., Ltd holds 75% of the shares of Huaxin Ya Wan Cement Co., Ltd. Therefore, the Group holds 38% of the shares of Huaxin Ya Wan Cement Co., Ltd indirectly. The board of directors of Huaxin Ya Wan Cement Co., Ltd. adopts the simple majority principle in making resolutions. There are four members in the board of directors and the Group has the right to appoint three directors, with 75% of the voting rights. Therefore, the Group has control over Huaxin Ya Wan Cement Co., Ltd.

Note 3: Huaxin Ya Wan Cement Co., Ltd holds 95% and 85% of the shares of Huaxin Gayur(Sogd) Cement LLC and New Gayur New Building Materials Co., Ltd. 95% and 85% respectively. Therefore, the Group has control over Huaxin Gayur(Sogd) Cement LLC and New Gayur New Building Materials Co., Ltd.

2023

Unit: RMB

	Percentage of non-controlling shareholding	Profit or loss attributable to non-controlling shareholders	Dividend payment to non-controlling shareholders	Accumulated equity attributable to non-controlling shareholders at the end of the year
Huangshi Huaxin Green Building Material Industry Co., Ltd	42%	(8,950,545)	—	674,396,379
Huaxin Green Building Materials (Wuxue) Co., Ltd	41%	139,395,180	—	385,463,620

2022

Unit: RMB

	Percentage of non-controlling shareholding	Profit or loss attributable to non-controlling shareholders	Dividend payment to non-controlling shareholders	Accumulated equity attributable to non-controlling shareholders at the end of the year
Huangshi Huaxin Green Building Material Industry Co.,Ltd	42%	(2,758,896)	—	464,590,633
Huaxin Green Building Materials (Wuxue) Co., Ltd	41%	18,568,440	—	246,068,440

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

The following table sets out the major financial information of the subsidiaries listed above. This information represents amounts before offsetting between enterprises in the Group:

Unit: RMB

	2023		2022	
	Huangshi Huaxin Green Building Material Industry Co., Ltd	Huaxin Green Building Materials (Wuxue) Co., Ltd	Huangshi Huaxin Green Building Material Industry Co., Ltd	Huaxin Green Building Materials (Wuxue) Co., Ltd
Current assets	969,592,535	692,318,934	786,063,431	443,823,978
Non-current assets	9,171,363,401	791,338,852	9,022,213,963	489,399,382
Total assets	<u>10,140,955,936</u>	<u>1,483,657,786</u>	<u>9,808,277,394</u>	<u>933,223,360</u>
Current liabilities	4,357,092,538	477,444,696	1,688,063,057	288,731,653
Non-current liabilities	3,575,821,340	114,100,790	6,424,683,839	81,460,729
Total liabilities	<u>7,932,913,878</u>	<u>591,545,486</u>	<u>8,112,746,896</u>	<u>370,192,382</u>
Revenues	1,184,090,426	1,088,592,223	49,265,313	164,243,481
Net profit/(loss)	(66,238,438)	329,081,323	(6,609,043)	40,530,978
Total comprehensive income/(loss)	<u>(66,238,438)</u>	<u>329,081,323</u>	<u>(6,609,043)</u>	<u>40,530,978</u>
Net cash flows from operating activities	<u>964,601,019</u>	<u>344,566,253</u>	<u>5,341,899</u>	<u>63,397,884</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

VIII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in associates

Unit: RMB

	Place of business	Place of business and registration	Nature of business	Registered capital	Ownership interest (%)		Remarks
					Direct	Indirect	
Associates							
Tibet High-Tech Building Materials Group Co., Ltd	Tibet	Tibet	Manufacture and sale of building materials	272,760,000	43	—	Equity method
Shanghai Wanan Huaxin Cement Co., Ltd	Shanghai	Shanghai	Manufacture and sale of building materials	100,000,000	49	—	Equity method
Zhangjiajie Tianzi Concrete Co., Ltd	Sangzhi	Sangzhi	Production and sale of concrete	10,000,000	30	—	Equity method
Chenfeng Intelligent Equipment Hubei Co., Ltd	Huangshi	Huangshi	Electromechanical equipment manufacturing, repair and installation services	10,000,000	45	—	Equity method
Xinyang Xinxin Mining Co., Ltd	Xinyang	Xinyang	Wholesale of non-metallic minerals and products	200,000,000	30	—	Equity method
Mondi Oman LLC	Oman	Oman	Manufacture of industrial paper bags	OMR1,987,158	30	—	Equity method

The following table presents the summarised financial information for joint ventures and associates that are individually immaterial to the Group:

Unit: RMB

	2023	2022
Joint ventures		
Total carrying value of investments	—	—
Total of the following by percentage of shareholding		
Net profit	—	(2,937,060)
Total comprehensive income	—	(2,937,060)
Associates		
Total carrying value of investments	512,863,351	438,886,647
Total of the following by percentage of shareholding		
Net profit	20,203,670	(12,645,296)
Total comprehensive income	20,203,670	(11,947,207)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

As at 31 December 2023, financial assets at fair value through profit or loss amounted to RMB28,303,595 (31 December 2022: RMB66,778,803), which were mainly included in financial assets held for trading and other non-current financial assets; financial assets at fair value through other comprehensive income amounted to RMB1,710,652,591 (31 December 2022: RMB1,540,099,258), which were mainly included in receivables financing and other equity investments; financial assets at amortised cost amounted to RMB9,901,353,234 (31 December 2022: RMB9,583,984,800), which were mainly included in currency funds and accounts receivable, etc; financial liabilities at fair value through profit or loss amounted to RMB147,690,327 (31 December 2022: RMB148,943,421), which were mainly included in bonds payable; and financial liabilities at amortised cost amounted to RMB31,251,582,380 (31 December 2022: RMB30,187,486,627), which were mainly included in accounts payable, non-current liabilities due within one year, long-term payables and bonds payable.

2. Risks of financial instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

The Board of Directors is responsible for planning and establishing the Group's risk management structure, formulating the Group's risk management policies and related guidelines and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify specific risks and cover a wide range of areas such as market risk, credit risk and liquidity risk management. The Group regularly assesses changes in the market environment and the Group's operations to determine whether to update the risk management policies and systems. The Group's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids relevant risks by working closely with other business units of the Group. The Group's internal audit department conducts regular audits on risk management controls and procedures and reports the results of the audits to the Group's Audit Committee.

The Group diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in any single industry, in a particular geographic region or with a particular counterparty by establishing appropriate risk management policies.

Credit risk

The Group only transacts with accredited, reputable third parties. In accordance with the Group's policy, credit checks are required to be performed on all customers who request to transact on credit. In addition, the Group monitors its accounts receivable balances on an ongoing basis to ensure that the Group is not exposed to significant risk of bad debts. The Group does not provide credit transaction terms for transactions that are not settled in the local currency of account of the relevant operating unit, unless specifically approved by the Group's credit control department.

Cash and bank balances, bank acceptances bills and derivative financial instruments are subject to low credit risk because the counterparties to these instruments are reputable banks with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

2. Risks of financial instruments *(continued)*

Credit risk (continued)

The Group's other financial assets include accounts receivable, other receivables, long-term receivables and debt investments, which are subject to credit risk arising from default of the counterparties, with the maximum exposure equal to the carrying amount of these instruments.

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

No collateral is required as the Group only transacts with recognised and reputable third parties. Credit risk concentrations are managed by customer/counterparty, geographical area and industry. There are no significant concentrations of credit risk within the Group as the customer base of the Group's accounts receivable is widely dispersed across different sectors and industries. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances.

Criteria for judging significant increase in credit risk

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date or not. While determining whether the credit risk has significantly increased since initial recognition or not, the Group's key criteria is days past due over 30 days, or the following indicators of debtors occur significant change: the operating environment, internal and external credit rating and the significant adverse change of actual or predicted operating results.

Definition of credit-impaired assets

The Group's key criterion for determining that credit impairment has occurred is that the number of days past due exceeds 180 days. But in some cases, the Group also considers credit impairment have occurred if internal or external information indicates that full recovery of the contractual amount may not be possible before taking into account any credit enhancements held.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks of financial instruments (continued)

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and other borrowings.

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 needs on committed future capital expenditure.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2023

Unit: RMB

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	652,370,715	—	—	—	652,370,715
Notes payable	935,465,582	—	—	—	935,465,582
Accounts payable	7,827,004,238	—	—	—	7,827,004,238
Other payable	1,004,517,942	—	—	—	1,004,517,942
Long-term borrowings	2,720,233,382	3,666,256,302	4,711,547,307	739,014,684	11,837,051,675
Bonds payable	1,443,658,225	2,726,088,225	1,252,080,000	208,593,996	5,630,420,446
Long-term payables	2,852,736,507	79,676,330	269,150,209	20,314,688	3,221,877,734
Lease liabilities	320,890,619	305,393,972	725,904,068	502,331,981	1,854,520,640
Total	<u>17,756,877,210</u>	<u>6,777,414,829</u>	<u>6,958,681,584</u>	<u>1,470,255,349</u>	<u>32,963,228,972</u>

31 December 2022

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks of financial instruments (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group mitigates the risk by monitoring closely the movements in interest rates, reviewing its banking facilities regularly and using of financial derivatives such as interest rate swaps flexibly.

As the end of December 2023, the Group's RMB long-term borrowings with floating interest rate amounted to RMB8,809,807,778, the USD long-term borrowings with floating interest rate amounted to RMB890,087,716, the MZN long-term borrowings with floating interest rate amounted to RMB210,501,265, and the ZAR long-term borrowings with floating interest rate amounted to RMB50,535,703.

The following table presents a sensitivity analysis of the interest rate risk on RMB long-term borrowings, reflecting the effect that a reasonable and probable change in interest rates would have on net profit or loss (through the impact on floating-rate borrowings) and on other comprehensive income, net of tax, under the assumption that all other variables are held constant.

31 December 2023

Unit: RMB

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	100	(88,098,078)	—	(88,098,078)
RMB	(100)	88,098,078	—	88,098,078

31 December 2022

Unit: RMB

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB	100	(71,570,650)	—	(71,570,650)
RMB	(100)	71,570,650	—	71,570,650

Currency risk

The Group has currency exposures arising from sales or purchases by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its foreign currency borrowings.

The table below demonstrates the sensitivity analysis of foreign exchange risk. It presents when all the other variables held constant and the below exchange rate changes are reasonable and possible, the impact on net profit or loss and net other comprehensive income after tax.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

2. Risks of financial instruments *(continued)*

Market risk (continued)

Currency risk (continued)

31 December 2023

Unit: RMB

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
TZS depreciated against USD	5	(62,103,250)	—	(62,103,250)
TZS appreciated against USD	(5)	62,103,250	—	62,103,250
NPR depreciated against USD	5	(58,469,752)	—	(58,469,752)
NPR appreciated against USD	(5)	58,469,752	—	58,469,752
RMB depreciated against USD	5	44,113,748	588,363	44,702,111
RMB appreciated against USD	(5)	(44,113,748)	(588,363)	(44,702,111)

31 December 2022

Unit: RMB

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other net comprehensive income after tax	Increase/ (decrease) in total shareholders' equity
RMB depreciated against USD	5	(1,361,485)	(3,361,152)	(4,722,637)
RMB appreciated against USD	(5)	1,361,485	3,361,152	4,722,637

3. Capital management

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Capital management (continued)

The Group controls its capital using an asset-liability 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:

Unit: RMB

	31 December 2023	31 December 2022
Total liabilities	35,505,385,821	33,403,495,804
Total assets	68,800,268,263	64,241,676,265
Asset-liability ratio	52%	52%

4. Transfer of financial assets

Unit: RMB

Transfer approaches	Nature of transferred financial assets	Amount of transferred financial assets	Status of derecognition	Basis for determining derecognition
Endorsed/Discounted Bills	Notes receivable	469,469,687	Not derecognised	Retained substantially all the risks and rewards
Endorsed/Discounted Bills	Receivables financing	5,539,410,830	Derecognised	Transferred substantially all the risks and rewards
Factoring arrangement	Accounts receivable	177,387,129	Derecognised	Transferred substantially all the risks and rewards
Total		<u>6,186,267,646</u>		

As 31 December 2023, the financial assets derecognised as a result of the transfer are as follows:

Unit: RMB

Transfer approaches	Nature of transferred financial assets	Amount of financial assets derecognised	Losses related to derecognition
Notes receivable	Endorsed/Discounted Bills	5,539,410,830	—
Accounts receivable	Factoring arrangement	177,387,129	2,542,762
Total		<u>5,716,797,959</u>	<u>2,542,762</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Transfer of financial assets *(continued)*

At 31 December 2023, the transferred financial assets that continue to be involved are as follows:

Unit: RMB

		Amount of assets created by continuing involvement	Amount of liability arising from continuing involvement
	Asset transfer modalities		
Notes receivable	Endorsed bills	469,469,687	469,469,687
Total		<u>469,469,687</u>	<u>469,469,687</u>

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks with a carrying amount of RMB469,469,687 (31 December 2022: RMB479,119,683) to certain of its suppliers in order to settle the accounts payable due to such suppliers. In the opinion of the Group, the Group has retained substantially all the risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated accounts payable settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the accounts payable settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB469,469,687 (31 December 2022: RMB479,119,683).

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks to certain of its suppliers in order to settle the accounts payable due to such suppliers with a carrying amount in aggregate of RMB5,539,410,830 (31 December 2022: RMB4,434,444,403). The Derecognised Bills had a maturity of 1 to 12 months at 31 December 2023. In accordance with the Law of Negotiable Instruments, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons, including the Group, liable for the Derecognised Bills regardless of the order of precedence (the "Continuing Involvement"). In the opinion of the Group, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Group, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Transfer of financial assets *(continued)*

As part of its normal business, the Group entered into an accounts receivable factoring arrangement (the “Arrangement”) with some supply chain financial platforms and transferred certain accounts receivable to the Group’s creditors in the supply chain platforms or discounted the accounts receivable to a bank. The Group is not exposed to the risk of default of the debtors of the receivables after the transfer. Subsequent to the transfer or discount, the Group did not retain any rights on the use of the accounts receivable, including the sale, transfer or pledge of the accounts receivable to any other third parties. The carrying value of the receivables transferred under the arrangement amounted to RMB60,574,547 (31 December, 2022: Nil). The carrying value of the receivables discounted under the arrangement amounted to RMB116,812,582 (31 December, 2022: Nil).

During the year ended 31 December 2023, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

X. FAIR VALUE DISCLOSURES

1. Assets and liabilities measured at fair value

31 December, 2023

Unit: RMB

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurements				
Financial assets at fair value through profit or loss	28,303,595	—	—	28,303,595
1. Financial assets held for trading	1,495,675	—	—	1,495,675
2. Other non-current financial assets	26,807,920	—	—	26,807,920
Receivables financing	—	746,018,692	—	746,018,692
Other equity investments	—	—	964,633,899	964,633,899
Total	28,303,595	746,018,692	964,633,899	1,738,956,186

Unit: RMB

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurements				
Bonds payable — preferred shares	—	—	147,690,327	147,690,327
Total	—	—	147,690,327	147,690,327

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

X. FAIR VALUE DISCLOSURES *(continued)*

1. Assets and liabilities measured at fair value *(continued)*

31 December 2022

Unit: RMB

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurements				
Financial assets at fair value through profit or loss	25,067,265	41,711,538	—	66,778,803
1. Financial assets held for trading	—	41,711,538	—	41,711,538
2. Other non-current financial assets	25,067,265	—	—	25,067,265
Receivables financing	—	527,248,935	—	527,248,935
Other equity investments	—	—	1,012,850,323	1,012,850,323
Total	25,067,265	568,960,473	1,012,850,323	1,606,878,061

Unit: RMB

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurements				
Bonds payable — preferred shares	—	—	148,943,421	148,943,421
Total	—	—	148,943,421	148,943,421

2. Quoted prices in active markets (Level 1)

The fair values of listed equity investments are based on quoted market prices.

3. Level 2 fair value measurements

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values. At 31 December 2023, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedging relationship and other financial instruments recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

X. FAIR VALUE DISCLOSURES *(continued)*

4. Level 3 fair value measurements

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The Group's financial assets that have adopted Level 3 fair value measurements include equity investment in non-listed company 1 and equity investment in non-listed company 2. The valuation methodology adopted by the Group for equity investment in non-listed company 1 is the comparable company method, and the key parameters mainly include the liquidity discount, and the changes in the parameters of equity investment in non-listed company 1 have less impact on the Group due to the small overall balance of the item; when assessing the fair value of equity investment in non-listed company 2, the Group split the investee company into significant assets or asset groups for fair value assessment, and adopted valuation methods including the asset-based method and the market method and the income method. In assessing the fair value of equity investment in non-listed company 2, the Group split the investee company into significant assets or groups of assets for fair value assessment, and the valuation methods adopted included asset base method, market method and income method, and the Group was required to make an estimation of the key parameters used in the valuation process.

Among the financial assets, the fair value of the investee company's mining rights and long-term equity investments held by the investee company had a significant impact on the Group. The valuation methodology and significant unobservable inputs during the valuation process mainly included: 1) When evaluating the investee company's mining rights, the valuation methodology was the discounted cash flow method, and the key unobservable inputs were the weighted average cost of capital and gross profit margin; 2) When evaluating the investee company's long-term equity investments held by the investee company, the valuation method is the market capitalization method and the comparable company method, and the main unobservable input is the liquidity discount.

The following is a sensitivity analysis of significant unobservable inputs for equity investment in non-listed company 2:

1) *Weighted average cost of capital used in the valuation of mineral rights*

A 1% increase in the weighted average cost of capital used for the valuation of mineral rights while other parameters remain unchanged would result in a decrease in the balance of the equity investment in non-listed company 2 by RMB4,528,891 at 31 December 2023. A 1% decrease in the weighted average cost of capital while other parameters remain unchanged would result in an increase in the balance of the equity investment in non-listed company 2 by RMB4,892,304 at 31 December 2023.

2) *Gross profit margin used for the valuation of mineral rights*

An increase/decrease of 1% in the gross profit margin adopted for the valuation of mineral rights while other parameters remain unchanged would result in an increase/decrease of RMB1,212,881 in the balance of the equity investment in non-listed company 2 at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

X. FAIR VALUE DISCLOSURES (continued)

4. Level 3 fair value measurements (continued)

3) Liquidity discount

A 1% increase/decrease of the liquidity discount while other parameters remain unchanged would result in a decrease/increase in the balance of the equity investment in non-listed company 2 by RMB1,581,557 at 31 December 2023.

The Group's financial liabilities that are measured at fair value by adopting Level 3 include bonds payable-preferred shares. The Group's valuation method for bonds payable-preferred shares is the discounted cash flow method, and the key parameters include the discount rate of the bonds and the volatility of the share price, etc. Due to the balance is insignificant, the changes in its parameters have an insignificant impact on the Group.

5. Reconciliation of fair value measurements

Reconciliation information for ongoing Level 3 fair value measurements is presented below:

2023

Unit: RMB

	Total gains or losses					Closing balance	Changes in unrealised gains or losses included in profit or loss for assets held at end of year
	Opening balance	Included in profit or loss	Included in other comprehensive income	Purchases	Settlements		
Equity investments	1,012,850,323	—	(48,216,424)	—	—	964,633,899	—
Bonds payable — preference shares	148,943,421	(1,253,094)	—	—	—	147,690,327	—

2022

Unit: RMB

	Total gains or losses					Closing balance	Changes in unrealised gains or losses included in profit or loss for assets held at end of year
	Opening balance	Included in profit or loss	Included in other comprehensive income	Purchases	Settlements		
Equity investments	55,867,066	—	(43,016,743)	1,000,000,000	—	1,012,850,323	—
Bonds payable — preference shares	128,126,596	20,816,825	—	—	—	148,943,421	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XI. RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS

1. Major shareholders of the Company

Unit: RMB

	Registered office	Nature of business	Registered capital	To the Company Shareholding ratio (%)	To the Company Proportion of voting rights (%)
Holchin B.V.	Amsterdam, Netherlands	Establishment of companies and other enterprises; acquisition, management, supervision and transfer of shares and other interests in legal persons, companies and enterprises	EUR100,000	40.19	41.81
Huaxin Group Limited	Huangshi City, Hubei Province	Manufacture and sale of cement products, machinery parts, real estate development, commerce, services, etc.	RMB340,000,000	16.26	16.26

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 1.62% of equity in the Company. Therefore, Holchin B.V. maintains 41.81% of voting rights in the Company.

2. Subsidiaries

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

3. Associates

See note VIII.2 for details of the Company's associates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XI. RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS *(continued)*

4. Other related parties

	Related Party Relationships
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.
LafargeHolcim España S.A.U.	Controlled by Holcim Ltd.
Holcim Group Services	Controlled by Holcim Ltd.
Shigatse High-Tech Environmental Engineering Co.,Ltd.	Subsidiary of the Group's associate
Dujiangyan Lafarge Cement Co., Ltd.	Controlled by Holcim Ltd.
Lafarge (Beijing) Building Materials Technical Service Co., Ltd	Controlled by Holcim Ltd.
Chenfeng Intelligent Equipment Hubei Co., Ltd. (Note 1)	Associate of the Group
Shanghai Wan'an Huaxin Cement Co., Ltd.	Associate of the Group
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Subsidiary of the Group's associate
Huangshi State-owned Assets Management Co., Ltd.	Parent company of Huaxin Group Co., Ltd.

Note 1: Chenfeng Intelligent Equipment Hubei Co., Ltd. was disposed by the Group on 21 June 2023, but was an associate of the Group before 21 June, 2023.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XI. RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS *(continued)*

5. Major transactions of the Group with related parties

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

Purchases of goods and receipts of services from related parties

Unit: RMB

	Nature of transaction	2023	2022
Huaxin Group Co., Ltd.	Comprehensive service fees	—	6,226,415
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Procurement of materials	—	1,415,929
LafargeHolcim España S.A.U.	Acceptance of IT services	—	883,004
Dujiangyan Lafarge Cement Co., Ltd.	Procurement of materials	—	584,071
Total		<u>—</u>	<u>9,109,419</u>

Sales of goods and services to related parties

Unit: RMB

	Nature of transaction	2023	2022
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of spare parts	18,671,150	12,415,828
Dujiangyan Lafarge Cement Co., Ltd.	Sales of spare parts/ commodities	8,201,248	5,434,564
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Service fees, etc.	2,791,155	2,185,631
Huaxin Group Co., Ltd.	IT services, etc.	47,170	124,060
Total		<u>29,710,723</u>	<u>20,160,083</u>

The Group's purchases/sales of goods and receipt/provision of services from/to related parties are based on negotiated market prices and executed in accordance with the terms of the agreements entered into between the Group and the related parties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XI. RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS *(continued)*

5. Major transactions of the Group with related parties *(continued)*

(2) Status of equity investments

		Unit: RMB	
Related party	Related party transactions	2023	2022
Huangshi State-owned Assets Management Co., Ltd	Equity investments	—	1,000,000,000

6. Amounts due from/to relate parties

(1) Accounts receivable

		Unit: RMB	
		31 December 2023	31 December 2022
Dujiangyan Lafarge Cement Co., LTD		1,781,821	2,042,752
Shanghai Wan'an Huaxin Cement Co., LTD		1,000,000	1,000,000
Tibet Rikaze Hi-Tech Xuelian Cement Co., LTD		72,498	3,869,118
Lafarge Cement Zimbabwe Limited		27,445	28,039
Rikaze High-Tech Environmental Engineering Co., LTD		88	—
Total		2,881,852	6,939,909

(2) Accounts payable

		Unit: RMB	
		31 December 2023	31 December 2022
Hima Cement Ltd.		2,677,568	2,741,556
Bamburi Cement Limited		553,377	565,355
Holcim Group Services		493,088	460,052
LAFARGE SA		433,579	426,380
Chenfeng Intelligent Equipment Hubei Co., LTD		—	160,000
LafargeHolcim España S.A.U.		—	155,202
Holcim Trading Ltd.		23,974	24,493
Holcim Technology Ltd.		701	716
Lafarge Industries South Africa (Pty) Ltd.		597	666
Total		4,182,884	4,534,420

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XI. RELATED PARTY RELATIONSHIPS AND THEIR TRANSACTIONS *(continued)*

6. Amounts due from/to relate parties *(continued)*

(3) Other accounts payable

Unit: RMB

	31 December 2023	31 December 2022
Tibet Rikaze Hi-Tech Xuelian Cement Co., LTD	531,955	10,534,132
Lafarge Asia SDN BHD	409,394	409,394
Lafarge (Beijing) Building Materials Technical Services Co., LTD	—	18,248
Huaxin Group Co., LTD	—	7,491
Total	941,349	10,969,265

XII. SHARE-BASED PAYMENT

1. Employee Stock Ownership Plan 2020–2022

On 25 September 2020, the Group's general meeting approved the Company's 2020–2022 Core Employee Stock Ownership Plan (Draft)(the "2022 Employee Stock Ownership Plan"). The plan will grant zero-priced restricted stocks to the board of directors, supervisors, and senior management. 2022 Employee 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, 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. On 9 June 2023, the board of directors approved the Granting Results of the Company's 2020–2022 Core Employee Stock Ownership Plan. The result was that 2,723,597 shares of Plan A are unvested, and the final amount of granted shares was 3,435,155. 14,880,609 shares of Plan B are unvested, and the final amount of granted shares was Nil.

The results of the Company's comprehensive performance assessment for the year 2022 were lower than the threshold value, result in the Company's performance assessment coefficient for the year 2022 was 0%, and all the 1,728,304 shares of the third phase of the 2020–2022 Employee Stock Ownership Plan A-0 Plan could not be attributed. The results of the assessment of the Milestone Performance Objectives for the 2020–2022 assessment period were lower than the threshold value, result in the assessment coefficient was determined to be 0%, and all the 14,880,609 shares of the 2020–2022 Employee Stock Ownership Plan B could not be attributed. 5,485 shares of the 2020–2022 Employee Stock Ownership Plan could not be attributed due to employee resignation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XII. SHARE-BASED PAYMENT (continued)

2. Employee Stock Ownership Plan 2023–2025

On 20 July 2023, the Group's general meeting approved the Company's 2023–2025 Core Employee Stock Ownership Plan (Draft)(the "2023 Employee Stock Ownership Plan"). The plan will grant zero-priced restricted stocks to the board of directors, supervisors, and senior management. The restricted shares granted under the Plan are subject to lock-up period. The planned shares acquired under the plan will be unlocked in three phases (meeting the performance conditions), with the unlocking points being 12, 24 and 36 months respectively from the date of the Company's announcement of the last transfer of the underlying shares to the name of the account of the current shareholding plan, The percentage of unlocking for each phase will be 30%, 30% and 40% of the shares attributable to the shareholding, respectively.

The equity instruments granted are listed below:

			Unit: RMB
	Granted during the year	Unlocked during the year	Lapsed during the year
Management staff	2,408,632	2,163,683	14,068,554
Sales staff	316,465	312,634	1,836,292
Research staff	137,279	45,367	283,330
Production staff	55,200	75,472	420,737
Total	<u>2,917,577</u>	<u>2,597,156</u>	<u>16,608,913</u>

As at 31 December 2023, the equity instruments granted are listed below:

	Unit: RMB
	Quantities
Management staff	3,101,449
Sales staff	416,393
Research staff	153,262
Production staff	84,472
Total	<u>3,755,576</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XII. SHARE-BASED PAYMENT *(continued)*

2. Employee Stock Ownership Plan 2023–2025 *(continued)*

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

	2023
Method of determining the fair value of equity instruments at the grant date	Market closing price on grant date
Basis for determining the number of equity instruments for which options are exercisable	The basis is determined by the number of shares held by granted to staff who meet the annual evaluation of the Company's financial performance indicators and individual performance indicators
The cumulative amounts of equity-settled share-based payments recognised into capital reserves	31,980,699

Share-based payment expenses incurred during the year are as follows:

	Unit: RMB
	Equity-settled share-based payment expense
Management staff	25,308,906
Sales staff	3,435,530
Research staff	855,620
Production staff	781,110
Total	<u>30,381,166</u>

XIII. COMMITMENTS AND CONTINGENCIES

1. Commitments

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognised in the financial statements		
Capital commitments	<u>2,146,285,645</u>	<u>2,696,890,622</u>
Total	<u>2,146,285,645</u>	<u>2,696,890,622</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XIII. COMMITMENTS AND CONTINGENCIES *(continued)*

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) 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 RMB64,766,956.91. and require the Company to bear the cost of such loss. The Group has raised jurisdictional objections to the case, applying for recusal of presiding judge but denied on 14 September 2023 and has been waiting for verdict, 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.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

According to the resolution of the Board of Directors on 28 March 2024, the Board of Directors proposes to distribute cash dividends of RMB0.53 per share (including tax) to all shareholders based on the total share capital of the Company of 2,078,995,649 shares at the end of 2023, after deducting the number of shares in the special securities account of the Company repurchased on the share registry date at the time of the implementation of the annual equity distribution in 2023, and the balance will be transferred to the undistributed profit. The above proposal is subject to approval by the General Meeting of Shareholders.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XV. OTHER SIGNIFICANT MATTERS

1. Remuneration for key management personnel

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

	Unit: RMB	
	2023	2022
Fees	3,223,355	3,215,400
Salaries and bonus	13,448,714	12,661,260
Social security contributions and housing funds	1,272,642	1,209,412
Share-based payments	2,799,662	(9,101,250)
Total	<u>20,744,373</u>	<u>7,984,822</u>

(1) Independent non-executive directors

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

	Unit: RMB	
	2023	2022
Independent non-executive directors		
Mr. Wong Kun Kau	360,000	360,000
Mr. Zhang Jiping	360,000	360,000
Mr. Jiang Hong	360,000	360,000
Total	<u>1,080,000</u>	<u>1,080,000</u>

No other remuneration was payable to independent non-executive directors for the year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XV. OTHER SIGNIFICANT MATTERS (continued)

1. Remuneration for key management personnel (continued)

(2) Executive directors

2023

Unit: RMB

	Fees	Salaries and bonus	Social security contributions and housing funds	Share-based Payments	Total
Executive directors					
Mr. Li Yeqing	—	4,941,820	326,636	1,314,116	6,582,572
Mr. Liu Fengshan	—	2,262,860	203,979	609,476	3,076,315
Total	—	7,204,680	530,615	1,923,592	9,658,887

2022

Unit: RMB

	Fees	Salaries and bonus	Social security contributions and housing funds	Share-based Payments	Total
Executive directors					
Mr. Li Yeqing	—	4,905,120	317,143	(7,353,767)	(2,131,504)
Mr. Liu Fengshan	—	2,263,720	194,540	(776,904)	1,681,356
Total	—	7,168,840	511,683	(8,130,671)	(450,148)

(3) Non-executive directors

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

Unit: RMB

	2023	2022
Non-executive directors		
Mr. Xu Yongmo	1,500,000	1,500,000
Ms. Géraldine Picaud	—	203,400
Mr. Martin Kriegner	211,355	—
Ms. Tan Then Hwee	216,000	216,000
Mr. Chi Kong Lo	216,000	216,000
Total	2,143,355	2,135,400

No other remuneration was payable to non-executive directors for the year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XV. OTHER SIGNIFICANT MATTERS (continued)

1. Remuneration for key management personnel (continued)

(4) Supervisors

2023

Unit: RMB

	Fees	Salaries and bonus	Social security contributions and housing funds	Share-based Payments	Total
Mr. Yang Xiaobing	—	455,933	117,505	49,919	623,357
Mr. Liu Weisheng	—	753,490	130,105	84,691	968,286
Mr. Zhang Lin	—	1,305,280	156,536	287,019	1,748,835
Mr. Zhu Yaping	—	1,617,131	141,095	221,875	1,980,101
Mr. Ming Jinhua	—	2,112,200	196,786	232,566	2,541,552
Total	—	6,244,034	742,027	876,070	7,862,131

2022

Unit: RMB

	Fees	Salaries and bonus	Social security contributions and housing funds	Share-based Payments	Total
Mr. Yang Xiaobing	—	437,018	111,402	(94,694)	453,726
Mr. Liu Weisheng	—	742,267	121,094	(199,511)	663,850
Mr. Zhang Lin	—	1,306,582	147,043	(831,386)	622,239
Mr. Zhu Yaping	—	895,523	130,512	(58,998)	967,037
Mr. Ming Jinhua	—	2,112,030	187,678	214,010	2,512,718
Total	—	5,492,420	697,729	(970,579)	5,129,570

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XV. OTHER SIGNIFICANT MATTERS *(continued)*

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

(5) Five highest paid employees

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

	Unit: RMB	
	2023	2022
Salaries and bonus	14,264,781	11,276,669
Social security contributions and housing funds	1,152,665	961,595
Share-based payments	3,829,999	(1,633,400)
Total	<u>19,247,445</u>	<u>10,628,864</u>

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

	Unit: RMB	
Remuneration amount of employees	2023	2022
Less than HKD2,500,000 (RMB2,147,000)	—	3
HKD2,500,001–3,000,000 (RMB2,147,000–2,576,000)	—	1
HKD3,000,001–6,000,000 (RMB2,576,000–5,153,000)	5	1
Total	<u>5</u>	<u>5</u>

2. Segment reporting

Determination basis and accounting policies of reporting segments.

For management purposes, the Group is organised into business units based on their geographical locations and has 2 reportable geography operating segments as follows:

The Domestic segment is mainly engaged in business activities in China, including the production and sale of cement, concrete, aggregates, clinker and other construction materials.

The Overseas segment is mainly engaged in business activities outside China, including the production and sale of cement, concrete, aggregates, clinker and other construction materials.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is measured consistent with the Group's total profit from continuing operations.

Segment assets exclude deferred tax assets, and segment liabilities exclude deferred tax liabilities

The intersegment transactions are transacted with reference to the prices used for transactions made to third parties at the then prevailing market price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XV. OTHER SIGNIFICANT MATTERS (continued)

2. Segment reporting (continued)

Unit: RMB

	Domestic segment	Oversea segment	Unallocated amounts	Elimination between segments	Total
Segment revenue	29,045,372,829	5,438,705,810	—	(726,991,367)	33,757,087,272
Sales between segments	726,991,367	—	—	(726,991,367)	—
Sales to external customers	28,318,381,462	5,438,705,810	—	—	33,757,087,272
Segment costs	22,212,911,598	3,125,054,576	—	(596,551,447)	24,741,414,727
Costs between segments	596,551,447	—	—	(596,551,447)	—
Costs to external customers	21,616,360,151	3,125,054,576	—	—	24,741,414,727
Investment income from investments in joint ventures and associates	17,135,630	4,172,918	—	—	21,308,548
Impairment losses of assets	104,829,302	33,099,453	—	—	137,928,755
Impairment of credit losses	49,809,980	18,130,935	—	—	67,940,915
Profit before income taxes	3,073,578,214	1,310,465,729	—	(57,796,806)	4,326,247,137
Income tax expenses	801,041,283	307,107,752	—	—	1,108,149,035
Profit	2,272,536,931	1,003,357,977	—	(57,796,806)	3,218,098,102
Total assets	63,346,119,801	13,062,307,371	554,133,589	(8,162,292,498)	68,800,268,263
Total liabilities	32,558,643,656	4,552,390,164	1,123,626,046	(2,729,274,045)	35,505,385,821
Total non-current asset	42,674,135,174	9,272,493,212	—	—	51,946,628,386
Depreciation and amortisation	3,172,073,666	624,182,754	—	—	3,796,256,420
Long-term equity investments in joint ventures and associates	484,074,520	28,788,831	—	—	512,863,351
Increase in other non-current assets other than long-term equity investments	3,483,955,519	4,093,958,729	—	—	7,577,914,248

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

YEAR ENDED 31 DECEMBER 2023

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

1. Accounts receivable

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

The ageing analysis of accounts receivable is as follows:

Unit: RMB

	31 December 2023	31 December 2022
Within 6 months	556,552,284	964,564,999
6 to 12 months	29,539,921	56,587,366
1 to 2 years	143,081,009	25,160,286
2 to 3 years	15,153,278	25,093,264
Over 3 years	34,220,010	17,372,129
	778,546,502	1,088,778,044
Less: Impairment allowance	18,174,514	24,608,187
Total	760,371,988	1,064,169,857

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

Unit: RMB

	Opening balance	Provision for the year	Reversal for the year	Write-off for the year	Closing balance
2023	24,608,187	156,502	(6,583,217)	(6,958)	18,174,514
Total	24,608,187	156,502	(6,583,217)	(6,958)	18,174,514

Unit: RMB

	Opening balance	Provision for the year	Reversal for the year	Write-off for the year	Closing balance
2022	22,989,785	4,348,403	(1,580,000)	(1,150,001)	24,608,187
Total	22,989,785	4,348,403	(1,580,000)	(1,150,001)	24,608,187

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

1. Accounts receivable (continued)

Unit: RMB

	31 December 2023				Carrying value
	Balance of carrying amount	Proportion	Provision for bad debts	Percentage of	
	Amount	(%)	Amount	(%)	
Receivables for which bad debt provision is assessed on an individual basis	765,271,322	98	17,206,395	2	748,064,927
Receivables for which bad debt provision is assessed on a portfolio basis	13,275,180	2	968,119	7	12,307,061
Total	778,546,502		18,174,514		760,371,988

Unit: RMB

	31 December 2022				Carrying value
	Balance of carrying amount	Proportion	Provision for bad debts	Percentage of	
	Amount	(%)	Amount	(%)	
Receivables for which bad debt provision is assessed on an individual basis	1,046,982,098	96	17,378,874	2	1,029,603,224
Receivables for which bad debt provision is assessed on a portfolio basis	41,795,946	4	7,229,313	17	34,566,633
Total	1,088,778,044		24,608,187		1,064,169,857

As at 31 December 2023, receivables for which bad debt provision is assessed on an individual basis are as follows:

Unit: RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss ratio (%)	Reasons for provision
	Customer B	11,322,334	11,322,334	100
Others	753,948,988	5,884,061	1	Partly uncollectible
Total	765,271,322	17,206,395		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

1. Accounts receivable (continued)

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

Unit: RMB

	Balance of carrying amount	Provision for bad debts	Expected credit loss ratio (%)	Reasons for provision
Customer B	11,133,541	11,133,541	100	All uncollectible
Others	<u>1,035,848,557</u>	<u>6,245,333</u>	1	Partly uncollectible
Total	<u><u>1,046,982,098</u></u>	<u><u>17,378,874</u></u>		

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

Category of cement receivables:

Unit: RMB

	31 December 2023		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	—	—	—
6 to 12 months	—	—	—
1 to 2 years	—	—	—
2 to 3 years	5,911	67	3,961
Over 3 years	—	—	—
Total	<u><u>5,911</u></u>		<u><u>3,961</u></u>

Unit: RMB

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

1. Accounts receivable (continued)

Category of other business receivables:

Unit: RMB

	31 December 2023		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	431,976	2	8,640
6 to 12 months	9,943,308	5	497,165
1 to 2 years	2,389,096	12	286,691
2 to 3 years	504,888	34	171,662
Over 3 years	—	—	—
Total	13,269,268		964,158

Unit: RMB

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 6 months	1,811,021	—	7,644
6 to 12 months	389,296	1	3,893
1 to 2 years	—	—	—
2 to 3 years	1,262,152	3	39,127
Over 3 years	408,022	10	41,210
Total	3,870,491		91,874

The top 5 of the balances of accounts receivable grouped on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

1. Accounts receivable (continued)

As at 31 December 2023, the top 5 of the balances of accounts receivable were as follows:

Unit: RMB

	31 December 2023			
	Balance at end of year	Percentage of total accounts receivable (%)	Provision for bad debts	Net value
First	135,390,710	17	—	135,390,710
Second	42,093,188	5	—	42,093,188
Third	39,127,666	5	—	39,127,666
Fourth	37,010,476	5	—	37,010,476
Fifth	33,561,845	4	—	33,561,845
Total	<u>287,183,885</u>		<u>—</u>	<u>287,183,885</u>

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

Unit: RMB

	31 December 2022			
	Balance at end of year	Percentage of total accounts receivable (%)	Provision for bad debts	Net value
First	191,080,999	18	—	191,080,999
Second	105,210,189	10	—	105,210,189
Third	81,183,102	7	—	81,183,102
Fourth	55,316,837	5	—	55,316,837
Fifth	50,828,400	5	—	50,828,400
Total	<u>483,619,527</u>		<u>—</u>	<u>483,619,527</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

2. Other receivables

Unit: RMB

	31 December 2023	31 December 2022
Interest receivables	170	—
Dividends receivable	361,526,876	—
Other receivables	<u>6,600,237,713</u>	<u>4,853,948,075</u>
Total	<u><u>6,961,764,759</u></u>	<u><u>4,853,948,075</u></u>

An ageing analysis of other receivables is as follows:

Unit: RMB

	31 December 2023	31 December 2022
Within 1 year	3,078,123,834	1,660,386,549
1 to 2 years	912,848,873	707,202,560
2 to 3 years	545,436,437	976,056,381
Over 3 years	<u>2,110,633,024</u>	<u>1,557,389,880</u>
Less: Impairment allowance	<u>46,804,455</u>	<u>47,087,295</u>
Total	<u><u>6,600,237,713</u></u>	<u><u>4,853,948,075</u></u>

Other receivables are classified by nature as follows:

Unit: RMB

	31 December 2023	31 December 2022
Amounts due from subsidiaries and related parties	6,583,437,295	4,839,400,820
Guarantees, deposits and holdings	55,176,211	45,095,662
Others	<u>8,428,662</u>	<u>16,538,888</u>
Total	<u><u>6,647,042,168</u></u>	<u><u>4,901,035,370</u></u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

2. Other receivables (continued)

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

Unit: RMB

	31 December 2023	31 December 2022
Opening balance	47,087,295	46,953,616
Accrual	461,612	144,738
Reversal	(744,452)	(11,059)
Closing balance	<u>46,804,455</u>	<u>47,087,295</u>

As at 31 December 2023, the top 5 of the balances of other receivables were as follows:

Unit: RMB

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
First	1,406,062,605	21	Amounts due from subsidiaries	Within 1 year	—
Second	853,775,585	13	Amounts due from subsidiaries	Within 1 year \ 1-2 years \ 2-3 years \ Over 3 years	—
Third	555,953,758	8	Amounts due from subsidiaries	Within 1 year \ 1-2 years \ 2-3 years \ Over 3 years	—
Fourth	493,514,228	7	Amounts due from subsidiaries	Within 1 year \ 1-2 years \ 2-3 years \ Over 3 years	—
Fifth	419,838,243	6	Amounts due from subsidiaries	Within 1 year \ 1-2 years \ 2-3 years \ Over 3 years	—
Total	<u>3,729,144,419</u>	<u>55</u>			<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

2. Other receivables (continued)

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

Unit: RMB

	Closing balance	Proportion in total balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
First	743,451,371	15	Amounts due from subsidiaries	Within 1 year 、 1-2 years 、 2-3 years 、 Over 3 years	—
Second	457,020,571	9	Amounts due from subsidiaries	Within 1 year 、 1-2 years 、 2-3 years 、 Over 3 years	—
Third	451,544,717	9	Amounts due from subsidiaries	Within 1 year 、 1-2 years 、 2-3 years 、 Over 3 years	—
Fourth	309,082,898	6	Amounts due from subsidiaries	2-3 years 、 Over 3 years	—
Fifth	269,261,203	5	Amounts due from subsidiaries	Within 1 year	—
Total	<u>2,230,360,760</u>	<u>44</u>			<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

3. Long-term equity investments

Cost method:

Unit: RMB

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of shareholding (%)	Percentage of voting right	Cash dividends for the year
Huaxin Equipment Engineering Co., Ltd.	190,000,000	190,000,000	—	190,000,000	—	100%	100%	—
Huaxin Cement (Yueyang) Co., Ltd.	59,500,000	55,500,000	4,000,000	59,500,000	—	45%	45%	1,989,620
Chongqing Huaxin Cantian Cement Co., Ltd.	253,300,000	253,300,000	—	253,300,000	—	100%	100%	240,000,000
Huaxin (Hainan) Investment Co., Ltd.	772,000,000	732,000,000	40,000,000	772,000,000	—	60%	60%	—
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	65,550,000	—	65,550,000	—	69%	69%	20,700,000
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	40,200,000	—	40,200,000	—	67%	67%	20,100,000
Huaxin Concrete (Wuhan) Co., Ltd.	568,802,159	348,802,159	220,000,000	568,802,159	—	100%	100%	—
Huaxin Cement (Ezhou) Co., Ltd.	99,437,030	99,437,030	—	99,437,030	—	70%	70%	—
Huaxin New Building Materials Co., Ltd.	90,000,000	50,000,000	40,000,000	90,000,000	—	100%	100%	—
Huaxin Environmental Engineering (Yichang) Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100%	100%	—
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	29,000,000	—	29,000,000	—	100%	100%	—
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	42,000,000	—	42,000,000	(42,000,000)	70%	70%	—
Huaxin Cement (Hefeng) National Building Materials Co., Ltd.	44,700,483	44,700,483	—	44,700,483	—	51%	51%	—
Huaxin Zhongya Investment (Wuhan) Co., Ltd.	388,623,689	388,623,689	—	388,623,689	—	100%	100%	—
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	505,589,562	—	505,589,562	—	100%	100%	140,000,000
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	220,000,000	—	220,000,000	—	100%	100%	150,000,000
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100%	100%	125,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	300,000,000	—	300,000,000	—	100%	100%	141,170,000
Huaxin Cement (Zhaotong) Co., Ltd.	60,000,000	60,000,000	—	60,000,000	—	60%	60%	55,900,000
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	50,000,000	—	50,000,000	—	79%	79%	79,000,000
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	40,000,000	—	40,000,000	—	100%	100%	30,000,000
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	990,000	990,000	—	990,000	—	99%	99%	—
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	91,601,080	—	91,601,080	—	51%	51%	31,147,600
Huaxin Cement (Daye) Co., Ltd.	420,100,753	420,100,753	—	420,100,753	—	70%	70%	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

3. Long-term equity investments (continued)

Cost method: (continued)

Unit: RMB

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of shareholding (%)	Percentage of voting right	Cash dividends for the year
Huaxin (Hong Kong) International Holdings Co., Ltd.	1,574,475,219	157,935,219	1,416,540,000	1,574,475,219	—	100%	100%	—
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	70,800,000	—	70,800,000	—	88%	88%	5,019,367
Chongqing Huaxin Fenghuang Lake Concrete Co., Ltd.	40,000,000	40,000,000	—	40,000,000	—	100%	100%	6,000,000
Huaxin (Huangshi) Logistics Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100%	100%	20,440,000
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100%	100%	—
Wuhan Ganghua Cement Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	50%	50%	—
Hubei Dailing Future Environmental Protection Packaging Technology Co., Ltd.	60,229,648	60,229,648	—	60,229,648	—	100%	100%	14,000,000
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	200,000,000	—	200,000,000	—	100%	100%	—
Huaxin Aggregate Co., Ltd.	258,100,000	258,100,000	—	258,100,000	—	100%	100%	302,290,000
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	30,124,664	—	30,124,664	—	70%	70%	35,000,000
Huaxin Cement (Huangshi) Co., Ltd.	892,800,000	732,800,000	160,000,000	892,800,000	—	80%	80%	—
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	65,000,000	—	65,000,000	—	100%	100%	—
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	190,000,000	—	190,000,000	—	100%	100%	100,000,000
Chongqing Huaxin Yanjing Cement Co., Ltd.	29,738,100	4,000,000	25,738,100	29,738,100	—	100%	100%	—
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	180,000,000	—	180,000,000	—	90%	90%	54,000,000
Huaxin Cement (Dao xian) Co., Ltd.	180,000,000	180,000,000	—	180,000,000	—	100%	100%	11,030,000
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	240,000,000	—	240,000,000	—	100%	100%	210,000,000
Huaxin Concrete Co., Ltd.	255,000,000	195,000,000	60,000,000	255,000,000	—	100%	100%	—
Huaxin Cement (Xiantao) Co., Ltd.	14,658,136	14,658,136	—	14,658,136	—	80%	80%	—
Huaxin Cement (Enping) Co., Ltd.	674,058	674,058	—	674,058	—	0%	0%	—
Huaxin Environmental Engineering Co., Ltd.	1,000,000,000	1,000,000,000	—	1,000,000,000	—	100%	100%	—
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	363,802,268	—	363,802,268	—	80%	80%	48,000,000
Yunnan Huaxin Building Materials Investment Co., Ltd.	977,000,000	977,000,000	—	977,000,000	—	100%	100%	300,000,000
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	120,000,000	—	120,000,000	—	80%	80%	24,000,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

3. Long-term equity investments (continued)

Cost method: (continued)

Unit: RMB

	Investment cost	Opening balance	Increase/decrease for the year	Closing balance	Closing and opening balances of impairment provision	Percentage of shareholding (%)	Percentage of voting right	Cash dividends for the year
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	200,000,000	—	200,000,000	—	100%	100%	110,000,000
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100%	100%	50,000,000
Huangshi Huaxin Green Building Materials Industry Co., Ltd.	1,595,000,000	1,235,000,000	360,000,000	1,595,000,000	—	58%	58%	—
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	73,000,000	—	73,000,000	—	97%	97%	—
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	340,000,000	—	340,000,000	—	100%	100%	—
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	197,590,806	—	197,590,806	—	100%	100%	20,000,000
Huaxin Cement Suizhou Co., Ltd.	24,600,000	24,600,000	—	24,600,000	—	60%	60%	—
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	653,713,479	—	653,713,479	—	100%	100%	90,750,000
Huaxin Cement (Zigu) Co., Ltd.	240,000,000	240,000,000	—	240,000,000	—	100%	100%	50,000,000
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	140,000,000	—	140,000,000	—	100%	100%	85,910,000
Mauritius Somerset Investment Co., Ltd.	252,000,000	252,000,000	—	252,000,000	—	100%	100%	—
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	500,000	—	500,000	—	100%	100%	—
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	20,000,000	20,000,000	—	20,000,000	—	100%	100%	1,280,000
Huaxin Property Management Huangshi Co., Ltd.	3,000,000	3,000,000	—	3,000,000	—	100%	100%	—
Huaxin New Building Materials (Huangshi) Co., LTD.	50,000,000	50,000,000	—	50,000,000	—	100%	100%	—
Total	12,896,923,034	12,896,923,034	2,326,278,100	15,223,201,134	(42,000,000)			2,572,726,587

Equity method:

Unit: RMB

	Movements during the year				
	Opening balance	Investment profit or loss under the equity method	Other changes in equity	Closing balance	Provisions for impairment
Joint ventures					
Tibet High-tech Building Materials Group Co., Ltd.	345,368,185	17,150,803	(1,003,076)	361,515,912	—
Shanghai Wan'an Huaxin Cement Co., Ltd.	90,786,053	(1,564,650)	—	89,221,403	—
Total	436,154,238	15,586,153	(1,003,076)	450,737,315	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

4. Operating income and cost

Unit: RMB

	2023		2022	
	Revenue	Cost	Revenue	Cost
Principal operations	641,832,013	482,011,332	547,218,572	450,214,311
Other operations	2,688,003,688	2,534,309,151	4,457,338,119	4,280,386,197
Total	<u>3,329,835,701</u>	<u>3,016,320,483</u>	<u>5,004,556,691</u>	<u>4,730,600,508</u>

5. Investment income

Unit: RMB

	2023	2022
Gains from long-term equity investments under the cost method	2,572,726,587	2,236,730,000
Investment gains from held for trading financial assets during the holding period	35,762,494	29,529,951
Gains(losses) on disposal of long-term equity investments	15,586,153	(13,660,100)
Others	1,426,876	2,293,279
Total	<u>2,625,502,110</u>	<u>2,254,893,130</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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

6. Supplemental information to the statement of cash flows

Reconciliation of profit to net cash flows from operating activities:

	Unit: RMB	
	2023	2022
Net profit	2,482,299,167	2,238,002,243
Add: Provision for impairment of assets	376,574	83,658
Credit impairment losses	(6,709,555)	2,902,082
Depreciation of fixed assets	58,029,377	55,135,300
Depreciation of right-of-use assets	11,153,683	10,086,290
Amortisation of intangible assets	2,930,782	2,110,916
Amortisation of long-term deferred expenses	2,218,730	2,231,679
Amortisation of deferred income	(1,541,667)	(1,907,667)
Loss on disposal of fixed assets, intangible assets and other long-term assets	(791,860)	503,768
Loss/(Gain) on retirement of fixed assets	(13,787)	11,417
Losses/(Gains) on changes in fair value	39,970,883	(28,471,220)
Finance costs	115,205,398	113,423,140
Investment (income)	(2,625,502,110)	(2,254,893,130)
Decrease/(Increase) in deferred tax assets	(52,607,411)	32,976,503
Decrease in inventories	149,423,607	409,101,060
Increase/(Decrease) in operating receivables	295,655,922	(126,181,364)
Increase/(Decrease) in operating payables	538,799,398	(85,684,275)
Net cash flows from operating activities	<u>1,008,897,131</u>	<u>369,430,400</u>

Net change in cash and cash equivalents:

	Unit: RMB	
	2023	2022
Balance of cash at the end of the year	2,706,295,387	3,365,759,060
Less: Balances of cash equivalents at the beginning of the year	<u>3,365,759,060</u>	<u>5,151,662,429</u>
Net decrease in cash and cash equivalents	<u>(659,463,673)</u>	<u>(1,785,903,369)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XVII. SUPPLEMENTAL INFORMATION

1. Breakdown of non-recurring Profit and Loss

Unit: RMB

	2023
Net income on disposal of non-current assets	417,565,351
Government grants recognized in current profit or loss (except for the government grants that are closely related to the normal operating business of the Company and received in a certain amount or have continuing effect on profit or loss in accordance with the state's regulations)	130,241,913
Except for those relating to the hedging transactions under the Company's normal operating business, profit/loss from the change of fair value of financial assets and financial liabilities, and profit/loss from the disposal of financial assets and financial liabilities in non-financial enterprises	(3,214,270)
Reversal of provisions for impairment of receivables that are individually tested for impairment	8,439,948
The gain raised from acquisition when the cost of investments in subsidiaries, associates and joint ventures acquired is less than its share of the fair value in the investee's identifiable net assets	41,441,891
Other non-operating income and expenses other than the above items	(63,975,677)
Total non-recurring profit and loss	530,499,156
Less: Impact of income tax	87,939,446
Less: Impact of non-controlling interests	2,556,732
Total	440,002,978

2. Return on net assets and earnings per share

2023

Unit: RMB

	Weighted average return on net asset (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	9.82	1.33	1.32
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	8.26	1.12	1.11

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

XVII. SUPPLEMENTAL INFORMATION *(continued)*

2. Return on net assets and earnings per share *(continued)*

2022

Unit: RMB

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

DIRECTORY OF DOCUMENTS FOR REFERENCE

1. Financial statements with the signatures and seals of the legal representative, the person in charge of accounting and the person in charge of the agency.
2. Original of the auditor's report with the seal of the accounting firm and the signature and seal of the certified public accountant.
3. Originals of all corporate documents and announcements that have been publicly disclosed in newspapers designated by CSRC during the Reporting Period.
4. Annual report of the Company published on the SEHK website.

WRITTEN ACKNOWLEDGEMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT REGARDING THE COMPANY'S 2023 ANNUAL REPORT

According to the relevant stipulations in the *Securities Law*, Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 — Content and Format of Annual Reports issued by CSRC and *SSE Listing Rules*, after a comprehensive understanding and reviewing of the 2022 Annual Report of the Company, we, members of the Board of Directors, Board of Supervisors and Senior management, believe, to the best of our knowledge, that:

1. The Company strictly abided by the financial system of a joint-stock company and operated properly, and its 2022 Annual Report fairly reflected the operating results and financial positions;
2. *2022 Auditor's Report of Huaxin Cement Co., Ltd.* audited by Ernst & Young Hua Ming Certified Public Accountants LLP is true and factual, objective and fair.
3. To the best of our knowledge, we confirm that the information disclosed in the 2022 Annual Report of the Company is true, accurate and complete, and there is no false or misleading statement or material omission in this report, and we shall be severally and jointly liable for the truthfulness, accuracy and completeness of its contents.

Name	Title	Name	Title
Xu Yongmo	Non-executive Chairman	Zhu Yaping	Supervisor
Li Yeqing	Executive Director, President	Liu Weisheng	Supervisor
Liu Fengshan	Executive Director, Vice President	Ke Youliang	Vice President
Martin Kriegner	Non-executive Director	Du Ping	Vice President
Lo Chi Kong	Non-executive Director	Liu Yunxia	Vice President
Tan Then Hwee	Non-executive Director	Mei Xiangfu	Vice President
Jiang Hong	Independent Non-executive Director	Yuan Dezu	Vice President
Zhang Jiping	Independent Non-executive Director	Yang Hongbing	Vice President
Wong Kun Kau	Independent Non-executive Director	Xu Gang	Vice President
Ming Jinhua	Chairman of the Board of Supervisors	Chen Qian	Vice President, Head of Corporate Finance
Zhang Lin	Supervisor	Ye Jiaying	Vice President, Secretary to Board of Directors
Yang Xiaobing	Supervisor	Wang Jiajun	Vice President

28 March 2024