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

Volume 1

LISTING OF THE OVERSEAS LISTED FOREIGN SHARES BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor

申萬宏源香港
SHENWAN HONGYUAN

PRC Financial Adviser

申万宏源承销保荐
SHENWAN HONGYUAN FINANCING SERVICES

* For identification purposes only

This listing document is published in two parts that together form the listing document. You should read each part of this listing document in conjunction with the other part in order to understand the matters to which this listing document relates. This listing document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.huaxincem.com.

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this listing document, you should obtain Independent professional advice.

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This listing document is published in connection with the listing by way of introduction on the main board of The Stock Exchange of Hong Kong Limited of the overseas listed foreign shares of the Company (the "**H Shares**"), which will, due to the change of listing venue, be converted from the domestically listed foreign shares of the Company (the "**B Shares**") listed on the Shanghai Stock Exchange. The Company's domestic shares denominated in Renminbi (the "**A Shares**") currently in issue are listed on the Shanghai Stock Exchange. This listing document contains particulars given in compliance with the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to the Company and its subsidiaries.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, the Shares or other securities of the Company, nor have any such Shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No Shares in the share capital of the Company will be allotted and issued in connection with, or pursuant to, the publication of this listing document.

Your attention is drawn to the section headed "Risk Factors" in this listing document. The Company is incorporated, and its main business is located, in the People's Republic of China (the "**PRC**"). Potential investors in the Company should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. Potential investors should also aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares of the Company. Such differences and risk factors are set out in the section headed "Risk Factors" of this listing document.

Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, the H Shares following completion of the Listing is set out in the section headed "Listings, Registration, Dealings and Settlement" of this listing document.

ATTENTION

We will not provide printed copies of this listing document to the public in relation to the Listing. This listing document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.huaxincem.com. If you require a printed copy of this listing document, you may download and print from the website addresses above.

* *For identification purposes only*

March 22, 2022

EXPECTED TIMETABLE [1]

Last trading day of B Shares	Wednesday, March 2, 2022
Suspension of trading in B Shares	Thursday, March 3, 2022
Removal of B Shares from the system of CSDC	Monday, March 21, 2022
Announcement of (i) the closing price of A Shares on Wednesday, March 23, 2022 and Thursday, March 24, 2022, respectively and the closing price of B Shares on Wednesday, March 2, 2022, being the last trading day of B Shares, and (ii) the price per B Share payable by the Cash Option Providers to B Shareholders pursuant to the Cash Option on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	Thursday, March 24, 2022
Announcement of (i) obtaining the final listing approval from the Hong Kong Stock Exchange, (ii) the closing price of A Shares on Friday, March 25, 2022 and the closing price of B Shares on Wednesday, March 2, 2022, being the last trading day of B Shares, and (iii) the price per B Share payable by the Cash Option Provider to B Shareholders pursuant to the Cash Option on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company	Friday, March 25, 2022
Dispatch of H Share certificates/deposit of H Share certificates into CCASS[2], [3]	Friday, March 25, 2022
Listing of H Shares on the Hong Kong Stock Exchange[3]	Monday, March 28, 2022

Notes:

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the Listing, including its conditions, are set out in the section headed "Information about this Listing Document and the Listing" in this listing document.

(2) The H Share certificates are expected to be dispatched on Friday, March 25, 2022. The H Share certificates will only become valid if the Listing becomes unconditional. In the event of the Listing does not become unconditional, dealings in the H Shares will not commence on Monday, March 28, 2022. In such event, we will make an announcement of the above and, if necessary, of a revised timetable. Investors who trade in the H Shares prior to the receipt of the H Share certificates do so entirely at their own risk.

(3) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions between Friday, March 25, 2022 to Monday, March 28, 2022, then the day of (i) dispatch of H Share certificates/deposit of H Share certificates into CCASS; and (ii) Listing of H Shares on the Hong Kong Stock Exchange may be postponed and an announcement may be made in such event.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have not authorized anyone to provide you with information or representation that is different from what is contained in this listing document in respect of the Listing. Any such information or representation must not be relied on by you as having been authorized by us, the Sole Sponsor, any of our or their respective directors, officers or representatives or any other person involved in the Listing.

CONTENTS

This summary aims to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read the listing document in its entirety before you make any investment decision.

OVERVIEW

We are a comprehensive building material enterprise engaged in the production and sale of cement, clinker, concrete and aggregate, and operating businesses of environmental protection, equipment manufacturing, EPC engineering and cement-based new building materials. Since the founding of our predecessor, Huaxin Cement Plant, in 1907, and over a century of doing business in the PRC, our manufacturing brand is renowned nationwide. According to the China Cement Association, we ranked 5th among all leading Chinese cement manufacturers in terms of operating income of cement in 2020 with a market share of 2.6%.

We currently produce and sell a variety of cement products, mainly under the trademarks "華新堡壘" (Huaxin Castle) and "華新師傅" (Huaxin Master). Operating income generated from our cement and clinker, concrete and aggregate businesses represented approximately 95.4% of our total operating income in 2020. We also operate other ancillary businesses, mainly including the environmental protection business, the cement-based new building materials business, the equipment manufacturing business and EPC engineering business, the operating income from which represented approximately 3.9% of our total operating income in 2020.

We are committed to producing our products in an environmentally friendly manner. Our strong industry expertise and our research and development capabilities enable us to successfully develop various waste processing and green production technologies, such as "Huaxin Technology and Application of Effective and Ecological Co-processing of Solid Wastes in Cement Kiln" (華新水泥窯高效生態化協同處置固體廢棄物成套技術與應用), "Cement Kiln Pure Low-Temperature Residual Heat Power Generation Technology" (水泥窯純低溫餘熱發電技術) and the "Nitrogen Oxide Emissions Reduction by Combination of 'Low-NOx Combustion + Staged Combustion + Selective Non-catalytic Reduction (SNCR) + Cement Kiln Biomass Co-processing' Technology" (低氮燃燒+分級燃燒+SNCR+水泥窯協同處置生物質降氮技術).

As of September 30, 2021, we had more than 250 subsidiaries or branches across 14 provinces, autonomous regions and municipalities in China and six foreign countries, including 43 integrated cement production plants with 52 clinker production lines, 13 independent cement grinding plants, 63 concrete batching plants and 23 aggregate production plants in China. As of the same date, we operated nine production plants in five countries outside China, namely Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia and

Tanzania consisting of six integrated cement production plants which were equipped with six clinker production lines in total, as well as one independent cement grinding plant, one cement packaging bag manufacturing plant and one concrete batching plant. As of September 30, 2021, our overall BDP capacity for clinker was approximately 73.9 million tons per year, our capacity for cement grinding was approximately 114.8 million tons per year (including the capacities for trial operation), our production capacity for concrete was approximately 35.5 million cubic meters per year, and our production capacity for aggregate was approximately 76.3 million tons per year.

During the Track Record Period, we sold most of our products in China, primarily in Hubei, Hunan, Sichuan, Chongqing, Yunnan, Guizhou, Henan, Guangdong and Tibet. We sell our cement directly to end-customers through our extensive sales network as well as through distributors. As of September 30, 2021, we had 105 regional sales offices covering 122 cities in 18 provinces, autonomous regions and municipalities in China, and seven regional sales offices in six countries abroad. More than 90% of our customers use the Huaxin Market system and the Major Client Management System, which are our self-developed systems supporting the entire business process of order placement, payment, logistics and settlement.

We have won numerous awards and recognitions for our renowned brands throughout the years. For example, our brands have been listed among China's 500 Most Valuable Brands (中國500最具價值品牌) for eight consecutive years and we ranked 80th in 2021 with a brand value of RMB70.3 billion, and been listed among the Top 500 Asia Brands (亞洲品牌五百強) for five consecutive years and ranked 168th in 2020. We also ranked 258th among the Top 500 Chinese Manufacturing Enterprises (中國製造企業500強) in 2020, have been listed among the Top 100 Chinese Listed Enterprises (中國上市公司百強企業) for three consecutive years and ranked 86th in 2020, and been listed on the Fortune China 500 List (《財富》中國500強) for 11 consecutive years and ranked 308th in 2020. Our "華新堡壘" (Huaxin Castle) trademark was honored as a Well-known Trademark in China (中國馳名商標), and is one of the oldest cement production brands in the PRC, according to the CIC Report.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our operating income was approximately RMB27,466.0 million, RMB31,439.2 million, RMB29,356.5 million, RMB20,411.7 million and RMB22,453.9 million, respectively, and our net profit was approximately RMB5,705.5 million, RMB7,020.8 million, RMB6,173.6 million, RMB4,430.6 million and RMB3,894.4 million, respectively.

We have a self-sufficient supply of limestone. The following table sets forth the reserve and range of the remaining mine life of our limestone quarries by geographical areas as of the Latest Practicable Date:

Location	Reserve of the limestone quarries	Range of the remaining mine life
	(Tons in million)	*(Years)*
Hubei	1,575.3	4.4-54.1
Henan	9.8	4.7
Hunan	303.3	4.9-61.8
Sichuan	100.4	26.0-45.7
Guizhou	37.8	10.1-36.3
Tibet	129.8	3.3-41.1
Chongqing	187.0	16.7-25.7
Yunnan	800.8	1.8-76.8
Overseas countries	451.7	7.1-127.1
Total	**3,595.9**	

On October 18, 2021, the NDRC and other departments jointly issued Several Opinions of the National Development and Reform Commission and other departments on Promoting Energy Conservation and Carbon Reduction in Key Fields by Strictly Restricting Energy Efficiency (《國家發展改革委等部門關於嚴格能效約束推動重點領域節能降碳的若干意見》) and Action Plan on Promoting Energy Conservation and Carbon Reduction by Strictly Restricting Energy Efficiency in Key Industries of Metallurgy and building Materials (2021–2025) (《冶金、建材重點行業嚴格能效約束推動節能降碳行動方案（2021–2025年）》) (the "**Action Plan**"). The Action Plan sets out a mandatory minimum energy efficiency standard for clinker production of 117 kgce/t, and a voluntary, advanced standard of 100 kgce/t. By 2025, production facilities representing more than 30 percent of production capacity in cement and clinker industries are expected to meet the reach standard through the adoption of energy-saving and carbon emission reduction measures. In light of the new environmental protection regulations, we target to improve the energy consumption efficiency and reduce the fuel consumption for clinker production to 117 kgce/t by the end of 2022. Moreover, we plan to improve the energy efficiency of our kiln lines with a production capacity of 2,500 tons or less to 100 kgce/t. For details of the measures we plan to take, see "Business — Environmental Compliance and pollution Controls — Our Green Production Technologies."

In accordance with the Industrial Policy for the Cement Industry (《水泥工業產業政策》), the PRC government has implemented policies eliminating backward production capacity, with a focus on supporting construction of new dry-process cement projects with a daily output of 4,000 tons or more in resource-rich areas. During the Track Record Period, we shut down four kiln lines with a total daily production capacity of approximately 8,000 tons of clinker, representing approximately 4.0% of our total production capacity, and had built a new cement kiln line with an annual capacity of 2.85 million tons of clinker, or 7,800 tons per day, as part of our capacity replacement plan.

OUR PRODUCTS AND SERVICES

Our principal products are cement, clinker, concrete and aggregate. The following table sets forth the breakdown of our operating income from our principal activities by products for the periods indicated:

Operating income from principal activities	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
		%		%		%		%		%
	(RMB in millions, except percentages)									
Cement and Clinker	23,884.2	87.4	27,259.4	87.2	24,944.9	85.6	17,428.0	85.9	17,900.7	80.3
Cement	23,106.7	84.6	26,472.2	84.7	23,632.1	81.1	16,518.9	81.4	16,694.3	74.8
Clinker	777.6	2.8	787.2	2.5	1,312.8	4.5	909.1	4.5	1,206.4	5.4
Concrete	1,354.7	5.0	1,810.7	5.8	1,879.6	6.4	1,226.9	6.0	1,975.1	8.9
Aggregate	827.0	3.0	1,033.2	3.3	1,183.1	4.1	793.5	3.9	1,470.1	6.6
Others	1,257.0	4.6	1,150.4	3.7	1,143.9	3.9	840.9	4.2	958.6	4.3
Total	**27,322.9**	**100.0**	**31,253.6**	**100.0**	**29,151.5**	**100.0**	20,289.3	100.0	22,304.5	100.0

The following table sets out the gross profit and the gross profit margin of our business segments of principal activities for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Cement	9,429.4	40.8	11,013.0	41.6	9,619.4	40.7	6,675.2	40.4	5,827.4	34.9
Clinker	234.7	30.2	236.0	30.0	410.2	31.2	278.2	30.6	285.7	23.7
Concrete	318.9	23.5	422.3	23.3	527.0	28.0	341.3	27.8	559.4	28.3
Aggregate	527.9	63.8	669.1	64.8	740.6	62.6	509.4	64.2	954.8	64.9
Others	308.0	24.5	348.6	30.3	495.9	43.4	342.8	41.7	477.8	49.8
Total/ Average annual margin	10,819.0	39.6	12,689.1	40.6	11,793.0	40.5	8,147.0	40.2	8,105.1	36.3

During the Track Record Period, our overall gross profit and gross profit margin for our principal activities were mainly affected by the ASP and sales volume of our products, as well as costs of production raw materials and fuel. The overall gross profit margin and the gross profit margin for each major product remained relatively stable in 2018 and 2019. In 2020, the gross profit margin of our cement and clinker segments remained relatively stable compared to 2019, which was generally in line with the respective changes in sales volume. The gross profit margin of our clinker segment increased in 2020 primarily due to the decrease in cost of raw materials, and the gross profit margin of our aggregate segment decreased due to the declined selling prices. Furthermore, the overall gross profit margin and the gross profit margin for each major product decreased in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to growing unit cost of production attributed to increase in coal price.

The following table sets forth the breakdown of our operating income by geographical areas for the periods indicated:

	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
		%		%		%		%
	(RMB in millions, except percentages)							
Hubei	9,663.2	35.2	10,780.2	34.3	8,861.5	30.2	6,833.6	30.4
Hunan	2,926.0	10.7	3,154.8	10.0	2,813.5	9.6	2,082.8	9.3
Sichuan	1,836.5	6.7	2,121.1	6.8	2,030.2	6.9	1,748.1	7.8
Yunnan	4,640.1	16.9	5,509.8	17.5	5,738.1	19.6	3,314.3	14.8
Tibet	1,030.9	3.8	1,576.2	5.0	1,544.5	5.3	804.0	3.6
Chongqing	2,325.8	8.5	2,899.2	9.2	2,406.8	8.2	1,679.4	7.5
Henan	527.1	1.9	688.4	2.2	589.0	2.0	498.8	2.2
Jiangsu	505.6	1.8	634.1	2.0	847.9	2.9	1,373.3	6.1
Jiangxi	310.1	1.1	261.1	0.8	299.5	1.0	188.8	0.8
Anhui	368.0	1.3	433.3	1.4	487.7	1.7	470.5	2.1
Shanghai	328.4	1.2	342.7	1.1	298.2	1.0	330.2	1.5
Guangxi	175.1	0.6	212.0	0.7	195.9	0.7	103.6	0.5
Guangdong	744.5	2.7	738.8	2.4	872.9	3.0	574.3	2.6
Guizhou	672.8	2.5	425.8	1.4	342.8	1.2	236.1	1.1
Overseas countries	1,315.4	4.8	1,552.7	4.9	1,889.9	6.4	1,926.2	8.6
Others[1]	96.5	0.3	109.1	0.4	138.3	0.5	289.9	1.3
Total	**27,466.0**	**100.0**	**31,439.2**	**100.0**	**29,356.5**	**100.0**	**22,453.9**	**100.0**

(1) Other provinces in China.

The prices of our products vary from region to region based on local market conditions. The prices of our products are primarily based on factors such as prevailing market prices and competitors' prices, customer relationships, our production capacity and cost and expected profit margin. These factors are assessed and adjusted by our marketing department on a regular basis. We formulate and publish guide prices for our products every month, which, in turn, provides guidance on the pricing of our products for our sales teams.

The table below sets forth the breakdown of our sales volume and average selling price of principal products during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Sales volume	Average selling price(1)	Sales volume	Average selling price(1)	Sales volume	Average selling price(1)	Sales volume	Average selling price(1)	Sales volume	Average selling price(1)
	(thousand tons)	*(RMB/ton)*	*(thousand tons)*	*(RMB/ton)*	*(thousand tons)*	*(RMB/ton)*	*(thousand tons)*	*(RMB/ton)*	*(thousand tons)*	*(RMB/ton)*
Cement	67,970.6	340.0	74,195.5	356.8	71,365.9	331.1	49,468.5	333.9	52,511.3	317.9
Clinker	2,749.0	282.9	2,741.6	287.1	4,640.9	282.9	3,289.2	276.4	4,058.7	297.2
Concrete	3,557.8	380.8	4,232.4	427.8	4,607.6	407.9	2,879.8	426.0	5,782.8	341.5

(1) Average selling price is our average ex-factory selling price exclusive of value-added tax.

From 2018 to 2019, the average selling price of our cement increased, primarily due to (i) the decrease in the total production capacity of the cement industry in China during the Track Record Period, which was driven by the PRC government policy requiring the closure of a number of vertical kiln facilities that used old technologies and were unable to comply with new quality and environmental standards and (ii) the suspension of cement production for certain months as prescribed by local provincial governments in the PRC for staggered production in order to reduce air pollution, which also had an upward impact on the market price of cement products. The average selling price of our cement decreased to RMB331.1 per ton for 2020, primarily due to decreased social and economic activities during the COVID-19 pandemic. We review our pricing strategy regularly and make adjustments based on various factors, including levels of sales, expected profit margins on individual products, our competitors' prices and expected demand from customers. Compared with the nine months ended September 30, 2020, the average selling price of cement decreased in the same period in 2021, primarily due to decreased market demand for cement in the construction industry, which was impacted mainly by increased steel prices. See "Financial Information — Major Factors Affecting our Results of Operations — Pricing."

The increase in average selling price of our concrete in 2019 was primarily due to (i) the increase in selling price of cement, which is the major raw material for producing concrete and (ii) the decrease in the production capacity of concrete in China in recent years, which resulted from shutting down small concrete production plants that were not able to meet environmental protection requirements. The decrease in average selling price of our concrete in 2020 was primarily due to the decrease in overall economic activity that was caused by the COVID-19 pandemic. The decrease in average selling price of our concrete for the nine months ended September 30, 2021 compared with the nine months ended September 30, 2020 was primarily due to decreased market demand for cement in the construction industry.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, the average selling price (tax exclusive) of our aggregates products was approximately RMB57.0 per ton, RMB58.7 per ton, RMB51.3 per ton, RMB52.8 per ton and RMB57.7 per ton, respectively.

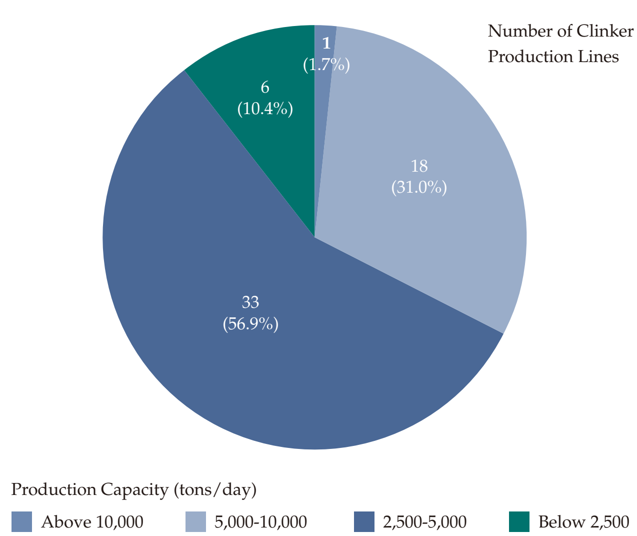
The table below sets forth the utilization rates of our production facilities for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
			(%)		
Clinker Production Lines	87.3	84.8	82.6	81.8	83.3
Integrated Cement Production Plants	65.4	67.5	63.0	60.8	63.0
Self-operated Concrete Batching Plants [(1)]	18.6	22.7	18.4	17.3	22.9
Aggregate Production Plants	61.6	46.6	47.0	42.6	55.9

(1) Utilization rates of our self-operated concrete batching plants were lower than the utilization rates of our other production facilities mainly because concrete is produced upon customers' demands and we keep no inventory of concrete due to its nature.

For application and usages of our products, see "Business — Products and Services."

The pie chart below sets forth the number of clinker production lines by capacity as of September 30, 2021:



OUR COMPETITIVE STRENGTHS

- We maintain a leading market position in the central China cement market, and we have vigorously developed our business in southwestern China.
- By following the "Belt and Road Initiative", we were one of the first Chinese cement enterprises to expand into overseas markets, and we have achieved continuing growth from our overseas business.
- Our self-sufficient limestone supply as well as active deployment in aggregate production and in the environmental protection business have enabled us to realize vertical integration development along the whole industrial chain for cement-based material production.
- Our market reputation for outstanding product quality and innovation-oriented development preserves the value of our century-old and well-established brand and contributes to long-term sustainable development.
- We maintain a professional, stable and effective management team with extensive industry knowledge.

OUR STRATEGIES

- Realize transformation and upgrading through synergy of cement, concrete, aggregate and environmental protection business
- Expand our aggregate production capacity by utilizing the opportunity to restructure and upgrade the industry
- Accelerate the pace of overseas expansion and further strengthen our principal business of cement production
- Seek business expansion in cement-based new building materials
- Deepen the innovation of "Digitalization of Traditional Industry" business model

RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into the following: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Listing. Our business may be materially and adversely affected by these risks, including but not limited to the following:

- We are susceptible to the cyclical nature of the macroeconomy, the level of fixed assets investment in the PRC as well as the global economic and financial markets.
- We may not be able to continue to grow at a rate comparable to our historical growth rates or at all, and we may have difficulty managing any future growth.

- Our cement and clinker business segment contributes significantly to our total gross profit, and significant fluctuations in cement prices may materially and adversely affect our overall profitability.

- Our business and results of operations may be adversely affected by any increase in the prices of coal and electricity or by shortages of coal and electricity supplies.

- If our suppliers stop granting us favorable credit terms or shorten the credit terms granted to us, our liquidity position and financial condition may be adversely affected.

- Our industry is subject to stringent regulations by the PRC government, and our business and results of operations may be adversely affected by changes in the policies and regulations of the PRC government, particularly those relating to our industry.

- We are subject to risks relating to low utilization rate of our production facilities.

- We may not be able to renew our existing mining rights upon their expiry or secure additional mining rights on favorable terms, or the rate of resource tax that we are required to pay may increase.

- Our results of operations rely heavily on the performance of the cement industry in the PRC. The intense competition and continuing overcapacity may adversely and materially affect our business and profitability.

- Any failure to comply with the environmental laws and regulations in China could result in adverse publicity, significant monetary damages and fines, and even suspension of our business operations.

- We are subject to health and safety laws and regulations in China, and any failure to comply could adversely affect our operations.

See "Risk Factors."

OUR DISTRIBUTION CHANNELS

During the Track Record Period, we sold our products to end-customers through our direct sales network as well as through distributors. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our operating income of cement and clinker from our direct sales network was approximately RMB8,595.3 million, RMB8,994.3 million, RMB6,976.2 million and RMB6,035.9 million, respectively, representing approximately 36.0%, 33.0%, 28.0% and 33.7% of our total operating income, respectively. For the same periods, our operating income of cement and clinker from distributors was approximately RMB15,289.0 million, RMB18,265.0 million, RMB17,968.7 million and RMB11,864.8 million, respectively, representing 64.0%, 67.0%, 72.0% and 66.3%, respectively, of our total sales.

As of December 31, 2018, 2019, 2020 and September 30, 2021, we had 2,334, 2,404, 2,630 and 2,721 distributors, respectively, to sell our cement and clinker products. Distributor networks enable us to reach a wider retail customer base in a cost-effective way. The use of other distributors for sales of products is generally in line with industry practice.

COMPETITION

The cement industry in China is relatively concentrated, characterized by an overall national over-production capacity issue with varying degree across different regions. Economies of scale exist in this industry. We ranked fifth among all cement manufacturers in China in terms of operating income of cement in 2020 with a market share of 2.6%. We face competition from nationwide large-scale cement enterprises with business focus on central China. For further information, see "Industry Overview."

OUR CUSTOMERS

We have a broad and well-established customer base in China. Our customers are primarily industrial enterprises, key project customers, civilian construction customers and distributors whose ultimate customers include commercial concrete batching plants, key project customers, civilian construction customers and others.

In 2018, 2019, 2020 and the nine months ended September 30, 2021, sales to our five largest customers amounted to approximately RMB672.9 million, RMB752.9 million, RMB762.0 million and RMB653.1 million, respectively, representing approximately 2.5%, 2.4%, 2.6% and 2.9% of our total operating income for the same periods, respectively. For a detailed discussion on the recent policies and fluctuations of our operating income from different types of customers, see "Business — Customers."

OUR SUPPLIERS

Our main suppliers include raw material suppliers and energy suppliers. In 2018, 2019, 2020 and nine months ended September 30, 2021, purchases from our five largest suppliers amounted to approximately RMB1,990.4 million, RMB2,645.9 million, RMB2,397.0 million and RMB2,528.1 million, respectively, representing approximately 12.1%, 14.5%, 14.9% and 19.5% of our total purchases from cash payment for the same periods, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial information from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendices II, III, IV and V to this listing document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this listing document, including the related notes. Our consolidated financial statements have been prepared in accordance with the China Accounting Standards for Business Enterprises ("CASBE").

Summary Consolidated Statements of Profit or Loss

	Year ended December 31						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of Operating income	Amount	% of Operating income	Amount	% of Operating income	Amount	% of Operating income	Amount	% of Operating income
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
							(unaudited)			
Operating income	27,466.0	100.0	31,439.2	100.0	29,356.5	100.0	20,411.7	100.0	22,453.9	100.0
Less: Operating costs	16,575.2	60.3	18,625.3	59.2	17,440.2	59.4	12,180.1	59.7	14,260.6	63.5
Gross Profit	10,890.8	39.7	12,813.9	40.8	11,916.3	40.6	8,231.6	40.3	8,193.3	36.5
Less: Taxes and levies	500.2	1.8	530.0	1.7	510.4	1.7	333.8	1.6	438.8	2.0
Selling and distribution expenses	1,701.8	6.2	2,048.5	6.5	2,022.7	6.9	1,384.0	6.8	1,602.7	7.1
General and administrative expenses	1,336.8	4.9	1,558.5	5.0	1,587.2	5.4	1,073.4	5.3	1,141.5	5.0
Listing expense	–	–	–	–	17.5	0.1	3.6	0.1	2.0	0.1
Research and development expenses	10.8	0.0	37.3	0.1	56.0	0.2	16.4	0.1	29.1	0.1
Financial expenses	465.6	1.7	208.2	0.7	305.7	1.0	145.9	0.7	119.1	0.5
Including: Interest expenses	451.2	1.6	246.1	0.8	200.6	0.7	139.8	0.7	191.4	0.9
Interest income	37.9	0.1	62.4	0.2	63.8	0.2	46.4	0.2	98.9	0.4
Add: Other income	257.0	0.9	241.5	0.8	239.4	0.8	171.5	0.8	145.0	0.6
Investment income	83.5	0.3	108.5	0.3	118.6	0.4	113.5	0.6	32.5	0.1
Including: Income from investments in associates and joint ventures	71.7	0.3	107.9	0.3	77.0	0.3	71.2	0.3	14.4	0.1
Gains/(losses) on changes in fair value	3.6	0.0	5.3	0.0	2.4	0.0	(6.4)	(0.0)	(22.0)	(0.1)
Impairment losses on credit	–	–	(21.3)	(0.1)	(14.0)	(0.0)	(26.2)	(0.1)	(23.9)	(0.1)
Impairment losses on assets	(67.1)	(0.2)	(210.4)	(0.7)	(78.2)	(0.3)	(12.5)	(0.1)	(23.7)	(0.1)
Gains/(losses) on disposal of assets	17.6	0.1	188.9	0.6	14.0	0.0	10.1	0.0	(1.8)	(0.0)
Operating profit	7,170.2	26.1	8,744.0	27.8	7,698.9	26.2	5,524.5	27.1	4,966.1	22.1
Add: Non-operating income	20.7	0.1	76.0	0.2	65.3	0.2	20.2	0.1	24.0	0.1
Less: Non-operating expenses	59.8	0.2	103.8	0.3	100.6	0.3	59.1	0.3	50.3	0.2
Profit before tax	7,131.1	26.0	8,716.1	27.7	7,663.6	26.1	5,485.6	26.9	4,939.8	22.0
Less: Income tax expenses	1,425.6	5.2	1,695.3	5.4	1,490.1	5.1	1,055.0	5.2	1,045.4	4.7
Net Profit	5,705.5	20.8	7,020.8	22.3	6,173.6	21.0	4,430.6	21.7	3,894.4	17.3

During the Track Record Period, our net profit increased from RMB5,705.5 million in 2018 to RMB7,020.8 million in 2019 then decreased to RMB6,173.6 million in 2020, primarily due to the fluctuations in the sales volume and the ASP of our cement product. Our net profit decreased from RMB4,430.6 million in the nine months ended September 30, 2020 to RMB3,894.4 million in the nine months ended September 30, 2021, primarily due to an increase in operating costs for our major products.

The following table sets out a breakdown of our operating costs by nature for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
				(unaudited)	
Production raw materials	3,509.6	4,274.8	3,722.2	2,506.1	2,961.6
Fuel and energy	7,950.2	8,650.7	8,277.3	5,806.3	6,910.9
– Coal	5,383.0	5,836.7	5,534.3	3,857.5	4,936.0
– Electricity	2,567.2	2,814.0	2,743.0	1,948.8	1,974.9
Depreciation	1,422.9	1,579.6	1,567.6	1,194.8	1,413.9
Labor and others	3,692.5	4,120.2	3,873.1	2,672.9	2,974.2
Total	16,575.2	18,625.3	17,440.2	12,180.1	14,260.6

Summary Consolidated Statements of Financial Position

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
				(unaudited)
Total current assets	10,550.5	10,148.5	15,134.6	14,997.1
Total current liabilities	10,151.8	9,024.7	11,602.6	11,430.8
Net current assets	398.6	1,123.8	3,532.0	3,566.3
Total non-current assets	22,611.0	26,496.9	28,793.9	32,616.1
Total non-current liabilities	4,690.3	4,253.0	6,586.0	8,823.6
Total equity	18,319.4	23,367.7	25,739.9	27,358.8
Total liabilities and equity	33,161.5	36,645.4	43,928.5	47,613.2

We had net assets of RMB18,319.4 million, RMB23,367.7 million, RMB25,739.9 million and RMB27,358.8 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. The changes in net assets during the Track Record Period were primarily attributed to (i) the operating income for the years/periods; (ii) the injection of capitals invested by the minority interests of the Group; (iii) treasury shares repurchased by us for the employee incentive plan; and (iv) our distribution of dividends to the shareholders. See "Financial Information — Selected Statement of Balance Sheet Items" for details.

Summary Consolidated Cash Flows Statements

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
			(RMB in millions)		
				(unaudited)	
Net cash flow from operating activities	7,899.6	9,679.2	8,405.5	5,652.1	3,567.1
Net cash flow from investing activities	(1,828.9)	(4,486.7)	(5,008.0)	(3,396.4)	(2,926.3)
Net cash flow from financing activities	(4,383.9)	(5,506.9)	187.7	(1,658.3)	(1,471.2)
Effect of foreign exchange rate changes on cash and cash equivalents	17.1	(3.5)	(83.2)	(32.9)	(2.4)
Net (decrease)/increase in cash and cash equivalents	1,703.9	(317.9)	3,501.9	564.5	(832.8)
Opening balance of cash and cash equivalents	3,532.3	5,236.2	4,918.3	4,918.3	8,420.2
Closing balance of cash and cash equivalents	5,236.2	4,918.3	8,420.2	5,482.8	7,587.4

We recorded net cash generated from operating activities of RMB3,567.1 million in the nine months ended September 30, 2021, representing a decrease of RMB2,085.0 million from RMB5,652.1 million in the nine months ended September 30, 2020, primarily due to (i) increased cash payments for production raw materials and fuel, due to increase in both prices and purchase amounts in line with our business growth; and (ii) decreased operating cash inflow as the ASP of our cement products decreased.

KEY FINANCIAL RATIOS

	Year ended/As of December 31,			As of September 30,
	2018	2019	2020	2021
Current ratio(1)	1.0	1.1	1.3	1.3
Debt ratio(2)	21.4%	11.2%	17.7%	18.3%
Net profit margin(3)	20.8%	22.3%	21.0%	17.3%
Return on equity(4)	36.3%	33.7%	25.1%	N/A(6)
Return on assets(5)	17.9%	20.1%	15.3%	N/A(6)
Gearing ratio(7)	44.8%	36.2%	41.4%	42.5%

Notes:

(1) Current ratios were calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the respective dates.

(2) Debt ratios were calculated based on our total debts divided by total assets as of the respective dates. Total debts were defined to include borrowings, secured notes and corporate bonds of the Group.

(3) Net profit margins were calculated based on our net profit for the respective years/period divided by our operating income for the respective year/period and multiplied by 100%.

(4) Returns on equity were calculated based on our net profit for the respective year divided by the average of the opening and ending total equity for that year and multiplied by 100%.

(5) Returns on assets were calculated based on our net profit for the respective year divided by the average of the opening and ending total assets for that year and multiplied by 100%.

(6) These ratios are not meaningful as numbers for the period are not comparable to the numbers for the year.

(7) Gearing ratios were calculated based on total debt at the end of the period divided by total equity at the end of the same period.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Impacts of the COVID-19 Pandemic

Since the end of December 2019, the outbreak of the COVID-19 has materially and adversely affected the global economy. In response, the PRC government imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. These measures have caused a decline in business activities, which in turn has had a negative impact on the demand for our products and our results of operations in 2020.

During the COVID-19 pandemic, particularly in the first quarter of 2020, our business was mainly affected by the following aspects: (i) the operations of ten of our production plants for cement and clinker halted for an average of 31.1 days, and 33 of our concrete batching plants halted for an average of 46 days during February and March of 2020. Despite that we faced difficulties with access to raw materials due to restrictions on mobility and logistics imposed by the PRC government shortly after the outbreak of COVID-19, we proactively cooperated with logistics service providers available in the market and prudently increased the inventory level of key production raw materials, to ensure our stable production and operation. As a result, such temporary difficulty in obtaining raw materials did not have an adverse impact on our business and results of operation; and (ii) the halting of a large number of construction projects in the market negatively affected the production and sales of our construction materials, resulting in decreased selling prices and sales volumes. For example, the volume of cement sold decreased by 3.8%, from 74.2 million tons in 2019 to 71.4 million tons in 2020, and the ASP of our cement products decreased from RMB356.8 per ton in 2019 to RMB331.1 per ton in 2020. The ASP of our aggregate products decreased from RMB58.7 per ton in 2019 to RMB51.3 per ton in 2020, leading to a decrease in the gross profit margin of our aggregate segment from 64.8% in 2019 to 62.6% in 2020.

We have been actively adopting countermeasures to mitigate the impact of the COVID-19 outbreak on our operations, including but not limited to flexible work-from-home practices and procurement of supplies for pandemic prevention and control for our employees. Since late July 2021, the delta variant of COVID-19 has recurred in several provinces across China. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, work and production. Since late July 2021, due to the resurgence of COVID-19, one of our cement production facilities suspended production for approximately 22 days and one of our concrete batching plants suspended production for approximately 23 days; and construction of our aggregate project in Wuxue was delayed for approximately two months. The recurrence did not impose any material impact on our business operations and financial performance. Going forward, there remain significant uncertainties associated with the COVID-19 pandemic. See "Risk factors — The outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects."

Recent Electricity Power Shortage in China

From June 2021, many provinces across China have imposed power brownouts mainly due to high prices and shortage in supplies of coals which are the main materials for coal-based electricity generation. This will, in turn, affect our production volumes. From June 2021 to the Latest Practicable Date, approximately 18 of our production facilities experienced suspension of production due to limited electricity as required by local governments for approximately 8.8 days in average, and the production volume of such facilities if no suspension happened was approximately 516,696 tons of cement. However, the impact of such decrease in production volume was offset by an increase in sales prices.

As of the Latest Practicable Date, the electricity power shortage had not materially and adversely affected our business, results of operations and financial conditions. As of the Latest Practicable Date, we had not experienced any difficulty in obtaining an adequate supply of coals. See also "Risk Factors — Our business and results of operations may be adversely affected by any increase in the prices of coal and electricity or by shortages of coal and electricity supplies."

NDRC Notice Regarding Electricity Prices

On October 11, 2021, the NDRC published a notice in respect of the marketization reforms of coal-based electricity prices, which came into effect on October 15, 2021. According to NDRC's notice, the floating price range in coal-based electricity market will be expanded from the current floating range of no more than 10% up and no more than 15% down in principle to a floating price range of no more than 20% up and down in principle. The market transaction price of high energy consuming enterprises will not be limited by the upper floating range. The major influence of the NDRC's notice on cement industry include: (1) the electricity cost will increase when there is an electricity shortage especially in heating seasons; (2) cement manufacturers need to eliminate backward production capacity through technological transformation to control costs and enhance enterprise competitiveness; and (3) leading cement enterprises will develop new energy, such as photovoltaic energy storage projects, and promote the industry to accelerate green development. As of the Latest Practicable Date, we were not aware of any adjustment of electricity prices by local governments due to the NDRC's notice, such notice did not have any material impact on our operation and production. We will closely monitor any measures the local governments may take regarding adjustment of electricity prices, and make adjustment plans as well as take actions correspondingly. Our contingency measures to mitigate the potential impact of NDRC's notice when the local governments take action to adjust electricity prices include: (i) purchasing electricity directly from power generation companies to avoid extra expenses charged by grid companies; (ii) reducing comprehensive energy consumption of cement production for our plants to be certified as the national "Green Factories" (綠色工廠) or the "Energy Efficiency Leaders" (能效領跑者), so as to benefit from the electricity price policies for "non-high energy consuming enterprises" under the NDRC's notice; (iii) improving the efficiency of power generation from waste heat for each production line, especially the municipal waste co-processing production lines, and trying driving our manufacturing facilities by steam instead of electricity to reduce electricity purchases; and (iv) developing green energy projects such as wind energy projects and photovoltaic energy projects to reduce electricity purchases.

Recent Developments of our Financial Performance

Our operating income was RMB22,453.9 million in the nine months ended September 30, 2021, representing an increase of RMB2,042.2 million, or approximately 10.0%, from RMB20,411.7 million in the nine months ended September 30, 2020. Operating income from our cement business increased by 1.1% from RMB16,518.9 million for the nine months ended September 30, 2020 to RMB16,694.3 million for the nine months ended September 30, 2021. Operating income from our clinker business increased by 32.7% from RMB909.1 million for the nine months ended September 30, 2020 to RMB1,206.4 million for the nine months ended September 30, 2021. Operating income from our concrete business increased by 61.0% from RMB1,226.9 million for the nine months ended September 30, 2020 to RMB1,975.1 million for the nine months ended September 30, 2021. Operating income from our aggregate business increased by 85.3% from RMB793.5 million for the nine months ended September 30, 2020 to RMB1,470.1 million for the nine months ended September 30, 2021.

Our financial information for the nine months ended September 30, 2020 and 2021 as set out above have been extracted from our unaudited interim condensed consolidated financial information as of and for the nine months ended September 30, 2021, which has been reviewed by our reporting accountant in accordance with China Certified Public Accountants Reviewing Standards No. 2101 Review of Financial Statements.

In light of the volatility of prices of raw materials, especially coal price, we determine the prices of our products primarily with reference to the market demand, expected profit margins, our competitors' prices and our relationship with the relevant customers. We have implemented stringent price management measures, under which we dynamically adjust the product prices to offset the impacts from rising operating cost while ensuring competitiveness. Our management closely monitors the fluctuation of fuel costs to ensure that the gross profit margin is kept at an acceptable level. Under such strategy, we have been able to pass on the movement in cost to our customers in the past, and fluctuations in ASPs of our products, particularly cement and concrete, were generally in line with the coal price trends.

However, our gross profit margin in 2021 is expected to decrease compared to 2020, as the coal price surged due to many economic and political factors that are out of our control. In response to the uncertainty of coal prices, we have adopted short-term, flexible procurement strategies within the Group. We prudently determine the purchase amount based on inventory levels, production capacity, fuel consumption and market trends, aiming to ensure a stable fuel supply while mitigating the risk of sudden price changes. In addition, we closely track coal market prices and maintain good communication with our suppliers, which enables us to ensure supply at prices no higher than the average market price. We are actively negotiating with our customers to assess market demand and adjust prices, in order to partially pass on the increasing costs to our customers. During the second half of 2021, the ASP of our cement products increased by 10.8% compared to such ASP of the first half of 2021.

In light of the above, we expect to record a decrease in net profit for the year ended December 31, 2021, primarily due to an increase in cost of production raw materials and coal.

No Material Adverse Change

Our Directors have confirmed that up to the date of this listing document there has been no material adverse change in our financial or trading position or prospects since September 30, 2021 and there has been no event since September 30, 2021 which would materially affect the information shown in the financial statements set out in Appendices II, III, IV and V to this listing document.

OUR RELATIONSHIP WITH HOLCIM

As of the Latest Practicable Date, Holcim indirectly holds approximately 41.84% of the issued share capital of the Company, of which (a) approximately 21.53% of our total issued share capital were A Shares and (b) approximately 20.31% of our total issued share capital were B Shares. The current public float for B Shares is approximately 14.62% of the total issued shares of the Company. Holcim has entered into a binding agreement to sell down some B Shares held by it by way of private placement to ensure that the public float of H Shares of the Company immediately upon Listing will meet the 15% threshold as required under Rule 8.08(1)(b) of the Hong Kong Listing Rules, and it is expected that Holcim will indirectly hold approximately 41.46% of the total issued shares of the Company upon Listing. As such, Holcim, through its subsidiaries, will become a Controlling Shareholder of our Company for the purpose of the Listing Rules. Upon Listing, it is expected that approximately 42.22% of our total issued share capital will be held by the public (27.22% and 15.00% of our A Shares and B Shares as percentages of our total issued share capital, respectively), under the Listing Rules. For details of our shareholding immediately prior to and following the completion of the Listing, see "History and Corporate Structure — Our Shareholding and Group Structure."

Holcim is a leading multinational company incorporated in Switzerland, primarily engaged in the business of cement, aggregate, ready-mix concrete and other products, including roofing, dry mortar, precast concrete and asphalt. Holcim is currently listed on the SIX Swiss Exchange and on Euronext Paris.

For further information, see "Relationship with Holcim."

DIVIDENDS AND DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Our dividend distributions are based on our distributable profit, taking into consideration our financial condition, business planning, return to our Shareholders, our capital requirements, our finance costs and the external financing environment. Under the Company Law and our Articles of Association, all of our Shareholders holding the same class of Shares have equal rights to dividends and other distributions proportionate to their shareholdings. Save for special circumstances and otherwise as provided under our Articles of Association, for a relevant year, we shall declare a dividend to our Shareholders in the amount no less than one third of the net profit distributable for such period. We paid cash dividends in the amount of RMB1,722.2 million, RMB2,530.4 million, RMB2,262.5 million and nil for 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively, representing RMB1.15 per share, RMB1.21 per share, RMB1.08 per share and nil, respectively in the same periods. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. For further information, see "Financial Information — Dividends and Dividend Policy."

REGULATORY AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we and our subsidiaries have, from time to time, been involved in incidents of regulatory non-compliance, including (i) production with an expired permit and (ii) production without obtaining the requisite qualification certificate. See "Business — Regulatory and Legal Proceedings — Non-compliance Incidents in the PRC."

One of our former senior management members, Mr. Chen, was being investigated and detained for suspected work misconduct in September 2021. The case is still under investigation. See "Business — Regulatory and Legal Proceedings — Incident Relating to a Former Senior Management Member."

During the Track Record Period, we were involved, from time to time, in legal proceedings arising in the ordinary course of our business, including a dispute regarding an EPC Contract, a dispute regarding a Householder Waste Treatment Contract, and a dispute regarding a Borrowing Agreement with our customers. See "Business — Regulatory and Legal Proceedings — Legal Proceedings."

LISTING AND ARRANGEMENT

Reasons for the Listing

We believe that the Listing may provide our Shareholders with more liquidity in our Shares and more opportunities to realize the value of their investment. In addition, we believe that the Listing will enable us to promote our international presence and develop our international business.

Listing Expenses

Our listing expenses mainly comprise of professional fees and other fees. We expect to incur a total of approximately RMB49.2 million of listing expenses in connection with the Listing. During the Track Record Period, we incurred listing expenses of RMB17.5 million, RMB3.6 million and RMB2.0 million in 2020, the nine months ended September 30, 2020 and 2021, respectively, which were charged to our consolidated statements of income. We expect to further incur listing expenses of approximately RMB26.1 million upon the Listing, which will be charged to our consolidated statements of income. The listing expenses we incurred in the Track Record Period and expect to incur would consist of (i) sponsor fee (without underwriting commission) of RMB9.5 million; (ii) PRC financial adviser fee of RMB6.0 million; (iii) legal advisors' fee of RMB24.6 million; (iv) auditors' fee of RMB5.4 million; and (v) other fees and expenses of RMB3.7 million. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

Application for the Listing of our H Shares on the Hong Kong Stock Exchange by way of introduction

Application has been made to the Listing Committee for the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange. Immediately upon the completion of the Listing, all of the 734,720,000 B Shares will, due to the change of the listing venue, be converted into H Shares which will be listed on the Main Board of the Hong Kong Stock Exchange by way of introduction, to be held by: (a) our existing B Shareholders who did not elect the Cash Option; or (b) the Cash Option Provider. The Listing does not involve any offering of new Shares or a public offering of any other securities and no funds will be raised pursuant to the Listing.

Trading Mechanism

Investors trading through PRC securities companies can only place trading instructions in the form of "sell" orders to their relevant PRC securities companies and are not allowed to place the trading instructions in the form of "purchase" orders. Only non-domestically trading overseas investors can place the trading instructions in the form of both "sell" and "purchase" orders.

The Arrangement

Based on the closing price of the B Shares on March 2, 2022 (being the last trading day of the B Shares) of US$1.883, the market capitalization of the 314,570,747 H Shares to be held by the public H Shareholders is expected to be approximately HK$4,637.17 million (based on the exchange rate of US$1 to HK$7.8286). Based on the above, as well as the closing price of A Shares of RMB19.59 on the Latest Practicable Date, the translation of RMB into HK dollars at the rate of RMB1 to HK$1.2327, respectively, the market capitalization of our Company's total issued Shares of 2,096,599,855 Shares is expected to be approximately HK$43,718.18 million.

As at the Latest Practicable Date, the Cash Option Provider holds in total 92,788,469 H Shares (which originated from the 92,788,469 B Shares acquired upon exercise of the Cash Option by the B Shareholders) in its securities account in Hong Kong. Such H Shares are not subject to any lock-up period and can be traded on the Hong Kong Stock Exchange once Listing occurs, representing approximately 12.63% of the total issued B Shares and approximately 4.43% of the total issued share capital of our Company. As at March 18, 2022, in addition to the Cash Option Provider, there were 486 public beneficial B Shareholders with securities accounts opened in Hong Kong with Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong or overseas securities corporations holding in aggregate 51,546,885 B Shares, representing approximately 7.02% of the total issued B Shares and approximately 2.46% of the total issued share capital of our Company. The above public beneficial B Shareholders with accounts opened in Hong Kong holding in aggregate 144,335,354 B Shares, representing approximately 19.64% of the total issued B Shares and approximately 6.88% of the total issued share capital of our Company, and are ready to trade their H Shares on the Hong Kong Stock Exchange upon the commencement of trading of H Shares on the Listing Date. Based on the closing price of B Shares on March 2, 2022 (being the last trading day of the B Shares) of US$1.883, the market capitalization of the B Shares held by the Cash Option Provider in its securities account in Hong Kong, the other public beneficial B Shareholders with securities accounts opened in Hong Kong, and all public beneficial B Shareholders are approximately HK$1,367.82 million, HK$759.87 million, and HK$2,127.68 million, respectively (based on the aforementioned exchange rate). The market capitalization of B Shares held by all public beneficial B Shareholders is (i) above HK$500 million and (ii) already larger than the entire market capitalization of a large number of Hong Kong-listed companies. Therefore, our Company expects that there will be adequate liquidity of H Shares upon the Listing.

General Meetings

After Listing, when the Company convenes an annual general meeting, a public announcement to notify each Shareholder shall be given 20 business days prior to the date of the meeting. When the Company convenes an extraordinary general meeting, a public announcement to notify each Shareholder shall be given the longer of 10 business days or 15 days prior to the date of the meeting. When the Company sets up the duration of notice, both the date of issue and date of convening of meeting shall be excluded.

In this listing document, unless the context otherwise requires, the following expression shall have the following meanings.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
"A Shareholder(s)"	holder(s) of our A Shares
"A Share(s)"	ordinary share(s) issued by our Company in the PRC with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
"Articles of Association" or "Articles"	the articles of association of our Company, the current version of which was adopted by our Shareholders at the extraordinary Shareholders' meeting on September 13, 2021, which will become effective upon the listing of our H Shares on the Hong Kong Stock Exchange, as the same may be amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Company
"B Shareholder(s)"	holder(s) of our B Shares
"B Share(s)"	ordinary share(s) issued by our Company in the PRC with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in U.S. dollars
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CASBE"	China Accounting Standards for Business Enterprises
"Cash Option"	the cash option provided by Cash Option Provider to all our B Shareholders at US$1.945 per B Share under the Implementation Plan

"Cash Option Provider"	Anhui Conch Cement Co, Ltd. (stock code: 914), who provided the Cash Option to all our B Shareholders under the Implementation Plan
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this listing document, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
"Company", "our Company" or "the Company"	Huaxin Cement Co., Ltd. (華新水泥股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on November 30, 1993, listed on the Shanghai Stock Exchange (Stock code: 600801), and, except where the context otherwise requires, includes all of its subsidiaries, or where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"controlling shareholder"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Holcim
"CSDC"	China Securities Depository and Clearing Corporation Limited (Shanghai branch) (中國證券登記結算有限責任公司上海分公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the directors of our Company
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和企業所得稅法》)
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FRC"	the Financial Reporting Council of Hong Kong
"Group", "our Group", "the Group", "we", and "us"	our Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) issued by our Company with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in HK dollars
"H Share Register"	a register of members for H Shares in Hong Kong
"H Share Registrar"	Tricor Investor Services Limited
"H Share Transaction Cost"	the transaction costs of dealings in H Shares on the Hong Kong Stock Exchange, which include a trading fee of 0.005% charged per side of the consideration of a transaction, an SFC transaction levy of 0.0027% charged per side of the consideration of a transaction, a FRC transaction levy of 0.00015% and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.13% each of the consideration of the H Shares transferred
"HK$" or "HK dollars" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"HKSCC"	Hong Kong Securities Clearing Company Limited
"Holcim"	Holcim Limited (previously known as LafargeHolcim Limited), a limited liability company incorporated in Switzerland and our Controlling Shareholder
"Holcim Group"	Holcim and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the same may be amended and supplemented or otherwise modified form time to time
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huangshi State-owned Assets Management"	Huangshi State-owned Assets Management Co., Ltd. (黃石市國有資產經營有限公司), a limited liability company established in the PRC
"Huaxin Cement Plant"	Huaxin Cement Plant (華新水泥廠), the predecessor of the Company
"Huaxin Group"	Huaxin Group Co., Ltd. (華新集團有限公司), a limited liability company established in the PRC, a substantial shareholder of the Company, and is wholly-owned by Huangshi State-owned Assets Management
"Implementation Plan"	the implementation plan in relation to the proposed Listing, the Plan for Transfer of Listing and Trading of Domestically Listed Foreign Shares to the Main Board of The Stock Exchange of Hong Kong Limited by Way of Introduction (《境內上市外資股轉換上市地以介紹方式在香港聯合交易所有限公司主板上市及掛牌交易的方案》), published by our Company on the website of the Shanghai Stock Exchange on August 22, 2020, subsequently revised and published on August 28, 2021 and approved by our Shareholders at the extraordinary general meeting on September 13, 2021, the full text of which is available in Chinese at http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-08-28/600801_20210828_9_bxwlG7Mt.pdf

"Independent Third Party(ies)"	a person or persons or a company or companies that is not or are not our connected person(s)
"Labor Law"	the Labor Contract Law (中華人民共和國勞動合同法) promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and became effective on January 1, 2008
"Latest Practicable Date"	March 14, 2022, being the latest practicable date for ascertaining certain information in this listing document before its publication
"Listing"	the listing of our H Shares on the main board of the Hong Kong Stock Exchange by way of introduction
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date on which dealing in our H Shares commences on the Hong Kong Stock Exchange
"Main Board"	the stock exchange operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM. For the avoidance of doubt, the Main Board excludes the GEM
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on September 29, 1994
"MEP"	Ministry of Environmental Protection of the PRC (中國環境保護部), formerly known as SAEP
"Ministry of Finance"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"National Bureau of Statistics" or "NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"PBOC"	the People's Bank of China (中國人民銀行)
"PRC" or "China"	the People's Republic of China, which for the purpose of this document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Financial Adviser"	Shenwan Hongyuan Financing Services Co., Ltd (申萬宏源證券承銷保薦有限責任公司)
"PRC GAAP"	generally accepted accounting principles applicable in the PRC
"PRC Government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QFIIs"	qualified foreign institutional investors licensed by the CSRC to invest in RMB-denominated shares listed on China's domestic securities exchanges
"Remuneration and Assessment Committee"	the remuneration and assessment committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAEP"	the PRC State Administration for Environmental Protection (中國國家環保總局)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, which was lasted amended and became effective on March 1, 2020, as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as the same may be amended, supplemented or otherwise modified from time to time
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	Share(s) in the share capital of our Company, with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of our Shares
"Sole Sponsor"	Shenwan Hongyuan Capital (H.K.) Limited (申萬宏源融資(香港)有限公司), a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activity for the purpose of SFO
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994

"SSETECH"	Shanghai Stock Exchange Technology Co., Ltd. (上交所技術有限責任公司)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Connect"	Shanghai-Hong Kong Stock Connect (滬港股票市場交易互聯互通機制試點)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the member(s) of the Supervisory Committee of our Company
"Supervisory Committee"	the supervisory committee of our Company established pursuant to the Company Law, as described in Appendix VII — Summary of the Articles of Association
"Track Record Period"	the period comprising the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021
"Transaction Guide"	the transaction guide (《境內操作指南》) complied by the SD&C and published by our Company on May 28, 2014 on the websites of the Shenzhen Stock Exchange and our Company to provide investors with guidance on trading in our H Shares
"U.S." or "United States"	United States of America
"US$" or "U.S. dollars" or "USD" or "United States Dollars"	United States dollars, the lawful currency of United States
"VAT"	value-added tax

The names of companies and entities established in the PRC and the laws and regulations in the PRC have been included in this listing document both in English and Chinese. Unless such companies, entities, laws and regulations have an English name as part of their legal name, all English translations of official Chinese names are for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese name shall prevail.

In this listing document, unless the context otherwise requires, the following terms shall have the following meanings. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"aggregates"	a mixture which generally consists of gravel or crushed stone, that is used as a principal raw material for concrete
"ASP"	average selling price
"BDP capacity"	Best Demonstrated Practices capacity of clinker, represents the highest daily production volume within a selected five consecutive days meeting all of the following criteria multiplied by 310 days: (1) five consecutive days in the previous year; (2) during which our production machines were shut down for no more than 0.5 hour/day; (3) the arithmetic average production volume of these five consecutive days was the highest of the year; and (4) daily production volume of each day of the rest four days was no less than 95% of the highest daily production volume within the five consecutive days. We review our BDP capacity for the year at the end of each year
"blast furnace slag"	a by-product from the production of steel, which is used as inherent hydraulic materials when mixed with Portland Cement
"CAGR"	compound annual growth rate
"cement"	a mixture of clinker, clay, silica and gypsum. It is a fine power which sets to a hard mass when mixed with water as a result of hydration. The term "cement" generally refers to "hydraulic cement"
"cement manufacturer"	a manufacturer that produces cement, regardless of whether it produces other products such as clinker
"clinker"	grayish-black pellets predominantly the size of marbles, which is a main ingredient in Portland Cement and produced largely from limestone, clay and a variety of minerals and iron oxide at high temperatures which consists primarily of hydraulic calcium silicates

"clay"	a natural mineral having plastic properties and composed of very fine particles, moldable when wet and fused into permanent form at very high temperatures
"concrete"	a mixture of aggregates, river sands, cements and water that will harden because of cement's hydration, generally used in the construction industry
"EPC"	engineering, procurement and construction
"fly ash"	the ash by-product of burning coal in thermal power plants, which is used as inherent hydraulic materials when mixed with Portland Cement
"GDP"	gross domestic product
"gypsum"	a mineral consisting of hydrous calcium sulfate that is used as a set-controlling agent when added to soil amendment and in making plaster of Paris
"homogenization"	intensive mixing of mutually insoluble substance or groups of substance to obtain a soluble suspension or constant
"hydration"	a process occurring when water is added to Portland Cement to form hydraulic cement paste, which will generally take place within a period of time that will make the hydraulic cement paste become harder and stronger
"hydraulic cement"	a generic term that includes Portland Cement and other blended cement for specific applications. All hydraulic cement sets and hardens by reacting chemically with water
"kgce/t"	kilogram of consumed standard coal per ton
"kgCO_2"	kilogram carbon dioxide
"kgCO_2/t.cl"	kilogram carbon dioxide per ton of clinker
"limestone"	a sedimentary rock, mainly composed of mineral calcite
"mineral slag"	the vitreous mass separated from the fused metals in the smelting process

"mortar"	a paste formed by the mixture of cement, water and fine aggregate, used for binding construction blocks together or as plaster
"NSP"	new dry process, a new suspension preheater dry process under which the raw materials of cement are preheated and disintegrated before being fed into a rotary kiln where they are chemically changed into clinker
"Ordinary Portland Cement"	a kind of Portland Cement, which hardens quickly and develops a relatively strong initial compressive strength. It is often used for building works which have to be completed within a short period of time
"Portland Cement"	a kind of hydraulic cement which has a higher compressive strength than Ordinary Portland Cement and is used mainly for construction projects which require cement of higher strength
"precast components"	components that can be fabricated from precast concrete, which is pre-mixed and formed into custom made pieces (such as bricks and panels)
"ready-mixed concrete"	concrete that is mixed at local plants and then delivered to the consumer for subsequent setting
"rotary kiln"	a large, cylindrical steel tube which acts as an oven and heats raw materials to produce clinker. The majority of rotary kilns use the new dry process and NSP technology. Rotary kilns are more fuel-efficient and less pollutive than vertical kilns.
"sandstone"	a sedimentary rock formed mainly of quartz grains of sand size, cemented with aluminosilicates or iron compounds or both
"setting"	the process for producing concrete whereby cement is mixed with water and the resulting paste hardens by hydration into a rigid solid
"Setting Time"	the time for setting to complete
"silo"	warehouse for storage of cement in transit
"ton" or "tons"	metric ton, equivalent to 1,000 kilograms

"vertical kiln"	a vertical cylindrical device used for sintering, burning or drying raw materials. Vertical kilns employ an older technology than rotary kilns. They have lower production efficiency and do not normally produce high quality clinker
"%"	per cent
"‰"	per mille
"‱"	per ten thousand

This listing document includes forward-looking statements. All statements other than statements of historical facts contained in this listing document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward- looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our ability to successfully implement our business plans and strategies;
- the actions and developments of our competitors;
- our future capital needs and capital expenditure plans;
- general political and economic condition in China;
- our ability to identify and integrate suitable acquisition targets;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the mainland China and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this listing document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this listing document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this listing document might not occur. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set out in this section.

You should carefully read and consider all of the information in this listing document, including the risks and uncertainties described below. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of the H Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your investment.

You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which in some respects may differ from those prevailing in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, see "Regulatory Overview."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are susceptible to the cyclical nature of the macroeconomy, the level of fixed assets investment in the PRC as well as the global economic and financial markets.

Our operating income is impacted to a significant extent by economic conditions in China and globally, as well as by economic conditions specific to our business. The global economy, markets and levels of investment by business entities are influenced by many factors beyond our control.

In recent years, the global economic environment has been increasingly complex and severely disrupted. Global economic growth has slowed down and there continues to be uncertainty as to the global economy in general. In addition, the global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near-failure of a number of institutions in the banking and insurance industries. There remain uncertainties over geopolitical issues, which may result in or intensify potential conflicts in relation to territorial, regional security and trade disputes. These and other related events have had a significant impact on the global credit and financial markets.

As the prospect of the PRC economy is uncertain, the GDP growth of the PRC has slowed down in recent years. In 2018, 2019 and 2020, China's annual real GDP growth rate was 6.7%, 5.8%, and 2.3%, respectively. We primarily produce and sell building materials such as cement, clinker, concrete and aggregate. We operate our business mainly in the PRC, and we have formed major cement production bases and regional sales markets in Hubei, Hunan, Sichuan, Chongqing, Yunnan, Guizhou, Henan, Guangdong and Tibet. Our customers mainly include industrial enterprise customers who generally use our products for further industrial production processes, key project customers who generally are state-owned or state-controlled companies engaged in construction projects, civilian construction customers who are primarily private property developers and construction enterprises, and distributors. Therefore, the demand for our products is strongly correlated with the macroeconomy and the level of fixed assets investment in the PRC, especially the level of investment in infrastructure and real estate. Such can be significantly affected by any material changes in GDP and its growth rate, PRC government policies, mortgage rates, interest rates, inflation, unemployment rates, demographic trends and other relevant national and regional economic factors and conditions. In recent years, due to the slowdown in macroeconomic growth, the growth rate of fixed asset investment across the PRC markets has also shown a downward trend. These and other issues resulting from the global economic slowdown, the financial market turmoil and decrease in fixed asset investment levels in the PRC have adversely affected, and may continue to affect adversely, the PRC market and consumption capacity in this market, which may lead to a decline in the general demand for our products and in prices of our products. As a result, our business, financial condition and results of operations may be adversely affected.

We may not be able to continue to grow at a rate comparable to our historical growth rates or at all, and we may have difficulty managing any future growth.

Our business grew significantly during the Track Record Period. Our operating income increased from approximately RMB27,466.0 million in 2018 to approximately RMB29,356.5 million in 2020. The increase in our operating income was mainly due to the increase in sales volume and ASP of our products led by the changes in market supply and need, primarily attributable to the implementation of the supply-side structural reform and strengthened environmental protection regulation.

However, our operating income decreased by approximately 6.6% from RMB31,439.2 million in 2019 to RMB29,356.5 million in 2020, primarily due to the decrease in the sales volume and the ASP of our cement product, which was primarily attributable to the decrease in the overall economic activity that was caused by the COVID-19 pandemic. We may not be able to grow at a rate comparable to our historical growth rates or at all. Our operating income and profitability may be affected by a variety of factors, such as the economic conditions and the level of activity and growth in the construction industry in the regional markets in which we operate, as well as our ability to continue to manage our expansion and growth. For example, our plan to expand capacity in certain markets may involve our construction of additional production lines, selective acquisitions of other companies and strategic investments, which may strain our managerial, operational, technical and financial resources. As a result, we may not be able to manage such growth in a cost-effective manner. Failure to effectively manage our growth could have a material adverse effect on our business, results of operations and financial condition, and could jeopardize our ability to achieve our business strategies and maintain our market position.

Our cement and clinker business segment contributes significantly to our total gross profit, and significant fluctuations in cement prices may materially and adversely affect our overall profitability.

Cement and clinker prices fluctuated significantly during the Track Record Period. For the years ended December 31, 2018, 2019, and 2020 and for the nine months ended September 30, 2020 and 2021, the average selling price per ton of our cement was approximately RMB340.0, RMB356.8, RMB331.1, RMB333.9 and RMB317.9, respectively. For the same periods, the average selling price per ton of our clinker was approximately RMB282.9, RMB287.1, RMB282.9, RMB276.4 and RMB297.2, respectively. See "Business — Products and Services — Cement and Clinker." Increase in cement and clinker prices is one of the main drivers for the growth of our operating income and gross profit during the Track Record Period.

Our cement business segment contributes significantly to our total operating income and gross profit. For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, respectively, the operating income generated from our cement and clinker business segment was approximately RMB23,884.2 million, RMB27,259.3 million, RMB24,944.9 million, RMB17,428.0 million and RMB17,900.7 million, accounting for approximately 87.0%, 86.7%, 85.0%, 85.4% and 79.7% of our total operating income, respectively; during the same periods, the gross profit of our cement and clinker business segment was approximately RMB9,664.1 million, RMB11,249.0 million, RMB10,029.6 million, RMB6,953.4 million and RMB6,113.1 million, respectively, accounting for approximately 88.7%, 87.8%, 84.2%, 84.5% and 74.6% of our total gross profit, respectively.

Cement prices may continue to experience significant fluctuations in the future due to changes in the supply and demand of cement products in our existing and future markets, and our profitability and results of operations may be materially and adversely affected as a result.

Our business and results of operations may be adversely affected by any increase in the prices of coal and electricity or by shortages of coal and electricity supplies.

We use a substantial amount of coal and electricity in our production process, especially for clinker and cement. Accordingly, any shortage or interruption in the supply of coal or electricity could disrupt our operations and increase our costs, and any increase in coal or electricity prices could increase our operating costs. Failure to pass such increases effectively to our customers would reduce our profitability.

For the years ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2020 and 2021, our cost of coal as a percentage of our total operating costs was approximately 32.5%, 31.3%, 31.7%, 31.7% and 34.6%, respectively. The pricing of coal in our supply agreements is directly linked to market prices, so we bear the risk of coal price fluctuations. Our average purchase price of coal was approximately RMB737.7 per ton, RMB697.2 per ton, RMB665.2 per ton, RMB656.0 per ton and RMB838.3 per ton for the same periods. Our average purchase price of coal in the fourth quarter of 2021 was approximately RMB1,409.9 per ton. We cannot predict future price trends for coal, or the degree of any volatility. An interruption of coal supply or increase in the price of coal could have a material adverse effect on our business, results of operations and financial condition.

For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, our cost of electricity as a percentage of our total operating costs was 15.5%, 15.1%, 15.7%, 16.0% and 13.8%, respectively. Electricity prices for industrial enterprises are generally regulated by the PRC government. Our average purchase price per KWh for externally sourced electricity was approximately RMB0.52 per kWh, RMB0.53 per kWh, RMB0.52 per kWh, RMB0.52 per kWh and RMB0.52 per kWh for the same periods. Our average purchase price per kWh for externally sourced electricity in the fourth quarter of 2021 was approximately RMB0.55 per kWh. Although electricity prices remained stable during the Track Record Period, we cannot predict future price trends for electricity, or the degree of any volatility. An interruption in the electricity supply or an increase in the electricity price could have a material adverse effect on our business, results of operations and financial condition.

From June 2021, many provinces across China have imposed power brownouts mainly due to high prices and shortage in supplies of coals which are the main materials for coal-based electricity generation. This will, in turn, affect our production volumes. From June 2021 to the Latest Practicable Date, approximately 18 of our production facilities experienced suspension of production due to limited electricity as required by local governments for approximately 8.8 days in average, and the production volume of such facilities if no suspension happened was approximately 516,696 tons of cement. However, the impact of such decrease in production volume was offset by an increase in sales prices. As of the Latest Practicable Date, the electricity power shortage had not materially and adversely affected our business, results of operations and financial conditions. As of the Latest Practicable Date, we had not experienced any difficulty in obtaining an adequate supply of coals. However, we cannot assure that we will not experience any shortages of coal and in electricity supplies, or any such shortages will not have a material adverse effect on our business, results of operations and financial condition.

On October 11, 2021, the NDRC published a notice in respect of the marketization reforms of coal-based electricity prices. This may affect the cement industry because the electricity cost will increase when there is an electricity shortage especially in heating seasons. We cannot assure that we will not experience any shortages in electricity supplies, or any such shortages will not have a material adverse effect on our business, results of operations and financial condition.

If our suppliers stop granting us favorable credit terms or shorten the credit terms granted to us, our liquidity position and financial condition may be adversely affected.

We experienced an increase in our accounts payables and turnover days of accounts payables during the Track Record Period. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our accounts payables amounted to RMB3,789.3 million, RMB5,120.9 million, RMB5,297.6 million and RMB6,563.2 million, respectively, representing approximately 37.3%, 56.7%, 45.7% and 57.4% of our total current liabilities, respectively. Our accounts payables turnover days remained stable in 2018 and 2019. Our accounts payables turnover days increased from 87.3 days in 2019 to 109.0 days in 2020, primarily due to the growth rate of accounts payables being faster than the growth rate of operating costs. Our accounts payables turnover days remained relatively stable at 109.0 days in 2020 and 112.0 days in the nine months ended September 30, 2021. We cannot assure you that we will continue to successfully negotiate and obtain favorable credit terms from our suppliers, as the credit terms granted by suppliers may be influenced by a number of factors that are beyond our control, such as the financial performance and position of our suppliers, the raw material prices, energy prices and general economic conditions. In addition, there is no guarantee that our suppliers will maintain such credit terms granted to us in the future. If we could not continue to obtain favorable credit terms from our suppliers, or our suppliers shorten the credit period granted to us, our liquidity and business operation may be adversely affected.

Our industry is subject to stringent regulations by the PRC government, and our business and results of operations may be adversely affected by changes in the policies and regulations of the PRC government, particularly those relating to our industry.

Cement producers in the PRC are subject to extensive laws, regulations and policies. Various PRC government authorities, including, but not limited to, the Ministry of Natural Resources, the Ministry of Ecology and Environment, the State Administration for Market Regulation and the Ministry of Housing and Urban-Rural Development of the PRC are empowered to issue and implement regulations governing various aspects of cement and concrete production and excavation activities of raw materials. In addition, we are required to maintain certain licenses and permits for our excavation activities and operations in China. If the interpretation of existing laws and regulations changes, or new regulations require us to obtain any additional licenses, permits or approvals, we cannot assure you that we will successfully obtain such licenses, permits or approvals in a timely manner, or at all. If we are not able to meet all the licensing conditions or the regulatory requirements, our business, results of operations and financial condition could be materially and adversely affected.

We conduct most of our operations in the PRC. For the year ended December 31, 2020 and for the nine months ended September 30, 2021, approximately 93.9% and 91.4%, respectively, of our operating income derived from the PRC markets. In recent years, the competent authorities and the PRC Cement Association have issued a series of policies regarding capacity constraints on the cement industry, restricting new production capacity and eliminating outdated production capacity, such as Guiding Opinions of the State Council on Resolving the Contradiction of Serious Overcapacity (國務院關於化解產能嚴重過剩矛盾的指導意見) and Notice of Information and Technology Ministry and Environmental Protection Ministry on Further Peak Shifting Production of Cement (工業和信息化部環境保護部關於進一步做好水泥錯峰生產的通知). In general, such policies had positive impacts on the industry as during the five years from 2015 to 2020, production volume of cement maintained approximately 2,300 to 2,400 million tons per year, according to National Bureau of Statistics and China Cement Association, while the overall profit level in the industry increased significantly due to industrial structural changes. As we have strictly followed relevant laws and regulations, our financial condition and results of operations were basically in line with industry trend of relatively stable production volume of cement and increasing profitability. Under the strict implementation of policies relating to environmental protection and production capacity constraints, the excessive growth of production capacity in the PRC cement industry has been effectively curbed. However, if the issue of cement production overcapacity in the PRC cement industry has not been fundamentally resolved, the overall overcapacity may lead to a fall of the price of cement products, which will place greater pressure on our production and operations.

We are subject to risks relating to low utilization rate of our production facilities.

We increased production capacity during the past few years through successive completion of production facilities and the integration of acquired resources. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our utilization rates of cement production facilities were approximately 65.4%, 67.5%, 63.0%, 60.8% and 63.0%, respectively, while utilization rates of clinker production facilities were approximately 87.3%, 84.8%, 82.6%, 81.8% and 83.3%, respectively. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, utilization rates for our self-operated concrete batching plants were approximately 18.6%, 22.7%, 18.4%, 17.3% and 22.9%, respectively, and utilization rates for our aggregate production facilities were approximately 61.6%, 46.6%, 47.0%, 42.6% and 55.9%, respectively. However, such relatively stable utilization rates of production facilities in the past do not necessarily indicate similarly high utilization rates in the future. If utilization rates for our production facilities decreased in the future, our business and profitability may be adversely affected. Low utilization rates may also affect our ability to achieve satisfactory or sustainable returns from our investments in the development or expansion of our production facilities as expected.

We may not be able to renew our existing mining rights upon their expiry or secure additional mining rights on favorable terms, or the rate of resource tax that we are required to pay may increase.

Under the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), all mineral resources in China are owned by the state. We are required by the law to obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area for a specified term. As of September 30, 2021, we held mining rights over approximately 2,571 million tons of aggregate limestone. See "Business — Production Raw Materials — Limestone." We cannot assure you that we will be able to renew our existing mining rights once the existing rights expire or secure additional mining rights on favorable terms or at all. Further, we may apply for additional mining rights to limestone quarries in the future. As market competition intensifies and the PRC government stipulates more stringent requirements for applicants' qualifications, we may incur high costs in obtaining mining rights or may not obtain them at all. Our operations and expansion could be adversely affected if we fail to renew our existing mining rights or secure additional mining rights. In addition, our mining rights are subject to annual review by local governmental departments in charge of land and resources where we operate our quarries. We cannot assure you that we will pass the annual reviews in the future, and any failure to do so may result in fines imposed on us or disruptions in our normal business activities.

Furthermore, we are required to pay resource tax to the local governments for our mining activities. For the years ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2020 and 2021, we paid resource taxes of approximately RMB119.6 million, RMB137.7 million, RMB183.0 million, RMB115.7 million and RMB198.0 million, respectively. If the resource tax rate increases in the future, our results of operations and financial condition could be materially and adversely affected.

Our results of operations rely heavily on the performance of the cement industry in the PRC. The intense competition and continuing overcapacity may adversely and materially affect our business and profitability.

Cement and clinker business is the main source of our operating income. For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, operating income from our cement and clinker business segment was approximately RMB23,884.2 million, RMB27,259.4 million, RMB24,944.9 million, RMB17,428.0 million and RMB17,900.7 million, respectively, accounting for 87.0%, 86.7%, 85.0%, 85.4% and 79.7%, respectively, of our total operating income. Although we have vigorously developed other business segments, such as environmental protection business and the high-technology construction materials business in recent years, those businesses did not form a material portion of our operating income for us during the Track Record Period. Therefore, our financial performance will continue to rely on our production and sales of cement and clinker products.

The cement and clinker industries in which we operate are intensely competitive and price sensitive, and we face significant competition with large-scale cement companies in the PRC. During the last decade, under the guidance of national industrial policies, the cement industry in China has witnessed restructuring and integration of various players in this industry. The number of small-scale cement companies with outdated technology gradually decreased, while large cement enterprises expanded their cement production capacity through construction of new facilities and restructuring of existing production capacity. The advantages of economies of scale and pricing power of large companies in the industry have gradually emerged and, since then, the cement industry has transitioned from a state of disorderly competition to orderly competition and is now dominated by a few large enterprises. We compete directly with these and other competitors for customers, raw materials, energy resources and distribution networks. We compete primarily on the basis of the price of our products, the quality and variety of product offerings, access to resources, sales and marketing and production capacity and efficiency. Some of our current and potential competitors may have better brand recognition in the markets in which they operate, more competitive pricing or greater financial, technical or marketing resources than we do. As a result, we may fail to compete successfully against our competitors, which, in turn, could materially and adversely affect our business, results of operations and financial condition.

In addition, the cement industry in the PRC experienced overcapacity in recent years. Therefore, according to CIC Report, annual average price of cement increased rapidly, and production volume of cement in the PRC decreased during 2016 to 2018 as responses to the national polices for solving overcapacity issue in cement industry. From 2019, both annual average price of cement and production volume of cement in the PRC remained relatively stable. As we have strictly followed relevant laws and regulations, our financial condition and results of operations were basically in line with industry trend. However, overcapacity in cement industry remains unsolved.

Therefore, due to the continuing overcapacity in the cement industry in recent years and increasingly fierce market competition, we bear the risk of business concentration and our profitability and business operations may be adversely affected if any adverse changes occur in the cement industry in the PRC.

Any failure to comply with the environmental laws and regulations in China could result in adverse publicity, significant monetary damages and fines, and even suspension of our business operations.

As the production of cement is regarded as a relatively polluting industry in the PRC, the PRC government has adopted a series of environmental policies and regulations to reduce the adverse environment impacts of the cement industry. Failure to comply with these policies and regulations may subject us to penalties, fines, administrative sanctions, proceedings and/or suspension of production or cessation of our operations or revocation of our licenses or permits to conduct our business. During the Track Record Period, we have received rectification requests from relevant governmental departments concerned with environmental protection, some of which imposed administrative penalties on us, mainly relating to operation before obtaining relevant licenses and permits or filing, and improper emission of pollutants. We have made rectifications as required. As of the Latest Practicable Date, we had not received any objections or follow-up comments on the rectification measures we took from relevant governmental departments. During the Track Record Period, the aggregate administrative penalties we received in relation to such rectifications was RMB4,747,700.0. As of the Latest Practicable Date, considering that the aggregate amounts of administrative penalties we received did not have material adverse impact on our results of operations and we did not receive any objections or follow-up comments from the governmental departments on our rectifications, the related rectification measures and administrative penalties do not have a material and adverse effect on our production and operations. With the PRC's increasing emphasis on environmental protection, the central and local governments may formulate stricter environmental protection standards in the future. The implementation of more stringent laws and regulations or stricter interpretation of the existing laws and regulations may incur additional compliance costs, which may adversely affect our business, financial condition and results of operations.

We are subject to health and safety laws and regulations in China, and any failure to comply could adversely affect our operations.

We are required to comply with the applicable production safety standards in relation to our production processes. Our production plants and the facilities we use are subject to regular inspections by the regulatory authorities for compliance with the Safe Production Law of the PRC (《中華人民共和國安全生產法》). Furthermore, under the PRC Labor Law (《中華人民共和國勞動法》) and Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), we must ensure that our facilities comply with the PRC standards and requirements on occupational health and safety conditions for employees. We also provide our employees with labor safety training, necessary protective tools and facilities, and regular health examinations for those who are engaged in work involving risks of occupational hazards. Nevertheless, failure to meet the relevant legal requirements on production safety and labor safety could subject us to warnings from relevant governmental authorities and governmental orders to rectify non-compliance practices within a specified period, or fines. We may also be required to suspend our production temporarily or cease our operation permanently for significant non-compliance, which would have a material adverse effect on our business, results of operations and financial condition.

We currently receive certain PRC government tax incentives and VAT refunds. Expiration of, or unfavorable changes to, these tax incentives and VAT refunds could adversely affect our results of operations and financial condition.

We benefited from preferential government tax policies, such as certain enterprise income tax exemptions, during the Track Record Period. In addition, pursuant to the Notice on Issuing the Catalog of Preferential Value-added Tax Policies for Products and Labor Services Involving Comprehensive Utilization of Resources* (關於印發《資源綜合利用產品和勞務增值稅優惠目錄》的通知) (Caishui[2015]No. 78) promulgated by the Ministry of Finance and the State Administration of Taxation, certain of our subsidiaries are identified as comprehensive resource utilization enterprises, and hence are entitled to the preferential tax treatment of a VAT refund upon collection with a tax refund rate of 70%. For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, our VAT refunds amounted to approximately RMB183.9 million, RMB170.4 million, RMB137.8 million, RMB101.4 million and RMB68.9 million, respectively, representing 71.6%, 70.6%, 57.6%, 59.13% and 47.5% of our other income during the same periods, respectively.

Although these tax incentives are currently in effect and we are not aware of any intention of the PRC government to discontinue the same, there is no assurance that they will be available on the same terms or at all in the future. If such tax incentives or refunds expire or change unfavorably, it may adversely affect our business, financial condition and results of operations.

We may be unable to identify suitable acquisition targets, any acquisition or strategic investments we undertake could be difficult to complete, and any such acquisition could be difficult to integrate or manage or otherwise may not be successful.

We have undertaken, and will continue to undertake, selective acquisitions or strategic investments in order to expand our business and production capacity, increase our market share and strengthen our market position. In the future, however, we may not be able to identify suitable acquisition or investment targets, or even if we do identify suitable targets, we may not be able to complete such transactions on terms acceptable to us or at all, or we may fail to obtain the required governmental and other approvals for such acquisitions or investments. The inability to identify suitable acquisition or investment targets or the inability to complete such transactions may adversely affect our competitiveness or growth prospects. Acquisitions involve risks, including challenges in retaining personnel, risks and difficulties associated with integrating acquired businesses and diversion of management's attention and other resources. In addition, acquisitions may result in the incurrence of additional debt and other liabilities, assumption of potential legal liabilities in respect of the acquired businesses and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our results of operations and financial condition. In particular, if any of the acquired businesses fail to perform to the level that we previously expected, we may be required to recognize a significant impairment charge, which may materially and adversely affect our results of operations. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any acquisition, the desired level of operational synergy or our investment return target.

The outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects.

Beginning in December 2019, an outbreak of COVID-19 emerged and quickly spread around the world in the following months. COVID-19 is considered highly contagious and may pose a serious threat to the health and well-being of the public. The World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern on January 30, 2020 and later characterized it as a global pandemic. The COVID-19 pandemic has resulted in economic slowdown, closure of businesses, country and city lockdowns and reduction in international trade, traveling and business activities around the world. As of the Latest Practicable Date, the outbreak of COVID-19 had spread to over 100 countries around the world and had yet to be fully contained. There remained substantial uncertainties as to how the COVID-19 pandemic would develop.

Since the outbreak of COVID-19, the PRC government has implemented numerous measures to contain the pandemic, including quarantine of infected and suspected cases, lockdown of cities with high risks of infection, cancelation of trains and flights and other travel restrictions, and restrictions on resumption of business and traffic control between cities and provinces. Our Directors and management team have been closely monitoring the outbreak of COVID-19, and are constantly assessing its actual and potential impact on our business and results of operations. We have been actively adopting countermeasures to mitigate the impact of the COVID-19 outbreak on our operations, including, but not limited to, flexible work-from-home practices and procurement of supplies for pandemic prevention and control for our employees. The COVID-19 pandemic resulted in wide-scale economic disruptions to business activities in China during this period, and our customers, our suppliers and third-party logistics service providers were also impacted. Despite the timely contingency measures we have adopted, our business, financial condition and results of operations for the full fiscal year of 2020 were adversely affected by the COVID-19 outbreak.

The extent to which COVID-19 may further impact our results of operations in the future will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain or treat its impact. In addition, we cannot foresee whether the outbreak of COVID-19 will be effectively contained worldwide, nor can we predict the severity and duration of its impact. If the outbreak is not controlled in an effective and timely manner, our business operations and financial condition may be materially and adversely affected due to deteriorating market outlook and sentiments, slowdown in national and global economic growth, weakened financial condition of our customers, or other factors that we cannot foresee. If the spread of COVID-19 in overseas jurisdiction cannot be contained in time, our business activities and implementation of expansion strategies outside China could also be disrupted.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including COVID-19, avian influenza, Severe Acute Respiratory Syndrome ("SARS"), H5N1 influenza, H1N1 influenza or H7N9 influenza, may adversely affect our business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may, in turn, adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and drought in the past few years. For example, in early June 2020 and late July 2021, heavy rains caused by regional rainy seasons led to floods affecting areas of southern China and Henan, respectively. In addition, some of our production facilities and sales markets are distributed in earthquake intensity zones, such as Yunnan, and may be adversely affected in terms of production and transportation by earthquakes. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and, in turn, our business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of coronavirus, avian influenza, SARS, H5N1 influenza, H1N1 influenza, H7N9 influenza, COVID-19 or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt our operations or our customers, which may have a material adverse effect on our Group's results of operations.

We may not be able to adequately protect our intellectual property rights, and we may be exposed to intellectual property infringement or misappropriation claims.

We rely on the PRC intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights. Our brand name and trademarks are important to our business. Our cement products are principally sold under the trademarks "華新堡壘" (Huaxin Castle) and "華新師傅" (Huaxin Master). As of September 30, 2021, we had obtained 49 invention patents, 75 utility model patents, two design patents, 139 trademarks and 40 software copyrights. For details, see "Business — Intellectual Property." Any unauthorized use of our brand names, trademarks, patents and other intellectual property rights by third parties or tarnishing of the same by other companies could adversely affect our business, reputation and market position.

However, we cannot assure you that the measures we take to protect the brand names, trademarks and other intellectual property rights will be sufficient. In addition, as the laws governing intellectual property rights in the PRC and the relevant interpretation thereof may change in the future, our existing measures in place may not be effective, and we may need to adjust our strategies for protection of our intellectual property rights. If we are unable to adequately protect our brand names, trademarks and other intellectual property rights, our business, results of operations and financial condition could be materially and adversely affected.

On the other hand, third parties may claim that the technology used in our production process or trademarks on our products infringe upon their intellectual property rights. The possibility of intellectual property claims against us increases as we continue to grow, particularly internationally. Such claims, whether or not having merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in the number of third parties whose sole or primary business is to assert such claims.

Managing our working capital prudently is crucial to the success of our business and an inadequate management of working capital may adversely affect our results of operations and financial condition.

Our business operation and development may require significant capital expenditures. In particular, we have been actively pursuing merger and acquisition activities in the domestic cement market and developing our overseas business. By investing in overseas factories or acquiring foreign enterprises, we expand to overseas markets to achieve new profit growth. In addition, we continually invest in other areas such as aggregate, environmental protection business, digitalization and technological transformation. All such strategic plans require significant capital investment. As such, our ability to ensure sufficient amounts of working capital can be material to our future success.

While we recorded positive net cash from operating activities in 2018, 2019, 2020 and the nine months ended September 30, 2021, we cannot assure you that we will be able to continue to do so in the future, or that our net cash from operating activities will increase as expected. During the Track Record Period, we also funded our working capital from borrowings, which depend on a variety of factors that are beyond our control.

Prudent management of working capital requires timely payments of our short-term indebtedness and securing of new loans on favorable terms; timely payments or renegotiation of our payment terms for our trade payables; timely collection of trade receivables; utilization of banking facilities in an efficient manner; and establishment and execution of accurate and feasible budgets for our business operations. There is no assurance that we will be able to manage our working capital effectively. Should we fail to implement adequate sufficient internal control procedures and management systems to manage our working capital and financing resources, we may have trouble maintaining our existing business operation, implement expansion strategies, meet repayment obligations under financing agreements with banks as well as obtain new financing, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations are subject to seasonal fluctuations in demand for our cement products as weather conditions may affect the level of construction activities.

The demand for our cement products is subject to seasonality as weather conditions (such as drought, heavy or sustained rainfall) can affect the level of activities in the construction industry. We generally record lower sales volume in winter when construction activities in some areas of our markets are slow due to the cold weather. In addition, affected by Chinese New Year, construction activities are generally at a lower level during the period from January to March than at other times during the year. As a result of the seasonal fluctuations, our quarterly results may not be indicative of our business and financial performance for the year as a whole. Adverse weather conditions can affect the level of construction activities and lead to a decline in demand for our products. Climate conditions that are unusually severe or intense, or those which occur at abnormal times (especially during the peak periods for construction activities) or last longer than usual could have an adverse impact on our business, financial condition or results of operations.

We are susceptible to the cyclical nature of the cement industry.

Demand for cement is both seasonal and cyclical. Given the overcapacity of the cement industry in the PRC, the annual average price of cement in the PRC fluctuates correspondingly to its supply and demand; while its monthly prices correlate to the seasonality by quarter due to cement consumption patterns in China, which, in turn, are related to construction activities. Due to the downturn in the macroeconomy, the national annual average price of cement experienced a downward trend in 2014. Because of the decline in demand in 2015, the national annual average price of cement remained at a low level in that year. According to the CIC Report, with the implementation of industry-wide supply-side structural reform and the strengthened supervision of environmental protection, the inventory for domestic cement supply dropped to a low level in the PRC, which has boosted the national annual price of cement between 2016 and 2018. In recent years, the cement industry has realized a dynamic balance of supply and demand which has caused the price of cement to recover. Because we are susceptible to the cyclical nature of the cement industry, fluctuations in the cement price may have an adverse effect on our business and financial condition.

We utilize distributors to market and promote our products and services and generate a large portion of revenue from our distributors. If we are unable to develop and maintain successful relationships with our distributors, our business, operating results, and financial condition could be adversely affected.

Although most of our cement products are sold through our network of distributors, we also rely on direct selling and e-commerce platforms to sell cement products to end-customers. As of September 30, 2021, we had 2,721 distributors. Our relationship with these distributors may or may not continue, which could cause interruptions to the supply of our products to end-customers. For details of the movement of our distributors during the Track Record Period, see "Business — Sales and Marketing — Our Distributors." For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021, our operating income of cement and clinker from distributors was approximately RMB15,289.0 million, RMB18,265.0 million, RMB17,968.7 million and RMB11,864.8 million, respectively, representing approximately 64.0%, 67.0%, 72.0% and 66.3% of our total operating income, respectively.

If a distributor for any particular market ceases to cooperate with us for any reason and we fail to identify additional distributors in a timely and cost-effective manner, or at all, or are unable to assist our current and future distributors in independently selling and marketing our products and services, our business, results of operations and financial condition could be adversely affected.

In certain instances, our distributors may further enter into agreements with their sub-distributors, and we normally do not directly establish relationships with the sub-distributors. Accordingly, we generally have limited control over the sub-distributors and we rely on our distributors to manage and control the sub-distributors. In the event our distributors fail to effectively manage their sub-distributors, competition among such sub-distributors may result in cannibalization within our sales channels, which may have an adverse effect on our business, results of operations and financial condition.

Our offshore operations are subject to economic and political uncertainties in overseas markets.

We have been expanding our operations in overseas countries and regions, including some underdeveloped countries and regions. For example, as of September 30, 2021, we operated integrated cement production plants in five countries outside China, namely Tajikistan, Uzbekistan, Kyrgyzstan, Cambodia and Tanzania. Our business is therefore subject to changes in international economic and political conditions. If the political conditions of the overseas geographical areas where we operate deteriorate, or other political or military turmoil occurs, our overseas business may face geopolitical risks which may adversely affect the smooth operation of our overseas business. As a result of our overseas operations, we are exposed to various risks associated with conducting business in foreign countries and regions that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflicts, regional and global political or military tensions and strained or altered foreign relations;
- abrupt changes in foreign government regulations or policies;
- stringent obligations and limitations imposed by local laws and regulations, such as for the purpose of environmental protection, health and safety;
- expropriation and nationalization of our assets in foreign countries;
- natural disasters;
- inflation;
- currency value fluctuations and conversion restrictions;
- tax increases, confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;

- government activities that may result in the deprivation of contract rights;
- government activities that may result in the inability to obtain or retain licenses required for operations;
- delays in receiving requisite approvals, licenses, permits or qualifications;
- competition from other international large-scale cement companies;
- adverse labor conditions;
- negative media and investor attention focused on us;
- the cyclical nature of demand in international construction markets; and
- lack of a well-developed or independent legal system in the foreign countries in which we have overseas operations, which may create difficulties in the enforcement of contractual rights.

As our overseas operations are susceptible to changes in the overseas countries' respective local economic, political and regulatory environments as well as changes in the global economy, a variety of factors, many of which are beyond our control, could significantly affect the profitability and growth of our operations. Any slowdown in the global economy could result in reduced infrastructure development which could, in turn, affect our overseas operations. In addition, we may be required to deploy management resources and personnel to high-risk areas where our overseas projects are located. As such, we may incur substantial costs to implement safety and security measures to protect our personnel and assets. Such measures may not always be adequate. Our level of exposure to certain risks varies with respect to each project and is dependent on the particular work stage of each project. Any of the above factors could lead to, amongst others, project disruptions, losses of personnel and assets and other indirect losses, which could harm our international business operations, overall financial condition and profitability.

We are subject to credit risk related to delay in payment and defaults of customers. Any significant delay in payment or default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.

We are exposed to credit risk related to defaults of our various customers. As of December 31, 2018, 2019, 2020 and September 30, 2021, our accounts receivables were RMB524.5 million, RMB561.9 million, RMB653.2 million and RMB1,397.7 million, respectively. The increase was primarily due to an increase in our sales of cement and concrete products during the Track Record Period. As of January 31, 2022, 49.1% of the accounts receivables aged over six months as of September 30, 2021 had been settled. In addition, we had notes receivables of RMB1,548.9 million, RMB97.7 million, RMB79.9 million and RMB556.3 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. We had financing with receivables of nil, RMB1,308.8 million, RMB1,020.3

million and RMB526.4 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. The decrease of notes receivables and increase of financing with receivables in 2019 were primarily attributable to the change of classification of bank acceptance bills balance. See "Financial Information — Selected Statement of Balance Sheet Items" for more information. Although we have adopted a series of strict management measures, we may not be able to collect all such trade receivables due to a variety of factors that are outside of our control. If the relationship between us and any of our customers is terminated or deteriorated, or if any of our customers experience financial difficulties in settling the trade receivables, our corresponding trade receivables might be adversely affected in terms of recoverability. Our trade receivables balance may continue to grow alongside our business expansion, which may increase our risks for uncollectible receivables. If we are unable to collect our trade receivables from our customers, our business, financial condition and results of operation may be materially and adversely affected.

Significant impairment losses for fixed assets could materially impact our financial position and results of our operations.

Our fixed assets comprise buildings, machinery and equipment, office equipment and motor vehicles. Impairment of fixed assets may be triggered by developments outside of our control, such as worsening economic conditions, technological change, intensified competition or other factors resulting in deleterious consequences. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the book value of our fixed assets was RMB16,118.9 million, RMB16,718.1 million, RMB19,185.6 million and RMB19,878.6 million, accounting for 48.6%, 45.6%, 43.7% and 41.8% of the total assets respectively. If we are required to write down all or part of our fixed assets, our business, financial condition and results of operations may be materially and adversely affected.

We may be exposed to risks associated with our prepayments and other receivables.

During the Track Recored Period, we made prepayments to our suppliers primarily for purchases of coal and as construction project deposits. As of December 31, 2018, 2019, 2020 and September 30, 2021, the balance of our prepayments to suppliers was RMB323.7 million, RMB258.8 million, RMB378.6 million and RMB540.4 million, respectively, mainly representing our prepayments for coal. In light of the fluctuations in market prices of coal, we have adjusted our amount of purchase accordingly, and may continue to do so in the future. However, If the price of coal continues to surge, we may be subject to price pressure and may incur more costs on fuel than we expected. In addition, we cannot guarantee that our suppliers will meet their obligations in a timely manner. If our suppliers fail to provide us with materials and services on a timely basis or at all, we may be exposed to the risk of prepayment defaults and impairment losses related to prepayments. This could, in turn, have a material adverse effect on our business and financial condition, and we cannot assure you that we will not incur any material impairment losses in the future. Moreover, any material adverse change in the business, results of operations or financial condition of these suppliers could expose us to the risk of prepayment defaults and adversely affect us.

Our other receivables represent (i) interest receivable, (ii) dividends receivable and (iii) other receivables such as advances or loans to third-party companies and deposits. As of December 31, 2018, 2019, 2020 and September 30, 2021, the balance of our other receivables was RMB375.4 million, RMB486.0 million, RMB375.3 million and RMB369.6 million, respectively, mainly representing the deposits we pay for equity investments, biddings, projects and land auctions, see "Financial Information — Selected Statement of Balance Sheet Items — Net Current Assets — Other receivables." We did not experience any material impairment loss during the Track Record Period. However, we may not be able to collect all such other receivables due to a variety of factors that are outside of our control, including adverse operating conditions or financial situation of customers and third-party companies, their ability to pay and payment cycle. Any unsuccessful equity plans, disputes arising from the relevant bids or projects that we pay deposit for may further materially affect our ability to collect the deposits. In such events, we may have to provide significant impairment losses related to other receivables, and our liquidity, financial condition and results of operations may be adversely affected.

Significant impairment charges to our balance of intangible assets and goodwill could materially impact our financial position and results of our operations.

Our intangible assets consist of land use rights, mining rights, mine restoration fees, concession rights and software and others, while our goodwill mainly relates to the excess of consideration over the fair market value of our acquired subsidiaries. Our intangible assets and goodwill amounted to RMB3,851.1 million, RMB4,345.7 million, RMB4,743.1 million and RMB5,982.2 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. See "Financial Information — Selected Statement of Balance Sheet Items — Intangible Assets" and "— Goodwill." The failure to generate financial results commensurate with our intangible assets and goodwill estimates may adversely affect the recoverability of such intangible assets, and in turn result in impairment losses. Any significant impairment losses charged against our intangible assets and goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, our deferred tax assets amounted to RMB283.3 million, RMB338.8 million, RMB437.8 million and RMB405.5 million, respectively, which mainly represent the provision for impairment of receivables and unused tax losses from certain companies of our Group. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided. As of December 31, 2018, 2019 and 2020 and September 30, 2021, we had contract liabilities of nil, nil, RMB830.5 million and RMB859.8 million, respectively. For further details, see "Financial Information — Selected Statement of Balance Sheet Items — Contract Liabilities." There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We face risks associated with our investments, including exposure to fair value changes of financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

We currently invest a portion of our capital in investments. During the Track Record Period, we had invested in debt and equity and may, from time to time, invest in such products in the future. Our financial assets measured at fair value through profit or loss amounted to RMB207.1 million, RMB35.0 million, RMB1,037.4 million and RMB326.1 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. Our financial assets at fair value through other comprehensive income amounted to nil, RMB1,347.0 million, RMB1,054.1 million and RMB575.5 million as of the same dates, respectively, and our financial liabilities held for trading amounted to nil, nil, nil and RMB3.6 million, respectively. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free rate and expected rate of return, in valuing such financial assets. The fair value change of financial assets at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

Furthermore, our investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

We are subject to the risk of decreases in the prices of our inventories.

Our inventories include finished goods, raw materials, work in progress and spare parts. As of December 31, 2018, 2019, 2020 and September 30, 2021, our inventory amounted to approximately RMB2,078.6 million, RMB1,997.0 million, RMB2,349.2 million and RMB2,864.0 million, respectively, accounting for approximately 19.7%, 19.7%, 15.5% and 19.1% of our current assets, respectively. As of December 31, 2018, 2019, 2020 and September 30, 2021, our provision for decline in value of inventories amounted to approximately RMB53.2 million, RMB79.9 million, RMB88.8 million and RMB90.9 million, respectively. Since we are a cement production enterprise, in order to ensure normal production and operations, we need to maintain substantial inventories of raw materials, fuel and spare parts inventory. For our inventory control policies, see "Business — Production Management and Inventory Control." However, due to price fluctuations in raw materials, products in process, completed products, fuel and spare parts, our inventories may be subject to impairment from time to time, which may adversely affect our financial condition and profitability. In addition, inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on our profitability. We recognized inventory write-downs of RMB4.2 million, RMB32.5 million, RMB15.5 million and RMB5.7 million in 2018, 2019, 2020, and the nine months ended September 30, 2021, respectively.

Our business, results of operations and financial condition could be materially and adversely affected by our indebtedness.

We have primarily relied on cash generated from operations, loans from banks, related-party advances and proceeds from the issuance of debt securities to fund our capital requirements in the past, and we expect to continue to derive funding from cash generated from our operations, issuance of debt securities and bank loans in the future. As of December 31, 2018, 2019 and 2020 and September 30, 2021, we had approximately RMB7,460.6 million, RMB4,535.6 million, RMB8,103.5 million and RMB9,123.5 million of bank borrowings, corporate bond and financial liabilities, respectively. Our level of indebtedness could materially and adversely affect us. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of our borrowings, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

- increase our vulnerability to adverse economic or industry conditions;

- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;

- potentially restrict us from pursuing strategic business opportunities;

- restrict our ability to take on more borrowings or raise additional funds; and
- increase our exposure to interest rate fluctuations.

We had not experienced any reduction or withdrawal of credit or banking facilities by our lenders during the Track Record Period, but we cannot assure you that we will be able to continue to refinance our bank loans when they become due. We may not have sufficient funds available to repay our bank loans, particularly our short-term loans, upon maturity. Failure to service our debts or comply with the terms, conditions and covenants of our facility agreements could result in penalties, including, among other things, enforcement of mortgages and charges, realization of our pledged assets by our creditors, increases in interest rates, accelerated repayment of loans and interest, termination of facilities and legal actions against us by our creditors, any of which could have a material and adverse effect on our business, results of operations and financial condition.

Our planned expansion in new regions in the PRC and overseas may be delayed or challenged.

We intend to actively seek expansion opportunities in China and overseas. As of September 30, 2021, we had more than 250 subsidiaries or branches across 14 provinces, autonomous regions and municipalities in China, including Hubei, Hunan, Yunnan, Sichuan, Guizhou, Guangdong, Henan, Chongqing, Tibet, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, and in six foreign countries, including Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal and Tanzania. We may encounter difficulties when expanding into new regional markets. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have stronger financial resources, a more established presence, stronger relationships with local governments and a better understanding of customer requirements and preferences. Our efforts to expand our operations geographically are likely to depend on a number of factors beyond our control, including the macroeconomic conditions and policies implemented by the central and the local governments, the level of competition in the concrete production industry, changes in customer demand, prices of equipment and raw materials, price of concrete, and transportation cost. As such, we may not be able to manage our expansion effectively and efficiently, which could adversely affect our results of operations.

We may face litigation risks in the course of our business.

In the ordinary course of our business, claims from customers, contractors and other parties may be brought against us in connection with our business from time to time. Claims may be brought against us with respect to liabilities for defective products or personal injuries and death. For example, we paid RMB1,153,600 for settlement of the civil claims brought in relation to three fatalities. See “Business — Occupational Health and Safety.” The claims can involve actual damages and liquidated damages. See “Business — Regulatory and Legal Proceedings — Legal Proceedings.” If we were found to be liable, we would have to incur a charge against earnings to the extent that a reserve had not been established for the matter in our accounts, or to the extent that claims were not sufficiently covered by our insurance. Furthermore, we cannot assure you that we will be able to defend against such claims successfully.

Claims brought against us or by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings which could also be disruptive to our normal business operations. We may be subject to prolonged adverse publicity and our management's attention may be distracted. The results of these legal proceedings are often difficult to predict and the amounts ultimately realized from projected claims by us could differ from the balances included in our financial statements. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation, cause economic losses and damage our prospects for future contract awards. Such claims could therefore have an adverse impact on our financial condition, results of operations and cash flow.

We may encounter unexpected difficulties in managing our current operational bases.

Our cement production bases are located in several provinces and regions across the PRC, including Hubei, Hunan, Sichuan, Chongqing, Yunnan, Guizhou, Henan, Guangdong and Tibet, as well as countries and regions outside the PRC. The geographic dispersal of our production bases places substantial demands on our unified management. In order to strengthen the effects of our economies of scale and improve our internal synergies, it is necessary that each production base implements our unified set of operating principles, policies and requirements, and failure to do so may have an adverse effect on our overall operating efficiency.

Our manufacturing operations and construction of new facilities may be disrupted for reasons beyond our control.

Our manufacturing operations and construction of new facilities could be disrupted for reasons beyond our control. The cause of disruptions could include extreme weather conditions, fire, natural catastrophes, geological disasters (including earthquakes, landslides and mudslides), infectious diseases, raw material supply shortages, equipment and system failures, workforce shortages, compliance with administrative orders and transportation resources shortages. In particular, our self-sufficient limestone supply may be disrupted, which may pose risks to our stable and continuing production and operations. Any significant disruption to our operations could adversely affect our ability to timely manufacture and sell products or deliver services, leading to an adverse impact on our business, financial condition and results of operations.

The prices of raw materials may continue to rise, and we may be unable to pass on some or all of the increases to our customers.

We acquire the majority of our limestone supplies from the quarries that we are licensed to excavate, and hence, although limestone is the key raw material in producing clinker, we are exposed to limited risks in connection with potential increases in the price of limestone. However, our production also depends on reliable sources of large quantities of other raw materials such as sandstone, gypsum and mineral slag.

We cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable prices, or that our raw materials prices will remain stable in the future. In addition, we may not be able to transfer some or all of the incremental cost increases in our raw materials to our customers. As a result, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, results of operations and financial condition.

We may have limited insurance coverage and may be subject to liabilities resulting from potential operational risks and losses that may not be covered by our insurance policies.

We are exposed to potential liabilities for personal injury and loss of life, damage to or destruction of property, plant and equipment, transportation accidents and delays and environmental pollution. In particular, our business involves the operation and handling of heavy machinery, which, if operated improperly, may result in personal injuries or death. During the Track Record Period and up to the Latest Practicable Date, 53 work-related light injuries, ten serious injuries and 12 fatalities occurred in the course of our business operations in the PRC and seven work-related injuries occurred in the course of our business operations overseas. During the Track Record Period, we were not aware of any accidents at our production facilities resulting in fatality or injuries that would have had a material impact on our operations. We cannot assure you that accidents will not happen in the future that could have a material impact on our operations. If an accident occurs, we could be liable to pay compensation for personal injuries, loss of life or damage to property or for fines or penalties for violation of applicable PRC laws and regulations, and we may be subject to business interruptions caused by shutdowns or suspension of operations due to government investigations or the requirement to implement additional safety measures. If we were to incur substantial losses or liabilities and our insurance coverage were unavailable or inadequate to cover the losses or liabilities, our business, results of operations and financial condition could be materially and adversely affected.

Failure to maintain effective product quality control management may have an adverse impact on our business, financial condition and results of operations.

Product quality is critical to the success of our business. Product quality control covers quality inspection and control of key raw materials for concrete such as cement, mineral additives, sand, stone and admixtures. It also covers the processes of product mix proportion design and production process control, product performance testing and evaluation, product transportation and delivery, construction quality control, and quality acceptance, and involves the enforcement of, and compliance with, relevant national, industry and local standards. The quality of our products relies mainly on the effectiveness of quality control management, which depends on a number of factors, including the establishment and improvement of relevant regulations and management systems, professional capabilities and skill levels of employees, and the degree of emphasis that customers place on product quality. Any flaws in the quality control management process may lead to defective or unqualified products and result in delays in product delivery, rework, and even returns, which could have an adverse effect on our reputation, business, financial condition and results of operations.

We have not obtained title certificates to some of the properties we own and some of our lessors lack, or have not presented to us, appropriate title certificates for the properties we lease from them, which may materially and adversely affect our right to use such properties.

As of the Latest Practicable Date, we had obtained land use right certificates and building ownership certificates, but had not completed the procedures for holder amendment of 13 parcels of land with an aggregate area of approximately 366,615.5 sq.m., representing approximately 1.5% of the total area of our owned lands, and 168 buildings with a gross floor area of approximately 77,351.1 sq.m., representing approximately 10.4% of the total gross floor area of our owned buildings. Our PRC legal advisors have advised us that failure to amend the holder of land use right certificates and building ownership certificates will not affect the validity of the contracts relating to transfer of housing and land ownership, provided that the registration is not challenged by any third party with good faith. As of the Latest Practicable Date, no third party has any claim on such properties. As advised by our PRC legal advisors, we will not be punished by the competent government authorities in this regard.

As of the Latest Practicable Date, we were under the process of applying for, and had not obtained the building ownership certificates for 20 properties with an aggregate area of approximately 91,810.1 sq.m., representing approximately 12.4% of the total area of our owned buildings. Based on the advises from our PRC legal advisors of the potential fines and/or penalties in connection with such 20 properties with defective titles, we estimate that the potential maximum penalty with respect to such defects in titles is approximately RMB2.7 million.

As of the Latest Practicable Date, we leased 17 properties with an aggregate area of approximately 209,967.7 sq.m. in the PRC, mainly used for production plants and storage yards. As of the Latest Practicable Date, we had not obtained any lease registration for the 17 properties we leased in China including five buildings, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC legal advisors have advised us that the lack of registration of the building lease agreements will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each leased building. The estimated total maximum penalty is RMB50,000. As of the same date, lessors of 10 of our leased properties with an aggregate area of 113,649.4 sq.m., representing approximately 54.1% of the total area of our leased properties, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. We used these properties mainly as storage yards. See "Business — Properties."

We have requested our landlords to provide and/or obtain proof of title or to obtain the title certificates for the 10 leased properties referred to above, but the timing for obtaining such certificates is beyond our control. If our landlords do not have or do not obtain the proper building ownership certificates and/or the land use rights certificates for such properties, our rights in relation to such properties might not be entirely protected.

Any claim or dispute related to the title of the properties owned or leased by us may result in the relocation of our storage yards or plants. We cannot guarantee that the legality of our use and occupation of the relevant land and buildings will not be challenged, or that we will be able to secure alternative properties for our business if we are required to relocate. If we or our landlords cannot obtain the relevant building ownership certificates and land use rights certificates in a timely manner and our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, incur additional relocation costs, or our business operations may be disrupted, any of which may have an adverse effect on our business, financial condition and results of operations.

Retaining our executive Directors, senior management and other key personnel as well as a skilled labor force and maintaining their continued efforts are vital to the success of our business.

Our success is dependent upon our executive Directors, senior management and key personnel, as each of them possesses a unique combination of technical and management skills as well as industry experience in the cement industry in areas such as finance, strategic business development, sales and marketing which are vital to the success of our business. If one or more of our executive Directors or senior management are unable or unwilling to continue their employment with us, we may not be able to identify and recruit suitable replacements in a timely manner. Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our production processes, are important to maintain the quality of our products and improve our production processes. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, results of operations and financial condition may be materially and adversely affected.

We may experience failures in our information technology systems.

We rely, to a large extent, on our information technology systems for our daily operations. Our information technology systems are critical to our operations and also support our key operational processes, including project management, procurement and bidding. Our operating efficiency and risk management practices have been enhanced by such information technology systems. However, we cannot assure you that no damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will occur in the future. If any serious damage or significant interruption occurs, we may experience system errors and our operations may be disrupted.

Our interests may not always be in line with those of the Controlling Shareholder, who may take actions that are not in, or may conflict with, our or our public Shareholders' best interests.

Our Controlling Shareholder will hold approximately 41.46% of our issued share capital upon completion of the Listing. Accordingly, subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholder will be able to influence our major policy decisions. The interests of Controlling Shareholder may not always coincide with our other Shareholders' best interests. If the interests of the Controlling Shareholder conflict with the interests of our other Shareholders, or if the Controlling Shareholder chooses to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those other Shareholders may be disadvantaged to a certain extent as a result.

We may not be able to detect and prevent fraud, bribery or other misconduct committed by our employees or third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees, suppliers, customers or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious activities in a timely manner or at all. Bribery, including acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our suppliers, in our ordinary course of business, may be difficult to detect or prevent, and the precautions we take to detect and prevent such activities may not be effective. In addition to potential financial losses, misconduct of our employees or third parties could subject us to third-party claims and regulatory investigations. Our failure to detect and prevent fraud, bribery and other misconduct may have an adverse impact on our reputation, business, financial condition, and operating results. For example, one of our former senior management members, Mr. Chen, was being investigated and detained for suspected work misconduct in September 2021. The case is still under investigation. As of the Latest Practicable Date, the Company did not receive any further notice and was not aware of the basis or details of the investigation. Whilst our Company does not currently have specific details of the investigation or case against Mr. Chen, based on the information currently available to our Company and having considered various matters, our Directors (i) understand that this incident only concerned Mr. Chen's individual act in pursuit for his own personal purpose or objective, and neither our Company nor any of our Directors, Supervisors or other senior management was part of such acts, and (ii) are of the view that the incident will not have any material adverse effect on our business, financial conditions and results of operations. We have reviewed and implemented measures to improve our anti-corruption mechanism, risk management and internal controls since the occurrence of this incident. See "Business — Regulatory and Legal Proceedings — Incident Relating to a Former Senior Management Member." There is no assurance that our enhanced measures can be adequate for us to detect and prevent the fraud or other misconduct, either previously conducted or may occur in the future, by our current or former employees or by third parties.

Conducting business in countries with serious corruption issue and low business efficiency may lead to unfair competition and difficult enforcement of legal rights.

During the Track Record Period, we had conducted business in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Tanzania and Nepal. Our operating income attributable to these countries accounted for approximately 4.7%, 4.9%, 6.1% and 8.1% of our total operating income in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively; and our assets in these countries accounted for 7.1%, 11.2%, 11.9% and 11.9% of our total assets as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. According to the Corruption Perceptions Index 2020 published by Transparency International, Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Tanzania and Nepal ranked 149, 124, 146, 160, 94 and 117 out of a total number of 180 jurisdictions, respectively. According to the statistics issued by the World Bank, Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Tanzania and Nepal ranked (1) 128, 128, 37, 128, 105 and 79 among 190 countries/regions in terms of "Protecting Minority Investors", respectively, (2) 76, 134, 22, 182, 71 and 151 in terms of "Enforcing Contracts", respectively, and (3) 106, 80, 69, 144, 141 and 94 in terms of "Ease of doing business", respectively.

Conducting business in a country with serious corruption issue may result in our Group facing unfair competition as our competitors may try to secure business through bribery. Our staff may also face the temptation of kickbacks and may involve in other improper conducts, which will result in damage to our reputation and may even lead to criminal prosecution against our Group. Having a low ranking for protecting minority investors, enforcing contracts and ease of doing business means, among other things, difficult contract enforcement and difficult enforcement of our rights and entitlement in respect of our principal assets in these countries. In the event of any contractual or other dispute regarding our rights and entitlement over our assets with our counterparties who are located in countries where such enforcement is difficult, we may not be able to enforce our contractual and other rights and entitlement in a timely manner or at all.

We could also be exposed to legal risks relating to our business conducted in foreign countries and jurisdictions. Our local operations are subject to laws and regulations of these jurisdiction. The legal, political and business environments in areas such as money-laundering and terrorist financing are evolving and are inconsistent across various jurisdictions and often lack clarity or predictability. These factors may increase our compliance costs and legal risks. Subsequent legislations, regulations, litigations, court rulings or other events could expose us to increased costs, liabilities and risks of reputational damage. Further, uncertainty in the business and legal environment in foreign countries and jurisdictions to which our business activities are related may affect our business and limit our ability to enforce our rights.

RISKS RELATING TO THE PRC

We are subject to risks arising from China's economic, political and social conditions, government policies, as well as the global macroeconomic environment.

The vast majority of our businesses, assets, operations and operating incomes are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC's macroeconomy through fiscal and monetary policies. The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has taken various actions to introduce free market forces, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and related industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, its monetary policy and preferential treatment of particular industries or enterprises.

Our performance has been, and will continue to be, affected by China's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to affect China's economic growth. China's real GDP growth was 6.7%, 5.8% and 2.3% in 2018, 2019 and 2020, respectively.

We are unable to predict all the risks and uncertainties that we face as a result of the current economic, political, social and regulatory development, and many of these risks are beyond our control. All such factors may adversely affect our business, financial condition and results of operations.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to you.

We are incorporated under the laws of the PRC and conduct a vast majority of our business operations in the PRC, hence are principally governed by PRC laws. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance as precedents. Additionally, such PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies for further application and enforcement. The PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade. However, many of these laws and regulations are relatively new and there is a limited volume of published decisions. Therefore, there are uncertainties involved in their implementation and interpretation, which might not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based, in part, on government policies and administrative rules that may have retroactive effect. Consequently, we may not be aware of any violation of these policies and rules until some time after such violation has occurred. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management's attention.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a joint-stock company incorporated under the laws of the PRC with limited liability, and substantially all of our assets are located in the PRC. In addition, the majority of our Directors, and all of our Supervisors and senior management, reside within the

PRC. As a result, it may not be possible to effect service of process upon us or most of our Directors, Supervisors and senior management within the United States or elsewhere outside the PRC, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. Under the 2006 Arrangement, a choice of court agreement in writing refers to an agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing.

On January 18, 2019, the Supreme Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong SAR and the Mainland. The 2019 Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement, thereby rendering it difficult for you to enforce any judgments obtained from non-PRC courts against us or our Directors in the PRC.

Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Withholding tax may be imposed on payments on the H Shares.

The United States has enacted rules, commonly referred to as "FATCA", under which a foreign financial institution (an "**FFI**") may be required to withhold on "foreign passthrough payments" it makes to (i) other FFIs that are not exempt from, or in actual or deemed compliance with, FATCA, or (ii) account holders of such FFIs that fail to meet certain certification, reporting, or related requirements, after the later of January 1, 2019 or the date nine months after the final regulations defining the term "foreign passthrough payments" are published in the U.S. Federal Register. A number of jurisdictions have entered into, or have agreed in substance to enter into, intergovernmental agreements with the United States to implement under the domestic laws of such jurisdiction an alternative information reporting and exchange regime applicable to FFIs (or FFI branches) operating in such jurisdiction ("**IGAs**"). Under the provisions of IGAs currently in effect, an FFI (or branch) operating in an IGA jurisdiction is generally not required to withhold from payments that it makes if the FFI complies with the reporting requirements of the IGA.

The United States and Hong Kong have entered into an IGA, and the United States and the PRC have agreed in substance to enter into an IGA that the United States treats as in force pending finalization of a formal IGA. We intend to comply with FATCA and any applicable IGA, including the information reporting requirements related to our accountholders and investors. If the United States and the PRC ultimately fail to reach a final agreement on the terms of an IGA, then the FATCA reporting and withholding regime applicable to FFIs in non-IGA jurisdictions would apply to us.

Certain aspects of the application of the FATCA provisions and IGAs to financial instruments such as the H Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on financial instruments such as the H Shares, are uncertain and may be subject to change. In particular, the term "foreign passthrough payment" is not defined under FATCA and it is therefore not clear whether or to what extent payments on the H Shares would be considered foreign passthrough payments.

It is not yet clear how the Hong Kong IGA and the PRC IGA will address foreign passthrough payments. Prospective investors in the H Shares should consult their tax advisors regarding the potential impact of FATCA, the PRC IGA, the Hong Kong IGA and any non-U.S. legislation implementing FATCA, on their investment in the Shares.

We are subject to PRC laws and regulations on currency conversion, and the fluctuation of the Renminbi exchange rate may adversely affect our ability to pay dividends to holders of H Shares and ability to make payment in foreign currencies.

The PRC government imposes, in certain cases, controls on the convertibility of Renminbi into foreign currencies and the remittance of currency into or out of China. All of our operating income is denominated in Renminbi during the Track Record Period. Under our current structure, we derive our income primarily from dividend payments made by our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to pay dividends or make other payments to us, or otherwise satisfy their foreign currency-denominated obligations, if any. If the foreign exchange or cross-border remittance control system prevents us from obtaining sufficient offshore currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted into or out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Further, the value of the Renminbi against the US dollar, the Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may fluctuate, and the Renminbi may be revalued further, which may result in an appreciation or a depreciation in the value of the Renminbi against the US dollar, the Hong Kong dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our cash flows, operating incomes, earnings and financial condition, and the value of any dividends payable to us by our PRC subsidiaries. It is difficult to predict how market forces and the PRC government's policies will continue to impact the Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC government may announce further changes to the exchange rate system, and there can be no assurance that the Renminbi will not appreciate or depreciate significantly in value against the US dollar, the Hong Kong dollar or other foreign currencies.

Our operations and financial performance could be adversely affected by labor shortages and by increased labor costs due to changes to the PRC labor-related laws and regulations.

The PRC Labor Contract Law became effective on January 1, 2008, and it was amended on December 28, 2012. The amendment took effect on July 1, 2013. The current PRC Labor Contract Law has imposed greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. In the event that we decide to significantly change or decrease our workforce, the PRC Labor Contract Law could adversely affect our ability to effect such changes in the most cost-effective or timely manner to our business, hence may adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labor-related regulations after the promulgation of the PRC Labor Contract Law. Among other things, the paid annual leave provisions require that paid annual leave ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations is still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigation. If we are deemed in violation of such labor laws and regulations, we could be subject to penalties, obligations to compensate employees and loss of reputation, and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

Dividends declared in the past may not be indicative of our dividend policy in the future.

We paid cash dividends in the amount of RMB1,722.2 million, RMB2,530.4 million, RMB2,262.5 million and nil for 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively, representing RMB1.15 per share, RMB1.21 per share, RMB1.08 per share and nil per share, respectively. Under the applicable PRC laws, dividends may be paid only out of our distributable profits. Distributable profits means, as determined under PRC GAAP, our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP) and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if one of our financial statements prepared in accordance with PRC GAAP indicates that our operations have been profitable. For more information concerning our dividend policy, see "Financial Information — Dividends and Dividend Policy."

Holders of H Shares may be subject to PRC taxation on dividends paid by us and gains realized through their disposal of our H Shares.

Under applicable PRC tax laws, regulations, and statutory documents, non-resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) at a rate of 20% on their dividends and gains sourced from the PRC, unless specifically exempted by the finance authority of the State Council or reduced or eliminated by an applicable income tax treaty or arrangement. We are required to withhold and settle such tax on behalf of the non-resident individuals from dividend payments made to them. According to relevant applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10% in general, unless a different rate applies under an applicable tax treaty or arrangement or where the non-resident individuals reside in a jurisdiction that does not have a tax treaty or an arrangement with the PRC. Hong Kong investors are not required to pay individual income tax in the PRC on gains realized from public trading of H shares purchased on the same exchange pursuant to the Fourth Protocol of the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第四議定書》) signed on April 1, 2015, effective on December 29, 2015. However, as of the Latest Practicable Date, there remains uncertainty in the interpretation and application of relevant current PRC tax laws and regulations as to whether gains realized upon disposal of H Shares by non-resident individuals in other jurisdictions are subject to PRC individual income tax if such tax is not exempted pursuant to a tax treaty/arrangement with the PRC.

Non-resident enterprises that do not have establishments or places in the PRC, or have establishments or places in the PRC but their income is not effectively connected to such establishments or places are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC resident enterprises and gains realized upon disposal of equity interests in PRC resident enterprises pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation regulations, which may be further reduced or exempted under an applicable income tax treaty or arrangement between the PRC and the jurisdiction where the non-PRC resident enterprise resides. As of the Latest Practicable Date, there are no explicit rules about how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

There remains uncertainty as to how the PRC tax laws, regulations and statutory documents are interpreted and implemented by the PRC tax authorities. PRC tax laws, regulations and statutory documents may also change. If there are any unfavorable changes to applicable tax laws or interpretations or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this listing document with respect to the PRC, its economy or the relevant industry.

Facts and other statistics in this listing document relating to the PRC, its economy or the relevant industries in which we operate have been directly or indirectly derived from official government publications and certain other public industry sources. Although we believe that such facts and statistics are accurate and reliable, we cannot guarantee the quality or the reliability of such source materials. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE LISTING

Certain risks that our B Shareholders should be aware of.

Our B Shareholders should be aware of the risks and special notes to the investors set out in the Implementation Plan, which was published by our Company on August 22, 2020, subsequently revised and published on August 28, 2021 and approved by our Shareholders at the extraordinary general meeting on September 13, 2021. The full version of the Implementation Plan is available at the following website:

http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2020-08-22/600801_20200822_4.pdf – published on August 22, 2020

http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-08-28/600801_20210828_9_bxwlG7Mt.pdf – published on August 28, 2021

B Shareholders are advised to seek their own PRC, Hong Kong and other relevant legal advisers' and/or financial advisers' advice regarding their investment in our Company. In particular, the B Shareholders should be aware of the following risks set out in the Implementation Plan:

(a) **Risk regarding difference between B share market and H share market.** B share and H share markets have different trading volume, liquidity, trading hours, investor base and other characteristics. As a result of these differences, the trading price of our B Shares and H Shares may not be the same and the historical share prices of B Shares may not be indicative of the share price at which the H Shares will be traded following the completion of the Listing. We cannot guarantee that the price of H Shares in the future could be higher or equal to the price of B Shares before the Listing. Moreover, unlike a B Share that has a price limit at the rate of 10% per trading day, an H Share has no price limit and any fluctuation in price depends upon the market.

(b) **Risks regarding increased transaction costs.** Immediately upon the Listing, B Shareholders who choose to convert their B Shares into H Shares and hold such H Shares for investment will need to pay more fees, charges and costs than they need to pay for their holding of our B Shares:

    (i) special transaction charges in relation to the trading of H Shares, including, but not limited to, registration and transfer fees, dividend collection fees and bonus share collection fees; and

    (ii) those Shareholders who continue to trade our H Shares through a relevant PRC securities company's trading system are obliged to pay commission charges to such PRC securities companies in addition to all transaction costs set out in (i) above for their trading in our H Shares.

(c) **Risk regarding limited trading right.** Upon and after the Listing, our domestic investors and domestically trading overseas investors can only hold or sell the H Shares held by them but cannot purchase any additional H Shares. All proceeds from the sale of the H Shares held by the CSDC as a nominee of our domestic investors and domestically trading overseas investors must be remitted into the PRC as soon as practicable upon the sale.

See "Listings, Registration, Dealings and Settlement" in this listing document for further details.

The liquidity of our H Shares on the Hong Kong Stock Exchange may be limited and the effectiveness of the Arrangement is subject to limitations.

As of the Latest Practicable Date, our Company had 1,361,879,855 A Shares and 734,720,000 B Shares, both of which are listed on the Shanghai Stock Exchange. Our Company intends to convert all the B Shares into H Shares, which will be listed by way of introduction on the Main Board of the Hong Kong Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange. Immediately upon the completion of the Listing, all of the 734,720,000 B Shares will, due to the change of the listing venue, be converted into H Shares to be held by: (a) our existing B Shareholders who did not elect the Cash Option; or (b) the Cash Option Provider. Considering the 15% public float requirement under Rule 8.08(1)(b) of the Listing Rules and the lock-up requirement under Rule 10.07 of the Listing Rules, it is expected that approximately 314,570,747 H Shares (representing approximately 42.8% of the total number of H Shares and approximately 15% of the total number of issued Shares), will be available either to be sold by the H Shareholders through their respective accounts opened with the relevant PRC securities companies (through which their H Shares will be held by the CSDC as the nominee), or to be traded through their existing Hong Kong accounts or their other designated Hong Kong accounts to be opened with Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong securities corporations upon the Listing. Moreover, as of March 18, 2022, in addition to the Cash Option Provider, there were 486 public beneficial B Shareholders with securities accounts opened in Hong Kong with Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong or overseas securities corporations holding in aggregate 51,546,885 B Shares, representing approximately 7.02% of the total issued B Shares and approximately 2.46% of the total issued share capital of our Company. The above public beneficial B Shareholders with accounts opened in Hong Kong holding in aggregate 144,335,354 B Shares, representing approximately 19.64% of the total issued B Shares and approximately 6.88% of the total issued share capital of our Company, and are ready to trade their H Shares on the Hong Kong Stock Exchange upon the commencement of trading of H Shares on the Listing Date. Based on the closing price of B Shares on March 2, 2022 (being the last trading day of the B Shares) of US$1.883, the market capitalization of the B Shares held by the Cash Option Provider in its securities account in Hong Kong, the other public beneficial B Shareholders with securities accounts opened in Hong Kong, and all public beneficial B Shareholders are approximately HK$1,367.82 million, HK$759.87 million, and HK$2,127.68 million, respectively (based on the aforementioned exchange rate). See "Listings, Registration, Dealings and Settlement" in this listing document for further details.

Notwithstanding the above, certain H Shareholders may not be willing to sell or trade their H Shares based on the Arrangement upon the Listing. This may adversely affect investors' ability to purchase or liquidate our H Shares on the Hong Kong Stock Exchange. Neither our Company nor the Sole Sponsor has arranged any bridging arrangement or any other arbitrage activity for the Listing. Accordingly, there is no guarantee that the Arrangement will attain and/or maintain liquidity in our H Shares at any particular level on the Hong Kong Stock Exchange, nor is there assurance that a liquid and orderly market may be established despite the Arrangement being in place. Furthermore, there is no guarantee that the price at which our H Shares are traded on the Hong Kong Stock Exchange will be substantially the same as, or similar to, the price at which our B Shares are traded on the Shanghai Stock Exchange.

The characteristics of the A Share and H Share markets may differ, and the liquidity and market price of our H Shares may be volatile.

Following the Listing, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Without the approval from the relevant regulatory authorities, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. The A share and the H share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading price of our A Shares and H Shares may not be the same. Moreover, fluctuations in our A Share price may affect our H Share price, and *vice versa*. Because of the different characteristics of the A share and H share markets, the historical prices of our A Shares may not be indicative of our H Share performance. You should, therefore, not place any undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

There has been no prior public market for our H Shares. In addition, following the Listing, the price and trading volume of our H Shares may be highly volatile and may fluctuate substantially in response to, among other factors:

- variations in our operating income, earnings, cash flow, asset quality, and financial and operating performance;
- changes in financial estimates by securities analysts;
- investor perceptions of us and of the investment environment in Asia, including the PRC and Hong Kong;
- depth and liquidity of the market for our H Shares;
- differences between our actual profits and forecasts by third-party research analysts or media (if any);
- disputes or lawsuits relating to transfers of our Shares;
- complaints or allegations of financial or other impropriety at our Group made by third parties (as have been made in the past), whether true or not;

- fluctuation in the price and trading volume of our A Shares;
- future trading activities from the Stock Connect if our H Shares will become part of the program; and
- general economic and other factors.

There can be no assurance that an active trading market for our H Shares will develop following the Listing or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline. The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, Europe, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with similar business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of, and trading volumes for, our H Shares.

A number of PRC-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings or introduction. The trading performances of the securities of these companies at the time of or after their offerings or introduction may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. These broad market and industry factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating and financial performance.

Our Shareholders' interest may be diluted as a result of additional equity fund-raising.

Our Company may need to raise additional funds in the future to finance expansion of, or new developments relating to, our existing operations, or to finance new acquisitions. If we issue additional Shares or equity-linked securities of our Company in the future other than on a *pro rata* basis to existing Shareholders, our Shareholders may experience dilution in their shareholding percentage.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our Shares in the public market, or the issuance of our new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect the prevailing market price of our H Shares or our ability to raise capital in the future at a time and at a price favorable to us. Our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities for any purpose, including, among other things, to improve our capital adequacy in the future.

Investors may not be able to participate in rights offerings or elect to receive stock dividends and may experience dilution of their shareholding.

We may, from time to time, distribute rights to our Shareholders, including rights to acquire securities. We will not distribute rights to a holder of our H Shares in the United States unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or are registered under the U.S. Securities Act. We cannot assure you that we will be able to establish an exemption from registration under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to any rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of our H Shares in the United States or other jurisdictions which have relevant restrictions may be unable to participate in rights offerings and may experience dilution of their holdings as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we may allow the rights to lapse, in which case holders of our H Shares will receive no value for these rights.

You should read the entire Implementation Plan, this listing document and the Transaction Guide carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and this Listing.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and this Listing. Prior to the date of this listing document, there has been press and media coverage regarding us and this Listing, which included certain financial information, financial projections, valuations, capital expenditure and other information about us that do not appear in this listing document. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in the Implementation Plan, this listing document or the Transaction Guide, we disclaim responsibility for it and you should not rely on such information.

Investors should not place undue reliance on statistics and industry or market information contained in this listing document that are derived from various government or official sources.

Certain statistics, industry data or other information contained in the sections headed "Summary", "Industry Overview" and "Business" in this listing document are derived from various government or official sources or commissioned reports. Whilst our Directors have taken all reasonable care to ensure that the facts and statistics are accurately reproduced from such sources, such information has not been independently verified by our Group, the Sole Sponsor, our/their respective affiliates, directors, employees and advisors, or any other parties involved in the Listing. Such information may be inconsistent, inaccurate, incomplete or out of date. None of our Group, the Sole Sponsor, our/their respective affiliates, directors, employees and advisors, or any other parties involved in the Listing makes any representation as to the accuracy or completeness of such information. Investors should give careful consideration as to the amount of weight or importance placed on such statistics, industry data and other information relating to the economy and the industry. Further, we cannot assure you that they are stated or compiled by the government on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics from government official publications with respect to China, the PRC economy and the PRC construction materials contained in this listing document.

There are risks associated with forward-looking statements contained in this listing document.

This listing document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. For details of these forward-looking statements, including the associated risks, see "Forward-looking Statements".

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, the following waivers from strict compliance with the Listing Rules.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules provides that a listing applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this normally means that at least two of such listing applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules provides that the requirement under Rule 8.12 of the Listing Rules may be waived by the Stock Exchange at its discretion. It states that in exercising such discretion, the Stock Exchange will have regard to, among other considerations, the listing applicant's arrangements for maintaining regular communication with the Stock Exchange.

Currently, the head office and the business operations of our Company and its major subsidiaries are mainly based, managed and conducted in the PRC. We do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules based on the following arrangements to maintain effective communication between the Stock Exchange and our Company:

(a) Both of the two authorized representatives, Mr. Li Yeqing, an executive Director of our Company, and Ms. Mak Sze Man, a joint company secretary of our Company (together, the "**Authorized Representatives**"), will act as our principal channel of communication with the Stock Exchange. Although Mr. Li Yeqing normally resides in the PRC, he possesses valid travel documents to visit Hong Kong and is able to renew such travel documents upon expiry. Ms. Mak ordinarily resides in Hong Kong. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time. Each of the two authorized representatives of our Company will also be readily available by telephone, email and facsimile to promptly address the enquiries from the Stock Exchange.

(b) Our Company will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, facsimile numbers and email addresses) to the Authorized Representatives and to the Stock Exchange. This will ensure that the Authorized Representatives and the Stock Exchange will have the means to contact any Director promptly at all times, including when the Director is traveling. To the best of our Company's knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.

(c) We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor (the "**Compliance Advisor**") upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have access at all times to our Authorized Representatives, our Directors and our senior management as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available; and

(d) We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as our Compliance Advisor's contact persons between the Hong Kong Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Ye Jiaxing, our vice president and secretary of the board of Directors of the Company, as one of our joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Mak Sze Man, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Ye for an initial period of three years from the Listing Date to enable Mr. Ye to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Ye Jiaxing does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Ye may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing rules ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Mak will work closely with Mr. Ye to jointly discharge the duties and responsibilities as company secretary and assist Mr. Ye in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Mak will also assist Mr. Ye in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Mak is expected to work closely with Mr. Ye and will maintain regular contact with Mr. Ye, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Mak ceases to provide assistance to Mr. Ye as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Ye will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing. Mr. Ye will also be assisted by (a) the Compliance Advisor, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Mr. Ye will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Ye, having benefited from the assistance of Ms. Mak for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

ACCOUNTANT'S REPORT

Rule 4.01(1) of the Listing Rules and paragraph 37 of Appendix 1A to the Listing Rules provide that a new listing applicant is required to prepare an accountants' report in accordance with Chapter 4 of the Listing Rules and to disclose all the specified details concerning the financial information in the accountants' report as set out in Appendix 16 to the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.01(1) of the Listing Rules and paragraph 37 of Appendix 1A to the Listing Rules, such that our Company has reproduced in this listing document its previously published audited consolidated financial statements of the Group for the past three financial years ended December 31, 2018, 2019 and 2020, which were prepared in accordance with CASBE based on the following grounds:

(a) The previously published financial information of the Group for the past three financial years ended December 31, 2018, 2019 and 2020 were prepared in accordance with CASBE, an accounting standard acceptable to the Stock Exchange under Rule 4.11 of the Listing Rules and relevant disclosure requirements of the CSRC for public companies;

(b) The Listing is to be conducted by way of introduction, which means that there will be no offering of shares and no new investors becoming shareholders of our Company at the time of Listing. There will be no fund-raising activities as part of the Listing. At the time of the Listing, a portion or all of the existing B Shareholders and/or the Cash Option Provider will become H Shareholders. All H Shareholders have already been provided with historical financial information about our Company through the previously published financial information of the Group for the three financial years ended December 31, 2018, 2019 and 2020;

(c) Our Company's A Shares were available for Northbound investors in Hong Kong under the Shanghai-Hong Kong Stock Connect since November 17, 2014, covering the three financial years ended December 31, 2018, 2019 and 2020 where investors in Hong Kong have been able to assess our Company's financial performance through its disclosures on the Shanghai Stock Exchange and there is extensive coverage on its financial position and prospects through analysts' research in the Hong Kong market;

(d) Our Company has over 250 subsidiaries and branches all over the PRC and around the world and therefore it will be unduly burdensome and unnecessary to require our Company's auditors to prepare the accountants' report, instead of having the previously published financial information reproduced in the listing document. It is expected that significant additional time and cost will be required for the preparation of the accountants' report, and such accountants' report will not provide any meaningful additional material information to the H Shareholders;

(e) As a public company listed on the Shanghai Stock Exchange, the consolidated financial statements for each of the three financial years of our Group were filed with the Shanghai Stock Exchange and must comply strictly with the rules of the Shanghai Stock Exchange and the relevant PRC securities laws. Our Company and the Sole Sponsor believe that the previously published consolidated financial statements for the three financial years ended December 31, 2018, 2019 and 2020 provide adequate and sufficient historical financial information to our Company's existing A and B shareholders as well as H Shareholders in the future;

(f) Our Company has included the following statement in this listing document: "This listing document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that all material information has been included in this listing document and the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading";

(g) As CASBE is an accounting standard acceptable to the Stock Exchange under Rule 4.11 of the Listing Rules, our Company and the Sole Sponsor believe that the previously published consolidated financial statements for three financial years ended December 31, 2018, 2019 and 2020 provide adequate and sufficient historical financial information for the Shareholders and potential investors of our Company to make their investment decisions.

Accordingly, our Company is not required to prepare the accountants' report for the three financial years ended December 31, 2018, 2019 and 2020. Alternatively, our Company has reproduced in this listing document its previously published audited consolidated financial statements of the Group for the past three financial years ended December 31, 2018, 2019 and 2020, which were prepared in accordance with CASBE.

LATEST AUDITED FINANCIAL PERIOD BEFORE THE DATE OF THE LISTING DOCUMENT

Rule 8.06 of the Listing Rules provides that, in the case of a new listing applicant, the latest audited financial information contained in the accountants' report (as provided under Chapter 4 of the Hong Kong Listing Rules) must not have ended more than six months from the date of the listing document.

Our Company has published our unaudited consolidated interim financial information for the nine months ended September 30, 2021 on October 29, 2021 (the "**Interim Financial Information**") in accordance with relevant PRC laws, regulations and listing rules, and have reproduced the same in the listing document. Our Company has reproduced the Interim Financial Information in this listing document and we have applied to, and obtained from, the Stock Exchange a waiver from strict compliance with requirements under Rule 8.06 of the Listing Rules based on the following grounds:

(a) The Interim Financial Information has been prepared in accordance with CASBE, an accounting standard acceptable to the Stock Exchange under Rule 4.11 of the Listing Rules and the relevant disclosure requirements of the CSRC for public companies in the PRC. The publication of the Interim Financial Information has provided the latest financial information of the Group to the investors on the Shanghai Stock Exchange, and that the reproduction of the Interim Financial Information in the listing document will also provide the same financial information to potential investors after the Listing;

(b) The Interim Financial Information is not required to be audited or reviewed for the purpose of its publication on the Shanghai Stock Exchange. Such Interim Financial Information has been reviewed by the Reporting Accountants pursuant the China Certified Public Accountants Reviewing Standards No.2101 Review of Financial Statements. Given that the Listing is to be conducted by way of introduction and there is no offering of shares or fund raising from any new investor based on the listing document, we believe such audit is not necessary for the purpose of the Listing;

(c) Our Company's A Shares have been available for Northbound investors in Hong Kong under Stock Connect since November 17, 2014, where investors in Hong Kong have been able to assess the Company's performance through its disclosures on the Shanghai Stock Exchange. Further, there is extensive coverage on our financial position and prospects through analysts' research in the Hong Kong market;

(d) Our Company is already listed on the Shanghai Stock Exchange and has complied with, and will continue to comply with, the stringent regulatory requirements in the PRC with respect to the disclosure of our financial information. In addition, under the current regulatory and supervisory regime applicable to our Company, the CSRC is the regulatory entity with the authority to supervise our Company's auditors and reporting accountant and it is a member of IOSCO and has signed arrangements with the SFC for mutual assistance; and

(e) As required by the rules of the Shanghai Stock Exchange and relevant PRC laws and regulations, our Company is required to make an announcement where there is any material change in expectations to its financial position and prospects.

Accordingly, our Company is not required to have its consolidated interim financial information for the nine months ended September 30, 2021 audited for the purpose of inclusion in the listing document.

DEALINGS IN SHARES PRIOR TO LISTING

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities of a new listing applicant for which listing is sought by any core connected person of the listing applicant from four clear business days before the expected hearing date until listing is granted (the "**Restricted Period**").

In the context of listing by way of introduction of a widely held, publicly traded company, our Company has no control over the investment decision of its shareholders. Our Company does not contemplate that it is within its control to satisfy the strict requirement under Rule 9.09(b) of the Listing Rules. Therefore, our Company respectfully submits that the restrictions on dealing in the A Shares or B Shares of our Company under Rule 9.09(b) of the Listing Rules shall not apply to the following core connected persons of the Company: (i) the future substantial shareholders of the Company (therefore not including Holcim and Huaxin Group), (ii) close associates of any of the persons named in (i), over whom our Company has no control in relation to their investment decisions (the "**Certain Core Connected Persons**"). The reasons are set out as follows:

(a) None of our Company, its subsidiaries and their respective senior management have any control over the investment decisions of the Shareholders (including potential new substantial shareholders of our Company) or the shareholders of its subsidiaries and their respective associates, nor the investing public, and the Group is not in a position to be fully aware of the dealing of the A Shares or B Shares by the Shareholders and other potential investors of our Company;

(b) Our Company confirms that the waiver is only applicable to the Certain Core Connected Persons over whose investment decisions we do not have control over and they have not, or will not be involved in the Listing nor the Group's management and operations;

(c) Our Company confirms that its Directors, Supervisors, senior management, together with their respective close associates, will not deal in the A or B Shares of our Company during the Restricted Period;

(d) Our Company will confirm with the existing substantial shareholders (and hence core connected persons) of our Company, Holcim and Huaxin Group (for itself and for and on behalf of its subsidiaries and associates) that they will not deal in the A or B Shares of our Company during the Restricted Period;

(e) Our Company undertakes that it shall notify the Stock Exchange if it is aware of any dealing or suspected dealing in the A or B Shares of our Company by any of its core connected persons during the Restricted Period;

(f) Our Company undertakes that it will release inside information to the public as required by relevant laws and regulations applicable to our Company so that anyone who may deal in the A or B Shares as a result of this waiver will not be in possession of unpublished inside information;

(g) Each of our Company and the Sole Sponsor undertakes that no non-public information will be selectively disclosed to any of the existing substantial shareholders and the Certain Core Connected Persons of our Company; and

(h) The Company confirms that none of the Certain Core Connected Persons is or will be involved in the Listing.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE LISTING RULES

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountants' report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document (the "**Relevant Requirements**").

The Zambia and Malawi Acquisitions

On June 11, 2021, Huaxin (Hainan) Investment Co., Ltd. (華新(海南)投資有限公司) ("**Huaxin Hainan**"), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Financière Lafarge SAS and Pan African Cement Ltd, pursuant to which Huaxin Hainan will purchase, and Financière Lafarge SAS and Pan African Cement Ltd agreed to sell (i) 75% of the equity interest in Lafarge Zambia Plc ("**Lafarge Zambia**") and (ii) 100% of the equity interest in Lafarge Cement Malawi Ltd ("**Lafarge Malawi**"), for a total consideration of approximately US$160 million (approximately RMB1,032 million) (the "**Post-TRP Acquisitions**"). The consideration was determined based on arm's length negotiation, with reference to the corporate valuations of Lafarge Zambia and Lafarge Malawi. Such consideration shall be settled by cash in two installments, the first payment being payable on the closing date and the second payment to be made based on any final adjustments, within the time specified under the share purchase agreement. The acquisition of the interests in Lafarge Zambia and Lafarge Malawi were completed in November 2021 and December 2021, respectively.

Set out below are key financial metrics of the Lafarge Zambia and Lafarge Malawi, based on their audited financial statements for the years ended December 31, 2019 and 2020:

For the year ended/As of December 31, 2019 and 2020

	Lafarge Zambia				**Lafarge Malawi**			
	2019		**2020**		**2019**		**2020**	
	(in US$'000)	*(in RMB'000)*	*(in US$'000)*	*(in RMB'000)*	*(in US$'000)*	*(in RMB'000)*	*(in US$'000)*	*(in RMB'000)*
Revenue	79,184	505,075	80,086	510,829	24,090	153,658	22,237	141,839
Net Profit/(loss) before tax	(1,711)	(10,914)	16,179	103,198	(262)	(1,671)	79	504
Net profit/(loss) after tax	(880)	(5,613)	17,172	109,532	(258)	(1,646)	(63)	(402)
Total Assets	154,144	983,208	109,135	696,118	28,451	181,475	30,112	192,069

As our reporting accountants have not audited nor reviewed the financial statements of Lafarge Zambia and Lafarge Malawi, prospective investors should be aware that any adjustments may arise if these financial statements had been audited or reviewed by our reporting accountants.

Financière Lafarge SAS and Pan African Cement Ltd are holding companies incorporated in France and Mauritius, respectively, and are subsidiaries of Holcim.

Reasons and benefits for the Post-TRP Acquisitions

Lafarge Zambia is primarily engaged in the production and sale of cement and aggregate. Lafarge Malawi is primarily engaged in the manufacturing and trading of cement and building materials. We believe the Post-TRP Acquisitions will increase our cement production capacity and facilitate our business expansion in Africa, in alignment with our foreign development strategies and the Belt and Road Initiative. See "Business — Our Strategies" for further details. Our Directors believe that the terms of the Post-TRP Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the following reasons, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules:

(a) **Immateriality of the Post-TRP Acquisitions**: The scale of the business operated by Lafarge Zambia and Lafarge Malawi as compared with that of our Group is not material. For illustration purposes only, applying the relevant size tests under Rule 14.04(9) of the Listing Rules and taking into account that the acquisitions of Lafarge Zambia and Lafarge Malawi will be aggregated under Rule 14.22 of the Listing Rules, by comparing the 2020 audited financial figures of Lafarge Zambia and Lafarge Malawi against those of the Group, all applicable percentage ratios are less than 5%. In aggregate, the revenue ratio, profit ratio and assets ratio are approximately 2.2%, 1.8% and 2.0%, respectively.

In addition, notwithstanding that both Lafarge Zambia and Lafarge Malawi represent suitable strategic acquisition targets of our Group, we believe that the Post-TRP Acquisitions, as and if completed, would not significantly affect the financial position of our Group as a whole. Furthermore, it is expected that both Lafarge Zambia and Lafarge Malawi will each become an insignificant subsidiary of our Company (as defined under Chapter 14A of the Listing Rules), even if the acquisitions are completed or materialized.

(b) **Undue burden to obtain and prepare historical financial information of the target companies to be acquired**: Prior to the completion of the Post-TRP Acquisitions, our Company was not previously involved in the day-to-day management of both Lafarge Zambia and Lafarge Malawi. In addition, the historical financial information of Lafarge Zambia and Lafarge Malawi were prepared in accordance with IFRS, as opposed to CASBE which is adopted by our Group (and CASBE is the standard upon which our Group's historical financial information included in this listing document has been prepared). As such, it will require considerable time and resources for our Company and our reporting accountants to first familiarize ourselves with the accounting policies of Lafarge Zambia and Lafarge Malawi, and then to gather and compile the necessary financial information and supporting documents to bring them in conformity with our Group's accounting policies and standards, as well as comply with Rule 4.04 of the Listing Rules for disclosure in this listing document. As such, it would be impracticable within the tight timeframe between the completion of the Post-TRP Acquisitions and the Listing of our Company to disclose the financial information of Lafarge Zambia and Lafarge Malawi for each of the three financial years immediately preceding the issue of this listing document.

Therefore, having considered the immateriality of both Lafarge Zambia and Lafarge Malawi, as well as the time and resources required to obtain, compile and audit such historical information in conformity with our Company's accounting policies, it would be unduly burdensome for our Company to prepare and include the full historical financial information of Lafarge Zambia and Lafarge Malawi in this listing document.

(c) **Disclosure of necessary information in the listing document**: With a view of allowing the potential investors to understand the Post-TRP Acquisitions in greater detail, our Company has included in this listing document the following information in relation to Lafarge Zambia and Lafarge Malawi, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, including (a) a general description of the scope of principal business activities of the target companies, (b) the consideration of the Post-TRP Acquisitions, (c) the basis on which the consideration is determined, (d) how the consideration will be satisfied and the payment terms, (e) reasons for and benefits of the acquisitions, (f) key financial information of Lafarge Zambia and Lafarge Malawi, and (g) any other material terms of the share purchase agreement in relation to the Post-TRP Acquisitions.

(d) **Equivalent disclosure under the relevant CSRC disclosure requirements**: As a listed company on the Shanghai Stock Exchange, our Company had previously made sufficient public disclosure of the relevant information regarding the Post-TRP Acquisitions under the disclosure requirements of the CSRC for related-party transactions. Considering that (i) the Listing will be conducted by way of introduction, and as such, there will be no offering of new shares and no new investors becoming shareholders of our Company at the time of Listing, and (ii) the to-be H Shareholders (i.e. the B Shareholders and/or the Cash Option Provider) have already been provided with sufficient information as determined under the CSRC rules and have already undertaken dealings in the B Shares of our Company with such information (and similarly for the A Shareholders of our Company), it would be unduly burdensome for us to produce financial statements for Lafarge Zambia and Lafarge Malawi for the entire Track Record Period (i.e. the three financial years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021).

(e) **Fair and reasonable basis for the Post-TRP Acquisitions**: As confirmed by the Company's independent non-executive Directors at the time, the Post-TRP Acquisitions were conducted on a fair and reasonable basis to our Company and our shareholders as a whole, and that such acquisitions were in line with our Group's overseas development strategies and help increase our production capacity. In addition, given that the Post-TRP Acquisitions were conducted in our Group's ordinary course of business under normal commercial terms, the inclusion of the pre-acquisition full financial statements of Lafarge Zambia and Lafarge Malawi for the three financial years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 would not provide any meaningful additional material information to the H Shareholders at the time of Listing.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

RESTRICTION ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with the Listing. It may not be used for any other purpose and, in particular, no person is authorized to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of the Company. Accordingly, there is no, and will not be any, public offer, solicitation, or invitation by or on behalf of the Company and/or the Sole Sponsor to subscribe for or purchase any of our Shares. Neither this listing document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Listing may be used for the purpose of making, and the delivery, distribution and availability of this listing document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of our Company and the Sole Sponsor to subscribe for or purchase any of our Shares.

CSRC APPROVAL

The CSRC issued its approval for the Listing and our application to list our H Shares on the Hong Kong Stock Exchange on December 23, 2021. In granting such approval, the CSRC accepts no responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this listing document. As advised by our PRC Legal Advisors, our Company has obtained all necessary approvals and authorisations in the PRC in relation to the Introduction.

NO CHANGE IN BUSINESS

No change in the business of the Company is contemplated immediately following the Listing.

APPLICATION FOR THE LISTING OF OUR H SHARES ON THE HONG KONG STOCK EXCHANGE BY WAY OF INTRODUCTION

Application has been made to the Listing Committee for the listing of, and permission to deal in our H Shares on the Main Board of the Hong Kong Stock Exchange. Our A Shares will be primarily listed on the Shanghai Stock Exchange and upon completing of the Listing, our H Shares will be primarily listed on the Hong Kong Stock Exchange. Consequently, unless otherwise agreed by the Shanghai Stock Exchange or, as the case may be, the Hong Kong Stock Exchange, our Company must comply with the listing rules of both the Shanghai Stock Exchange and the Hong Kong Stock Exchange and any other relevant regulations and guidelines in the PRC and Hong Kong which are applicable to our Company. In the event that there is a conflict or inconsistency between the requirements of the listing rules of these two stock exchanges, the listing rules with the more onerous requirements shall prevail. Our Directors will use their best endeavors to ensure that no release of information will be made in the PRC unless a simultaneous release is made in Hong Kong and vice versa.

INFORMATION ON THE LISTING

The Listing does not involve any offering of new Shares or a public offering of any other securities of the Company no funds will be raised pursuant to the Listing.

The publication or delivery of this listing document should not, under any circumstances, constitute a representation that there has been no change or development reasonable likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as of any date subsequent to the date of this listing document.

Details of the listings, registration, dealings and settlement of our H Shares are set out in the section headed "Listings, Registration, Dealings and Settlement" in this listing document.

COMMENCEMENT OF DEALINGS IN THE H SHARES ON THE HONG KONG STOCK EXCHANGE

It is expected that dealings in our H Shares of board lots of 100 Shares will commence on the Hong Kong Stock Exchange on March 28, 2022, Hong Kong local time. Our Shares will be listed and traded on the main board of the Hong Kong Stock Exchange in HK dollars.

REASON FOR THE LISTING

We believe that seeking the Listing will enable us to promote our brand recognition and presence in the international market and give us the access to international capital market.

H SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in our H Shares on the Hong Kong Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between the participants of the Hong Kong Stock Exchange is required to take place on the second settlement day after any trading day.

All necessary arrangements have been made for our H Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

H SHARES REGISTER AND STAMP DUTY

Our H Shares' register of members will be maintained by our H Share Registrar, Tricor Investor Services Limited. Further details of the transfer, trading of our H Shares are set out under the section headed "Listings, Registration, Dealings and Settlement" in this listing document.

Dealings in our H Shares registered on our H Shares' register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of our H Shares will be paid to our H Shareholders listed on our H Share Register, by ordinary post, at the Shareholder's risk, to the registered address of each H Shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations, and the Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and each of us acting for ourselves and for each of our Directors, Supervisors, managers and officers agrees with each of our Shareholders to refer all differences and claims arising for the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See "Appendix VI — Summary of PRC and Hong Kong Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of the Articles of Association";

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors and officers whereby such Directors, Supervisors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our H Shares (exercising rights attached to them). None of us, the Sole Sponsor, the PRC Financial Adviser, the Hong Kong Financial Advisers, any of their respective directors or any other person or party involved in the Listing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this listing document and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table in this listing document between total and sum of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this listing document contains translations of certain Renminbi amounts into HK dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any HK dollar amounts at the rates indicated or at all. Unless indicated otherwise, the conversion of Renminbi into HK dollars was made at the rate of RMB1.00 to HK$1.23. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Further information on exchange rates is set out in "Appendix VIII — Taxation and Foreign Exchange".

DIRECTORS

Name	Residential Address	Nationality
Executive and non-executive Directors		
Mr. XU Yongmo (徐永模)	No. 2009, Building 1, Yard B 9 Sanlihe Road Beijing PRC	Chinese
Mr. LI Yeqing (李葉青)	Building 27, Xuefujiayuan 8 Jiayuan Road East Lake High-tech Zone Wuhan, Hubei Province PRC	Chinese
Mr. LIU Fengshan (劉鳳山)	Room 902, Unit 2, Building 4 3 Yan'an Road Huangshi Port Street Huangshi, Hubei Province PRC	Chinese
Ms. Geraldine Picaud	Räbmatt 35b 6317 Oberwil b.Zug Switzerland	French
Mr. Chi Kong Lo (羅志光)	Room B-06, Building 9 1 Xingzhou Road Suzhou Industrial Park Suzhou, Jiangsu PRC	Taiwanese
Ms. TAN Then Hwee (陳婷慧)	Edelweiss Park, 08-66 100 Flora Road 509743 Singapore	Singaporean
Independent non-executive Directors		
Mr. WONG Kun Kau (黃灌球)	HSE A22, Regalia Bay 88 Wong Ma Kok Road Stanley Hong Kong	Chinese (Hong Kong)
Mr. ZHANG Jiping (張繼平)	No. 9, District 2 Lijia Garden, Liyuan Street TianZhu County Shunyi District, Beijing PRC	Chinese

Name	Residential Address	Nationality
Mr. JIANG Hong (江泓)	Room 1601, Building 6 Lane 298, Xietu Road Shanghai PRC	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. MING Jinhua (明進華)	Unit 1, Building 4 Discipline Inspection Committee Neighbourhood Qinglongshan Road Tuanchengshan Xialu District Huangshi, Hubei Province PRC	Chinese
Mr. ZHANG Lin (張林)	Building 2 5 Yingyuewan Huashan Country Garden Eco-city East Lake High-tech Zone Wuhan, Hubei Province PRC	Chinese
Mr. YANG Xiaobing (楊小兵)	No. 432-19, Fengyeshan Huangshigang District Huangshi, Hubei Province PRC	Chinese
Mr. ZHU Yaping (朱亞平)	Room 1202, Unit 1, Building 8 8 Guanggu Avenue Hongshan District Wuhan, Hubei Province PRC	Chinese
Mr. LIU Weisheng (劉偉勝)	No. 6-8-2-1-402 Guanggu Avenue Hongshan District Wuhan, Hubei Province PRC	Chinese

Further information about our Directors, Supervisors and other senior management members are set out in "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE INTRODUCTION

Sole Sponsor	**Shenwan Hongyuan Capital (H.K.) Limited** Level 17, 28 Hennessy Road Hong Kong
PRC Financial Adviser	**Shenwan Hongyuan Financing Services Co., Ltd.** Room 2004, 20/F Dacheng International Building 358 Beijing South Road High-tech Zone (New Urban Area) Urumqi, Xinjiang 830011 China
Compliance Adviser	**Shenwan Hongyuan Capital (H.K.) Limited** Level 17, 28 Hennessy Road Hong Kong
Legal Advisers to our Company	*As to Hong Kong Law* **Clifford Chance** 27/F, Jardine House 1 Connaught Place Central, Hong Kong *As to PRC Law* **Shu Jin Law Firm** 11-12/F, Tai Ping Finance Tower 6001 Yitian Road Futian District, Shenzhen PRC
Legal Advisers to the Sole Sponsor	*As to Hong Kong Law* **Fangda Partners** 26/F, One Exchange Square 8 Connaught Place Central, Hong Kong *As to PRC Law* **Grandall Law Firm** 23-25/F, Garden Square 968 West Beijing Road Shanghai PRC

Independent Auditor and Reporting Accountant	**Deloitte Touche Tohmatsu CPA LLP** 30/F, Bund Center 222 Yan An Road East Shanghai, PRC
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai, PRC

Note: Deloitte Touche Tohmatsu Certified Public Accountants LLP is currently the auditor of the Company's consolidated financial statements that are prepared in accordance with PRC Generally Accepted Accounting Principles ("**PRC GAAP**"). Deloitte Touche Tohmatsu CPA LLP is acceptable by the Financial Reporting Council as the Company's reporting accountants and auditors subsequent to the Listing pursuant to the mutual recognition agreement between the Mainland of China and the Hong Kong SAR.

Registered Address	No. 600, Daqi Avenue East Huangshi City Hubei Province
Headquarters and Principal Place of Business in the PRC	Block B, Huaxin Building No. 426, Gaoxin Avenue Donghu New Technology Development Zone Wuhan, Hubei Province
Principal place of Business in Hong Kong registered under Part 16 of the Companies Ordinance	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Website Address	https://www.huaxincem.com *(the information contained on this website does not form part of this listing document)*
Authorized Representatives	Mr. Li Yeqing Ms. Mak Sze Man
Joint Company Secretaries	Mr. Ye Jiaxing Block B, Huaxin Building No. 426, Gaoxin Avenue Donghu New Technology Development Zone Wuhan, Hubei Province Ms. Mak Sze Man *(ACG, HKACG)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. JIANG Hong *(Chairman)* Mr. WONG Kun Kau Mr. ZHANG Jiping Ms. Geraldine Picaud Mr. XU Yongmo
Remuneration and Assessment Committee	Mr. ZHANG Jiping *(Chairman)* Mr. WONG Kun Kau Mr. JIANG Hong Mr. LO Chi Kong Mr. XU Yongmo

Nomination Committee	Mr. ZHANG Jiping *(Chairman)* Mr. WONG Kun Kau Mr. JIANG Hong Mr. LI Yeqing Ms. TAN Then Hwee
H Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bank	**Bank of China Limited (Huangshi Branch)** 1 Guilin South Road Xialu District, Huangshi City Hubei Province PRC
	China Construction Bank Corporation (Huangshi Branch) 560 Yiyang Road Xisaishan District, Huangshi City Hubei Province PRC
	China Merchants Bank Co., Ltd. (Huangshi Branch) 76 West Hangzhou Road Xialu District, Huangshi City Hubei Province PRC
	Agricultural Bank of China Limited (Huangshi Branch) 19 Huanhu Road Xisaishan District, Huangshi City Hubei Province PRC

The information and statistics about the cement industry in China and overseas regions in this section and other sections of this listing document are extracted from the CIC Report prepared by CIC, an independent third-party industry consultant commissioned by us, and from various official government publications and other publicly available publications. Information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, any other party involved in the Listing or any of our or their respective directors, officers, representatives, affiliates or advisors and no representation is given as to its correctness, accuracy and completeness.

SOURCES OF INFORMATION

This section contains information extracted from the CIC Report prepared by CIC independently, which is commissioned by us, for this listing document. We expect to pay CIC a total of RMB400,000 for the CIC Report and our use thereof. CIC is a consulting company established in Hong Kong which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries.

CIC carried out both primary and secondary research in preparing the CIC Report. Primary research mainly involves interviews with industry experts and leading industry players. Secondary research mainly involves analysis of data from various public data sources such as the National Bureau of Statistics of the PRC, and the International Monetary Fund. CIC used data and information collected from a variety of sources and comprehensively analyzed and cross-checked such data and information to arrive at the qualitative and quantitative analysis and projections set out in this listing document.

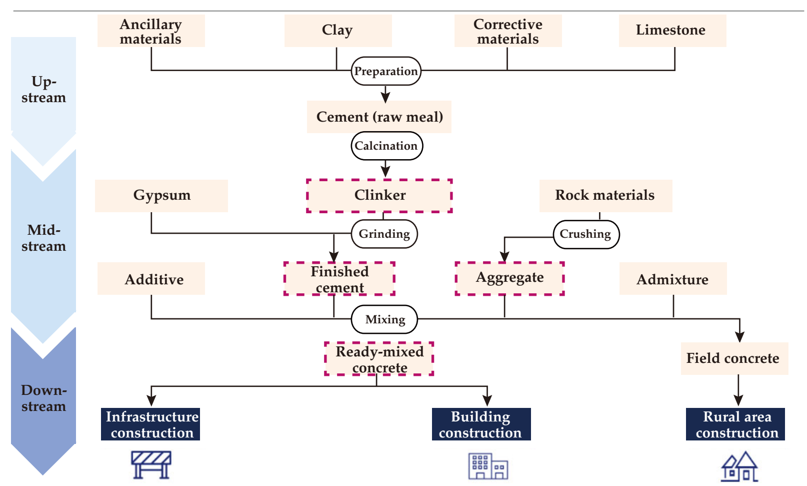
CIC prepared its report on the following basis and assumptions for historical data and projections: (i) during the forecast period, the political and social environment remains stable in China, the economy develops steadily and the urbanization process continues to advance; (ii) the major industry drivers are expected to propel the development of the construction materials industry in China, and (iii) there will be no extreme force majeure event or unforeseen industry regulation that significantly or fundamentally affect the market. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date, which would be adjusted if the COVID-19 outbreak persists or escalates and has an unpredicted negative impact on the general economy.

OVERVIEW OF CHINA'S CONSTRUCTION MATERIAL INDUSTRY

Construction materials in China primarily include limestone, cement, aggregate and concrete. The production process of construction materials comprises of raw meal preparation, clinker calcination, cement grinding, and concrete mixing. This section will focus on the major construction materials, including clinker, cement, ready-mixed concrete and aggregate.

Cement refers to a powdery hydraulic inorganic "binding" construction material. Given that cement becomes adhesive when mixed with water, it is commonly used as a binder in construction settings which hardens, sets and adheres to other materials. Clinker refers to the semi-finished by-product produced during the manufacturing of cement. It is produced by sintering limestone and aluminosilicate materials such as clay during the cement kiln stage. Ready-mixed concrete refers to concrete that is specifically batched or manufactured for customers' construction projects and supplied to the customer on-site as a single product. It is a mixture of Portland or other cement, water and aggregate. Aggregate refers to inert granular material used in construction, including sand, gravel, crushed stone and slag; and it serves as a reinforcement to strengthen the overall composite material. Aggregates are used to increase the volume, stability, resistance to wear or erosion, and other desired physical properties to the finished product. The graph below represents the value chain of China's construction material industry in relation to its production process and major downstream applications.

Value chain of construction materials industry, the PRC, 2020



Source: CIC

Cement consumption in China exhibits seasonality varied in different quarters. In general, cement consumption in the first quarter is the weakest given that many the construction sites are closed across China for the Chinese New Year holidays and the demand for downstream cement is relatively low. Besides, construction activities in some regions of China are closed in winter due to the cold weather. In the second quarter, demand for cement picks up as construction sites reopen. In the third quarter, construction activities are adversely affected due to the rainy and typhoon season, resulting in lower cement consumption. After the rainy season, cement consumption recovers in the fourth quarter driven by downstream demand.

Market size of construction materials industry in the PRC

Production volume and production value of cement and clinker industry in the PRC

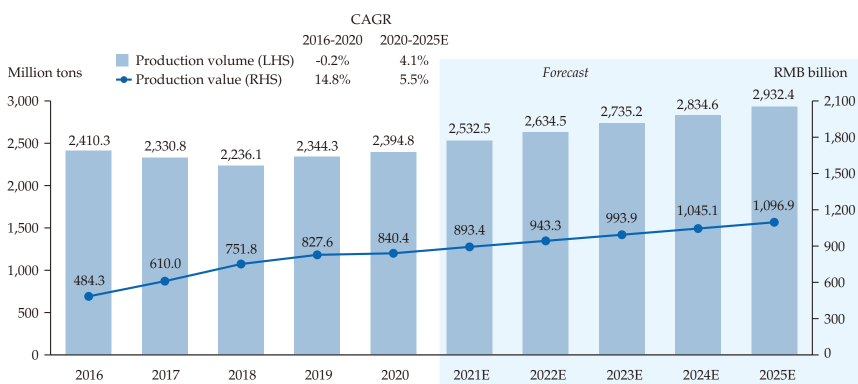
The production volume of cement in the PRC fell slightly from 2,410.3 million tons to 2,236.1 million tons between 2016 and 2018, mainly due to PRC government goal of cutting overcapacity and the production restriction policy for environmental protection purposes. After that, the supply and demand for cement became balanced which saw a rise in production volume, reaching 2,394.8 million tons in 2020. The production volume of clinker in the PRC also experienced a steady increase from 1,370.0 million tons in 2016 to 1,579.0 million tons in 2020, representing a CAGR of 3.6%.

Despite the negative impact that the COVID-19 pandemic had on the production of construction materials in 2020 due to the stagnation of construction projects, the downstream construction industry has been gradually recovered in 2021.

Given that the market demand for cement continued to rise due to the increasing investment in infrastructure construction and real estate, a steady growth in production volume is expected in the next 5 years. It is predicted that the production volume of cement in the PRC will reach 2,932.4 million tons in 2025, with a CAGR of 4.1% between 2020 and 2025 and the production volume of clinker in the PRC will reach 1,888.9 million tons in 2025, with a CAGR of 3.6% between 2020 and 2025.

The implementation of supply-side reform and the strengthened supervision of environmental protection caused a decline in domestic cement inventory levels, which in turn boosted the prices of both cement and clinker. In the next few years, the price of cement and clinker is expected to rise steadily as a result of the cement supply chain reformation, stricter environmental regulations. The total production value of cement and clinker is expected to reach RMB1,096.9 billion and RMB645.7 billion by 2025, with a CAGR of 5.5% and 5.1% between 2020 and 2025, respectively. The charts below represent the historical and forecasted production volume and value of cement and clinker in the PRC between 2016 and 2025.

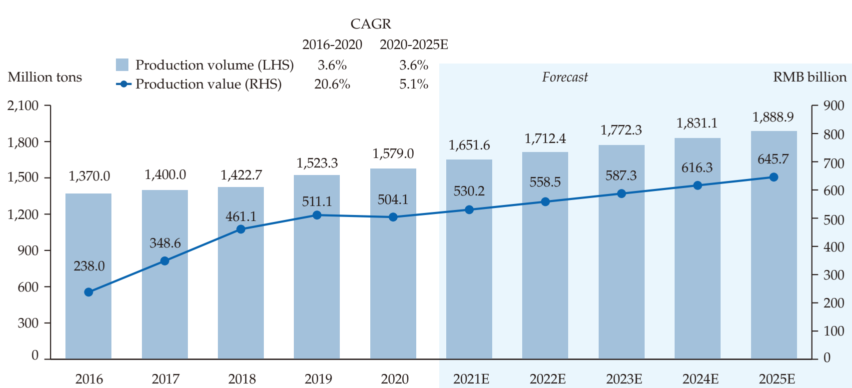
Production volume and value of cement, the PRC, 2016-2025E



Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.

Source: NBSC, China Cement Association, CIC

Production volume and value of clinker, the PRC, 2016-2025E



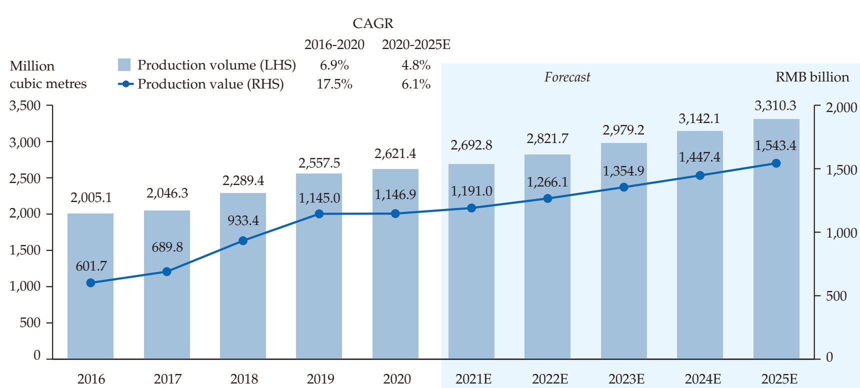
Source: NBSC, China Cement Association, CIC

Production volume and production value of ready-mixed concrete and aggregate industry in the PRC

The production volume of ready-mixed concrete in the PRC increased from 2,005.1 million m^3 in 2016 to 2,621.4 million m^3 in 2020, representing a CAGR of 6.9%. The production value of ready-mixed concrete in PRC has increased from RMB601.7 billion in 2016 to RMB1,146.9 billion in 2020, representing a CAGR of 17.5%, maintaining a rapid growth rate between 2016 and 2020. The significant growth between 2016 and 2020 is largely caused by surges in both the price and production volume of ready-mixed concrete. Considering the growing demand for concrete in infrastructure construction and real estate, along with the increasing penetration rate of ready-mixed concrete the demand and production volume of ready-mixed concrete are expected to continue increasing. It is predicted that the production volume of ready-mixed concrete will reach 3,310.3 million m^3 in 2025, with a CAGR of 4.8% between 2020 and 2025; and the total production value of ready-mixed concrete in the PRC will reach RMB1,543.4 billion by 2025, with a CAGR of 6.1% between 2020 and 2025.

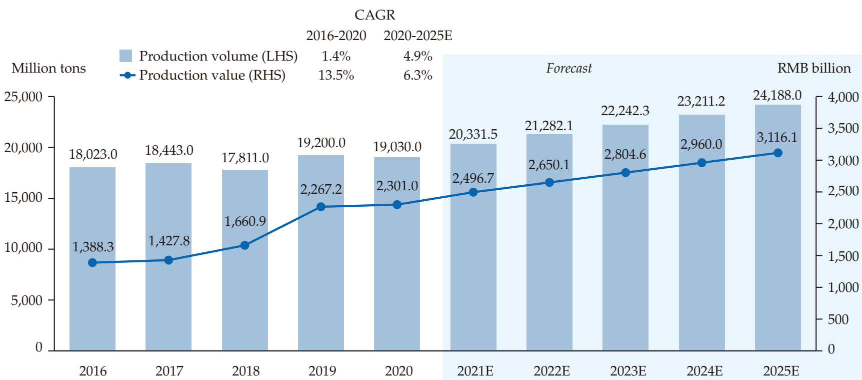
The production volume of aggregate in the PRC increased from 18,023.0 million tons in 2016 to 19,030.0 million tons in 2020, representing a CAGR of 1.4%. The production volume declined slightly in 2018 and 2020 mainly as a result of stringent regulations in mining for the purpose of environmental protection and response to the COVID-19 pandamic. Given that the demand for aggregate in infrastructure construction and real estate is increasing, the demand and production volume of aggregate is also expected to increase. It is predicted that the production volume of aggregate in the PRC will reach 24,188.0 million tons in 2025, with a CAGR of 4.9% between 2020 and 2025. The production value of aggregate increased rapidly from RMB1,388.3 billion to RMB2,301.0 billion between 2016 and 2020 with a CAGR of 13.5%, due to rising aggregate prices driven by the inventory drop mainly as a result of the stringent environmental protection-related regulations in mining. In the next few years, implementation of environmental protection regulations will continue to support a steady rise in price of aggregate, as well as the prospective growth in the production of artificial sand. It is estimated that the total production value of aggregate in the PRC will reach RMB3,116.1 billion by 2025, with a CAGR of 6.3% between 2020 and 2025. The charts below represent the historical and forecasted production volume and value of ready-mixed concrete and aggregate in the PRC between 2016 and 2025.

Production volume and value of ready-mixed concrete, the PRC, 2016-2025E



Source: Ministry of Commerce of the PRC, Concrete Branch of Construction Industry Association of China, CIC

Production volume and value of aggregate, the PRC, 2016-2025E



Source: CIC

Impact of the outbreak of COVID-19 on the construction material industry in the PRC

An outbreak of respiratory illness caused by the COVID-19 virus) first emerged in Wuhan City, Hubei Province, China in late 2019 and later spread into mainland China and globally. The new strain of the coronavirus is considered highly contagious and may pose a serious public health threat.

Given that the downstream industries of construction material industry are construction and real estate, the impact of COVID-19 virus on these industries has affected the demand for construction materials. This means halting of work as labor is unable to get to sites or because of disruption in the delivery of key materials and equipment. Besides, the capital liquidity crunch is one of the main issues that negatively affected the property and construction sectors. The pandemic delayed demand from the downstream industries, which caused pressure on the construction materials industry in the first quarter of 2020. However, as it was PRC off-season when the pandemic broke out, its impact for the whole year is expected to be limited.

Faced with the severe impact of the COVID-19 pandemic, the PRC government has introduced a series of proactive fiscal and monetary policies, such as issuing pandemic aid as a way to promote continuous economic recovery and high-quality development. Stimulated by the policies, indicators related to cement demand picked up: 1) the gross output value of the construction industry in 2020 reached RMB26,394.7 billion, with a growth rate of 6.2%; 2) the investment in real estate development in 2020 increased to RMB14,144.3 billion, a growth rate of 7.0%; and 3) the cement production volume and the clinker production volume in 2020 was 2,395 billion tons and 1,579 billion tons, with a growth rate of 2.2% and 3.7%, respectively.

According to the World Economic Outlook published by the International Monetary Fund, the real GDP growth in China was 2.3% in 2020, which is significantly lower than in 2019 due to the impact of COVID-19 pandemic. However, with the effective measures implemented by the PRC government to restrain the further spread of COVID-19 and to revitalize the economy, it is projected that the real GDP growth will reach 8.4% in 2021.

Recent development of construction materials industry in the first half of 2021 in the PRC

In general, the demand for cement in first quarter of each year is low due to the Chinese New Year holidays and cold weather, and rebounds in the second quarter. However, the demand for cement and infrastructure starts in the first half of 2021 was low due to unusually rainy weather as well as the increase in steel price. As a result, the average cement price decreased in the first half of 2021, and the profit margin of cement industry decreased in the first half of 2021, with a YoY growth rate of negative 7.2%. With increasing infrastructure projects in July, the cement industry recovered and the cement price rebounded. In addition, the increase in the price of raw materials such as coal and coke and its limited supply due to staggered production policy also contributed to the increase of cement price since July.

Key drivers of construction materials industry in the PRC

The rapid growth of investment in infrastructure construction and the stable investment in real estate development collectively provided a strong demand support for construction materials which will further promote the construction material industry throughout China. Infrastructure construction (including new infrastructure such as data center, 5G base station, electrical substations) and the rapid urbanization and rural construction process in China is expected to experience a steady growth in the next few years with the implementation of related policies and measures. Such policies and regulations for the construction materials industry will involve enhancing product standards, energy saving and emission reduction and production safety, and further promote the structural adjustment of cement products and certain high-tech building materials.

CEMENT INDUSTRY IN EACH KEY REGION: (1) HUBEI PROVINCE; (2) HUNAN PROVINCE; (3) SICHUAN PROVINCE; (4) CHONGQING CITY; (5) YUNNAN PROVINCE; AND (6) TIBET AUTONOMOUS REGION

The PRC's cement production is mainly concentrated in East China, Central South and Southwest China, which account for approximately 70% of the total cement production in China. Since cement has the characteristics of low weight-to-value ratio and limited expiration date, it is generally sold within a certain proximity from its production facility to balance between revenue and transportation costs. By the end of 2020, there were three provinces with an annual cement production volume exceeding 150 million tons, being Guangdong, Shandong and Jiangsu, and another 10 provinces with an annual cement production volume exceeding 100 million tons, being Sichuan, Anhui, Zhejiang, Yunnan, Guangxi, Henan, Hebei, Hunan, Guizhou and Hubei. This part will focus on analyzing the Company's key cement production regions in China, which are Hubei Province, Hunan Province, Sichuan Province, Chongqing City, Yunnan Province, and Tibet Autonomous Region.

Market size of cement industry in Hubei Province

Production volume and value of cement, Hubei Province, 2016-2025E

	Unit	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2016-2020	CAGR 2020-2025E
Production value	*RMB billion*	25.2	28.6	38.5	42.3	37.1	44.9	47.8	50.7	53.5	56.1	10.2%	8.6%
Production volume	*million ton*	115.9	111.1	106.9	114.0	101.1	120.3	126.2	131.8	137.0	141.9	-3.4%	7.0%

Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.
Source: *NBSC, CCA, CIC*

Hubei Province is situated in central China, with a long and rich history in cement production. The province is abundant in water resources as it is home to many rivers and lakes. As a result of its convenient waterways, cement manufacturers in Hubei Province are able to lower their transportation costs for delivering cement to other provinces. Cement production in Hubei Province accounted for 4.4% and 4.3% of total cement production in China in 2020 in terms of production value and volume, respectively. The construction material industry is highly correlated with the macroeconomic environment in Hubei Province. The output of the construction industry and fixed assets investment in Hubei Province reached RMB1,613.6 billion and RMB3,064.8 billion in 2020, respectively. The overall economy of Hubei Province suffered tremendously as it is the epicenter of the COVID-19 pandemic where the whole province had to shut down for a few months in the first two quarters of 2020. However, with the pandemic becoming under control, it is expected that the output of construction industry and fixed assets investment will pick up in 2021 and experience a CAGR of 10.9% and 8.1% between 2020 and 2025, respectively. To promote infrastructure construction, the government of Hubei Province released *"Ten Major Projects" three-year plan of Hubei Province to restore its functions after the pandemic (2020-2022) (《湖北省疫後重振補短板強功能"十大工程"三年行動方案(2020–2022年)》)* which aims to invest approximately RMB2.3 trillion in infrastructure construction in the next three years. Such favorable policies coupled with the natural advantage of rivers and waterways in Hubei Province continue to support the future development of the cement and concrete industry.

Market size of cement industry in Hunan Province

Production volume and value of cement, Hunan Province, 2016-2025E

	Unit	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2016-2020	CAGR 2020-2025E
Production value	*RMB billion*	24.4	28.0	35.4	36.2	37.5	38.4	40.4	42.5	44.6	46.6	11.3%	4.5%
Production volume	*million ton*	121.8	119.2	109.2	111.9	110.3	116.6	120.6	124.6	128.5	132.3	-2.4%	3.7%

Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.
Source: NBSC, CCA, CIC

Located in south-central China to the middle reaches of the Yangtze River and south of the Dongting Lake, Hunan Province is one of the key regions across China in terms of economic development both regionally and nationally. With the ever-improving traffic infrastructure such as highway, railway, and shipping, both intercity traffic and interprovincial traffic of Hunan Province brings great convenience for cement transportation. Moreover, Hunan Province has abundant natural resources of raw materials for cement production. Cement production in Hunan Province accounted for 4.5% and 4.6% of total cement production in China in 2020 in terms of production value and volume, respectively. The construction material industry is highly correlated with the macroeconomic environment in Hunan Province. The output of the construction industry and fixed assets investments in Hunan Province reached RMB1,186.4 billion and RMB4,088.3 billion in 2020, and are expected to experience CAGRs of 12.2% and 7.2% between 2020 and 2025, respectively. In 2020, Department of Industry and Information Technology in Hunan released *Digital Economy Development Plan of Hunan Province (2020-2025) (《湖南省數字經濟發展規劃(2020-2025年)》)*, which promotes new infrastructure (新基建) in Hunan Province, focusing on the implementation of ten key projects, namely the Strengthening the Foundation of Internet of Things Industry Project, the Promotion of Big Data Industry Project and the Growth of the IC Industry Project, etc. The inherent advantages of Hunan Province as well as support from the local government will further boost its cement and concrete industry.

Market size of cement industry in Sichuan Province

Production volume and value of cement, Sichuan Province, 2016-2025E

	Unit	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2016-2020	CAGR 2020-2025E
Production value	*RMB billion*	29.9	34.1	47.0	54.9	50.0	58.2	61.0	63.9	66.9	69.9	13.7%	6.9%
Production volume	*million ton*	145.8	138.1	137.5	141.7	145.0	158.8	163.4	167.9	172.4	176.7	-0.2%	4.0%

Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.
Source: NBSC, CCA, CIC

Sichuan Province is located in the upper Yangtze River valley, southwestern part of the PRC. There are plenty of mineral resources such as natural gas, limestone, phosphorite and coal in Sichuan Province, which provides two of the most critical components for cement production, fuel and raw materials. In addition, the advanced transportation network in Sichuan Province also enables cement manufacturers to lower their transportation costs. Cement production in Sichuan Province accounted for 6.0% and 6.1% of total cement production in China in 2020 in terms of production value and volume, respectively. The construction material industry is highly correlated with the macroeconomic environment in Sichuan Province. The output of the construction industry and fixed assets investment in Sichuan Province reached RMB1,561.3 billion and RMB3,922.9 billion in 2020, and are expected to experience CAGRs of 6.3% and 5.4% between 2020 and 2025, respectively. Driven by the on-going investment in infrastructure, such as the Ya'an-Linzhi section of Sichuan-Tibet Railway, Chengdu-Nanchong-Dazhou-Wanzhou High-speed Railway and Cheng-Chongqing Middle Line High-speed Railway, and supported by its abundant natural resources and logistic networks, the cement and concrete industry in Sichuan Province is expected to prosper in the next five years.

Market size of cement industry in Chongqing City

Production volume and value of cement, Chongqing City, 2016-2025E

	Unit	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2016-2020	CAGR 2020-2025E
Production value	*RMB billion*	12.8	14.6	21.6	23.4	21.6	23.5	24.3	25.0	25.7	26.3	14.1%	4.0%
Production volume	*million ton*	67.8	63.7	65.8	67.5	65.1	71.6	73.3	74.9	76.3	77.7	-1.0%	3.6%

Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.
Source: *NBSC, CCA, CIC*

Chongqing City is the largest municipality in terms of area directly under the central government located in western China. With the operation of the Chongqing-Xinjiang-Europe international railway, Chongqing City has become the frontier of the Belt and Road Initiative. The transportation advantages as well as the infrastructure investment led by the Belt and Road Initiative have driven the development of the cement industry in Chongqing City. Cement production in Chongqing City accounted for 2.6% and 2.7% of total cement production in China in 2020 in terms of production value and volume, respectively. The construction material industry is highly correlated with the macroeconomic environment in Chongqing City. The output of the construction industry and fixed assets investment in Chongqing City reached RMB897.5 billion and RMB2,046.7 billion in 2020, and are expected to experience CAGRs of 9.8% and 5.4% between 2020 and 2025, respectively. In 2020, the Chongqing Communications Administration issued *Chongqing's land space planning and Communication specialty plans — 5G special plan (《重慶市國土空間規劃通信專業規劃 — 5G專項規劃》)*, which plans to build 150,000 5G base stations in Chongqing City by 2025. The favorable policies in new infrastructure will boost the demand for cement and foster the development of the cement and concrete industry in the next few years.

Market size of cement industry in Yunnan Province

Production volume and value of cement, Yunnan Province, 2016-2025E

	Unit	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2016-2020	CAGR 2020-2025E
Production value	*RMB billion*	23.1	29.2	32.6	36.6	36.5	38.0	41.1	44.2	47.2	50.2	12.1%	6.6%
Production volume	*million ton*	109.6	112.9	118.0	128.4	129.8	139.9	149.1	157.9	166.4	174.4	4.3%	6.1%

Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.
Source: *NBSC, CCA, CIC*

Within China's Belt and Road Initiative, Yunnan Province is home to key road and railway links to South and Southeast Asian countries, such as Laos, Vietnam and Myanmar via the China-Myanmar-Bangladesh-India Economic Corridor. Cement production in Yunnan province accounted for 4.4% and 5.5% of total cement production in China in 2020 in terms of production value and volume, respectively. The construction material industry is highly correlated with the macroeconomic environment in Yunnan Province. The output of the construction industry and fixed assets investment in Yunnan Province reached RMB672.5 billion and RMB2,406.3 billion in 2020, and are expected to experience CAGRs of 13.3% and 10.0% between 2020 and 2025, respectively. To promote the new infrastructure construction, the government issued *Implementation Plan for Promoting New Infrastructure Construction in Yunnan Province (2020-2022) (《雲南省推進新型基礎設施建設實施方案(2020-2022年)》)*, which targets to invest RMB377.3 billion in 665 construction projects. With the promotion of the government and geographical advantages in transportation, the cement and concrete industry in Yunnan Province is expected to continue to prosper.

Market size of cement industry in Tibet Autonomous Region

Production volume and value of cement, Tibet Autonomous Region, 2016-2025E

	Unit	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 2016-2020	CAGR 2020-2025E
Production value	*RMB billion*	3.4	3.5	4.6	5.2	5.4	5.7	6.6	7.6	8.7	10.0	12.4%	13.1%
Production volume	*million ton*	6.2	6.4	9.1	10.8	10.9	13.0	15.4	18.1	21.1	24.3	15.1%	17.5%

Note: The production value was calculated based on ex-factory cement price, excluding tax and freight.
Source: NBSC, CCA, CIC

Tibet Autonomous Region is located in southwest China and is adjacent to the Xinjiang Uygur Autonomous Region and Qinghai, Sichuan, Yunnan provinces. Bordering South Asian countries such as India, Nepal, Myanmar, and Bhutan, Tibet Autonomous Region is an important region in terms of connecting with South Asian countries in the Belt and Road Initiative. Cement production in Tibet Autonomous Region accounted for 0.6% and 0.5% of total cement production in China in 2020 in terms of production value and volume, respectively. The infrastructure in Tibet Autonomous Region is relatively under-developed as compared with South China and East China. The output of the construction industry and fixed assets investment in Tibet Autonomous Region reached RMB29.5 billion and RMB223.4 billion in 2020, and are expected to experience a CAGR of 18.9% and 9.6% between 2020 and 2025, respectively. The PRC government actively invests in the infrastructure in Tibet Autonomous Region such as the construction of Lhasa General Airport for emergency rescue base and Sichuan-Tibet railway in the next few years. The on-going investment in the infrastructure construction in Tibet Autonomous Region will continue to support the downstream cement and concrete demand, which will in turn benefit the local cement manufacturers.

Price analysis of cement industry in each key region

The average prices of cement in the aforementioned six key regions of the Company's strategic layout fluctuated between 2016 and 2020. Except for Tibet Autonomous Region, in 2016 and 2017, the cement price remained relatively weak as a result of overcapacity and fierce market competition. Since 2017, the cement price in key regions except for Tibet Autonomous Region has experienced an uptick, primarily driven by policies to address overcapacity. The annual average price of cement in Tibet Autonomous Region was higher than the national level over the past few years, given the limited supply to meet the demand and the high cost of transportation to Tibet. With the subsequent increase in capacity of local cement production, the annual average price of cement in Tibet gradually declined since 2017, reached RMB621.8 per ton in 2019 and bounced back to RMB644.9 per ton in 2020, which was mainly due to the interruption on inter-provincial transportation that resulted from the COVID-19 pandemic.

Annual average price *Note* of cement, key regions in the PRC, 2016-2020

	Unit	2016	2017	2018	2019	2020	CAGR 2016-2020
The PRC	*RMB/ ton*	261.6	340.1	436.9	458.8	456.0	15.0%
Hubei Province	*RMB/ ton*	282.7	334.9	467.8	481.9	477.0	14.0%
Hunan Province	*RMB/ ton*	260.8	305.7	421.6	420.0	441.7	14.1%
Yunnan Province	*RMB/ ton*	274.0	336.6	359.5	370.7	364.8	7.4%
Tibet Autonomous Region	*RMB/ ton*	709.2	701.8	660.2	621.8	644.9	-2.3%
Chongqing City	*RMB/ ton*	244.9	297.8	427.4	451.1	432.3	15.3%
Sichuan Province	*RMB/ ton*	266.1	321.3	444.0	503.8	447.8	13.9%

Source: *CIC*

Price analysis of construction materials in the PRC

The annual average price of clinker experienced rapid growth with a CAGR of 16.4% between 2016 and 2020. With the implementation of supply-side industry reform and the strengthened supervision of environmental protection, the inventory for domestic cement supply dropped to a low level in the PRC, which boosted the price of clinker between 2016 and 2018. The annual average price of aggregate also experienced rapid growth with a CAGR of 11.9% between 2016 and 2020. Since the second half of 2016, strict implementation of the environmental protection regulations has led to the closure of a number of small-size quarries, resulting in a shortage in aggregates supply, and in turn a surge in aggregates price. The price of ready-mixed concrete has experienced fluctuations since 2016, which is primarily driven by the fluctuations of raw materials.

Annual average price of construction materials, the PRC, 2016-2020

	Unit	2016	2017	2018	2019	2020	CAGR 2016-2020
Clinker	*RMB/ ton*	173.7	249.0	324.1	335.5	319.2	16.4%
Aggregate	*RMB/ ton*	77.0	77.4	93.3	118.1	120.9	11.9%
Ready-mixed concrete	*RMB/ ton*	300.1	337.1	407.7	447.7	437.5	9.9%

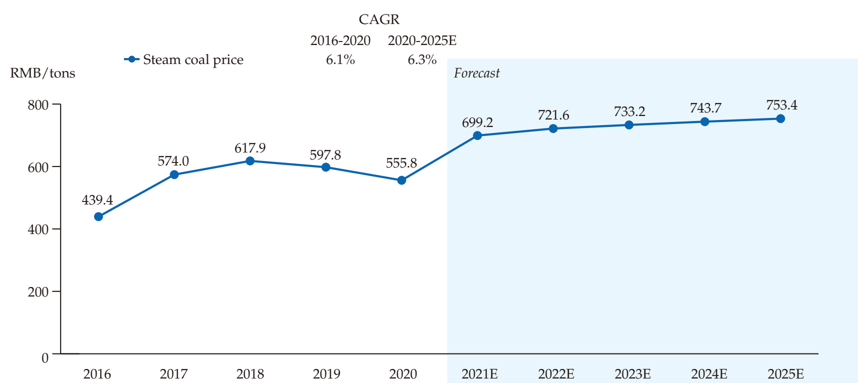
Source: *NBSC, CIC*

Note: The average price of cement refers to the average retail price of P.O 42.5 bulk cement, a kind of high-end cement, including tax and freight.

Raw material analysis of cement production

The cost for cement can be divided into fuel, raw materials and others cost, among which fuel cost accounts for approximately 50% to 55% of the total cost structure, labor cost accounts for approximately 20%, and raw material accounts for approximately 20% to 25%. Coal and electricity are the two common sources served as fuel during the production process of cement. Raw materials for production of cement include limestone, clay, corrective materials, and ancillary materials. Among them, the cost for limestone is the major component of the raw material cost of cement. Others cost includes depreciation, amortization, and overhead cost.

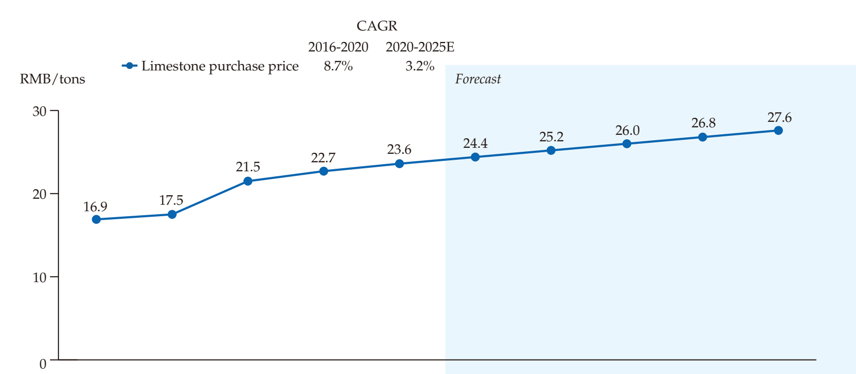
Annual average steam coal price, the PRC, 2016-2025E



Source: Steelhome, CIC

The thermal coal price increased from RMB439.4 per tonne in 2016 to RMB555.8 per tonne in 2020. Due to economy recovery in 2021 after COVID-19 pandemic, many manufacturing enterprise resume to work, resulting in a sudden growth in the demand of coal. The average steam coal price is expected to experience a rapid growth in 2021, and continue to stably increase between 2021 and 2025.

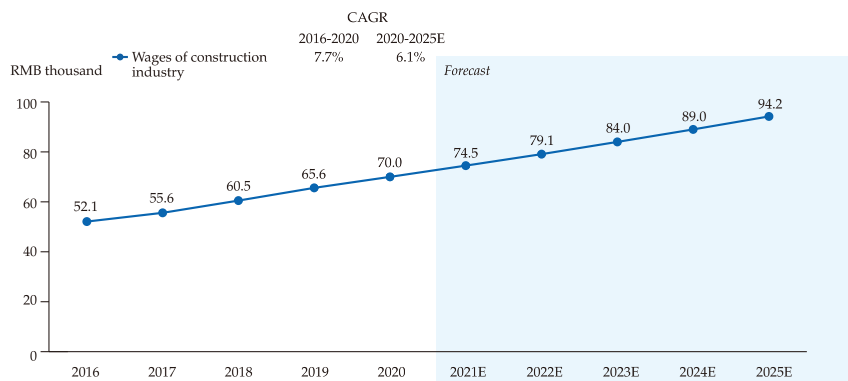
Annual average limestone purchase price, the PRC, 2016-2025E



Source: CIC

The average limestone purchase price has increased from RMB16.9 per tonne to RMB23.6 per tonne between 2016 and 2020, mainly driven by the shortage of supply resulting from the stricter environmental protection regulations. With the continuous implementation of environmental regulations, it is expected that the average limestone purchase price will continue grow and reach RMB27.6 per tonne by 2025, representing a CAGR of 3.2% between 2020 and 2025.

Annual average wages of employees in construction industry, the PRC, 2016-2025E



Source: NBSC, CIC

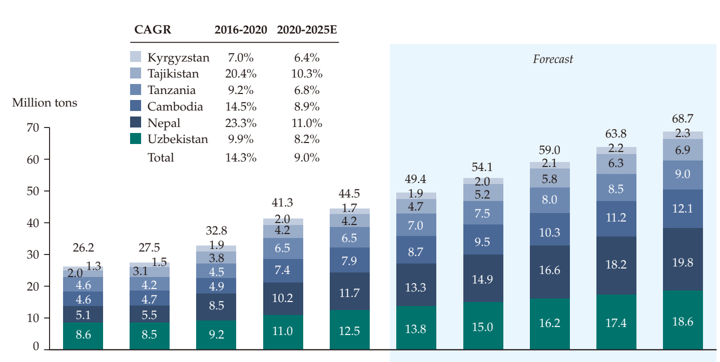
The average wages of employees in construction industry increased steadily from RMB52.1 thousand in 2016 to RMB70.0 thousand in 2020 with a CAGR of 7.7% in the same period. With the slower growth of labor force for construction industry, it is expected that the average wages of employees in construction industry will continue to grow and reach RMB94.2 thousand by 2025.

CEMENT AND CONCRETE INDUSTRY IN THE BELT AND ROAD

The "Belt and Road Initiative" was proposed in 2014 to strengthen the infrastructure construction along the Belt and Road countries. This could benefit the construction materials manufacturers given that the infrastructure project construction contracts, often undertaken by PRC enterprises, will create such demand. Competent PRC construction materials manufacturers may grasp the opportunities to participate in such construction projects in the selected developing countries to expand globally.

Production volume of cement in the selected developing countries

Production volume of cement, Kyrgyzstan, Tajikistan, Tanzania, Cambodia, Nepal, Uzbekistan, 2016-2025E



Source: National Bureau of Statistics of Cambodia, Nepal, Tajikistan, Tanzania, Kyrgyzstan, Uzbekistan, CIC

Kyrgyzstan, Tajikistan, Tanzania, Cambodia, Nepal and Uzbekistan produced a total of 44.5 million tons of cement in 2020. Specifically, the production volume of cement in Tajikistan and Nepal experienced higher growth rate during the past few years, with a CAGR of 20.4% and 23.3% between 2016 and 2020, respectively. In comparison, the cement production volume of cement in Kyrgyzstan experienced a relatively lower growth rate. The rapidly developing economies and the increasing urbanization and industrialisation of the selected developing countries are expected to fuel the demand for construction materials, especially cement. It is expected that by 2025, the total production volume of cement in Kyrgyzstan, Tajikistan, Tanzania, Cambodia, Nepal and Uzbekistan will reach 68.7 million tons, with a CAGR of 9.0% between 2020 and 2025.

KEY FACTORS AFFECTING INDUSTRY DEVELOPMENT & OUTLOOK

Competitive landscape in the PRC

The cement industry in China is relatively concentrated with top 5 cement manufacturers accounting for 33.6% of market share in terms of operating income generated from cement business in China, and almost all leading cement manufacturers are listed companies. In 2020, the Company generated approximately RMB21.9 billion of operating income from its cement business and was ranked fifth among the leading Chinese cement manufacturers in terms of operating income.

Ranking of top five cement manufacturers in terms of operating income generated from cement business in China, 2020

Rank	Manufacturer's name	Time of establishment	Manufacturer's background	Operating Income generated from cement business in China (RMB billion)	Market share
1	China National Building Material Co., Ltd.	1984	Large manufacturer for building materials and integrated service provider	109.0	13.0%
2	Anhui Conch Cement Co., Ltd.	1997	Large state-owned cement and clinker manufacturer	94.4	11.2%
3	China Resources Cement Holdings Ltd.	2003	Large-scale and state-owned cement, clinker and concrete producer in Southern China	29.0	3.5%
4	Tangshan Jidong Cement Co., Ltd.	1994	Large state-owned cement manufacturer in northern China	27.7	3.3%
5	**Our Company**	**1907**	**One of the earliest enterprises in China's cement industry and the first A&B-share listed China's building materials company**	**21.9**	**2.6%**
	Subtotal			282.0	33.6%
	Others			558.4	66.4%
	Total			840.4	100%

Note: The leading five manufacturers are all listed companies. The operating income figures generated from the cement business in China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, industry public articles and other reputable third party's sources.

Source: *CCA, CIC*

Ranking of top five cement manufacturers in terms of cement production capacity in China, 2020

Rank	Manufacturer's name	Time of establishment	Manufacturer's background	Production capacity of cement in China (million tonnes)	Market share
1	China National Building Material Co., Ltd.	1984	Large manufacturer for building materials and integrated service provider	501.4	16.2%
2	Anhui Conch Cement Co., Ltd.	1997	Large state-owned cement and cement clinker manufacturer	361.9	11.7%
3	Tangshan Jidong Cement Co., Ltd.	1994	Large state-owned cement manufacturer in northern China	170.0	5.5%
4	China Resources Cement Holdings Ltd.	2003	Large-scale and state-owned cement, clinker and concrete producer in Southern China	105.7	3.4%
5	**Our Company**	**1907**	**One of the earliest enterprises in China's cement industry and the first A&B-share listed China's building materials company**	**105.6**	**3.4%**
	Subtotal			**1,244.6**	**40.2%**
	Others			**1,846.3**	**59.8%**
	Total			**3,090.9**	**100%**

Note: The leading five manufacturers are all listed companies. The production capacity of cement in China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, industry public articles and other reputable third party's sources.

Source: *CIC*

Ranking of top five cement manufacturers in terms of cement production volume in China, 2020

Rank	Manufacturer's name	Time of establishment	Manufacturer's background	Production volume of cement in China (Million tonnes)	Market share
1	China National Building Material Co., Ltd.	1984	Large manufacturer for building materials and integrated service provider	352.7	14.7%
2	Anhui Conch Cement Co., Ltd.	1997	Large state-owned cement and cement clinker manufacturer	290.3	12.1%
3	Tangshan Jidong Cement Co., Ltd.	1994	Large state-owned cement manufacturer in northern China	94.6	4.0%
4	China Resources Cement Holdings Ltd.	2003	Large-scale and state-owned cement, clinker and concrete producer in Southern China	90.8	3.8%
5	**Our Company**	**1907**	**One of the earliest enterprises in China's cement industry and the first A&B-share listed China's building materials company**	**68.1**	**2.8%**
	Subtotal			**896.5**	**37.4%**
	Others			**1,498.3**	**62.6%**
	Total			**2,394.8**	**100%**

Note: The leading five manufacturers are all listed companies. The Production volume of cement in China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, industry public articles and other reputable third party's sources.

Source: *CIC*

The M&A trend in China's cement industry has led to a further increase in market concentration. From 2013 to 2020, the number of cement companies decreased from approximately 3,800 to 2,800 since many leading players have taken actions in mergers and reorganization. As large-scale state-owned enterprises and leading companies conducted successive M&A activities such as the acquisition of small-and-medium cement manufacturers, industry competition has diminished and operational synergies have been created, allowing leading market players to further dominate the cement industry. The M&A trend is expected to continue as the structural adjustments in the cement industry will continue and backward production capacity will be gradually phased out.

Ranking of top five cement manufacturers in terms of operating income generated from cement business, central China, 2020

Rank	Manufacturer's name	Time of establishment	Manufacturer's background	Operating income generated from cement business in central China (RMB billion)	Market share
1	**Our Company**	**1907**	**One of the earliest enterprises in China's cement industry and the first A&B-share listed China's building materials company**	**8.5**	**6.9%**
2	China United Cement Corporation	1990	Subsidiary of a large state-owned company	7.8	6.3%
3	Tianrui Cement Group Co., Ltd.	2000	Large cement and clinker manufacturer	6.0	4.9%
4	South Cement Co., Ltd.	2007	Subsidiary of a large state-owned company	5.9	4.8%
5	Anhui Conch Cement Co., Ltd.	1997	Large state-owned cement and clinker manufacturer	5.5	4.5%
	Subtotal			33.7	27.4%
	Others			89.3	72.6%
	Total			123.0	100.0%

Note: The operating income figures generated from the cement business in central China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, industry public articles and other reputable third party's sources.

Source: CCA, CIC

The total market size of cement in central China was RMB123.0 billion in 2020, accounting for 14.6% of total market size in China. The cement industry in central China is relatively concentrated with the top five manufacturers accounting for 28.9% of the market share. In 2020, there are approximately 400 cement manufacturers in central china. The Company was the largest manufacturer in central China with an operating income generated from cement business of RMB8.5 billion, accounting for approximately 6.9% of the total market.

Ranking of top five cement manufacturers in terms of cement production capacity, central China, 2020

Rank	Manufacturer's name	Time of establishment	Manufacturer's background	Production capacity of cement in central China (Million tonnes)	Market Share
1	**Our Company**	**1907**	**One of the earliest enterprises in China's cement industry and the first A&B-share listed China's building materials company**	**57.8**	**14.3%**
4	Tianrui Cement Group Co., Ltd.	2000	Large cement and cement clinker manufacturer	38.0	9.4%
5	Anhui Conch Cement Co., Ltd.	1997	Large state-owned cement and clinker manufacturer	36.6	9.1%
3	South Cement Co., Ltd.	2007	Subsidiary of a large state-owned company	32.5	8.1%
5	China United Cement Corporation	1999	Subsidiary of a large state-owned company	31.8	7.9%
	Subtotal			196.7	48.8%
	Others			206.8	51.2%
	Total			403.5	100%

Note: The production capacity of cement in central China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, industry public articles and other reputable third party's sources.

Source: CIC

Ranking of top five cement manufacturers in terms of cement production volume, central China, 2020

Rank	Manufacturer's name	Time of establishment	Manufacturer's background	Production volume of cement in central China (Million tonnes)	Market Share
1	**Our Company**	**1907**	**One of the earliest enterprises in China's cement industry and the first A&B-share listed China's building materials company**	**33.6**	**10.2%**
2	Anhui Conch Cement Co., Ltd.	1997	Large state-owned cement and clinker manufacturer	26.7	8.1%
3	South Cement Co., Ltd.	2007	Subsidiary of a large state-owned company	24.3	7.4%
4	Tianrui Cement Group Co., Ltd.	2000	Large cement and cement clinker manufacturer	24.0	7.3%
5	China United Cement Corporation	1999	Subsidiary of a large state-owned company	18.5	5.6%
	Subtotal			127.1	38.6%
	Others			202.0	61.4%
	Total			329.1	100%

Note: The production volume of cement in central China in 2020 for the top 5 manufacturers (except for the Company) were estimated by CIC based on their annual reports, industry public articles and other reputable third party's sources.

Source: *CIC*

Key success factors in the cement industry

- **Achievement of economies of scale:** Leading players achieve economies of scale through continuous technological upgrade or acquisitions. Through scale, they can obtain a production cost advantage over smaller enterprises and thus be more capable of researching and developing new technologies to maintain their competitive edge.

- **Leading production and market layout:** Leading cement manufacturers are well positioned in the economic regions that enjoy rapid industrialization and urbanization development to capture better growth opportunities. Moreover, their production facilities are mainly located near raw material resources to enjoy lower transportation cost and improve production efficiency.

- **Extension of industry chain:** Synergistic advantages can be achieved by leading cement manufacturers through the downstream development of concrete, aggregates, and other cement production related business. Such vertical industrial integration development will further consolidate their core competitive advantages.

- **Brand reputation:** Manufactures with strong brand reputation could more easily acquire and retain a loyal and stable customer base. Such reputation is usually built up through years of providing high quality cement products and services, and strategically increasing market shares in the relevant sectors.

Industry entry barriers in the cement industry

- **Regulation restrictions:** New entrants are subject to government regulations and environmentally friendly standards in relation to cement production processes in China. According to "Entry criteria for cement enterprises" (《水泥行業准入條件》) released in 2010, only cement enterprises that has already engaged in cement business can invest in new cement production line. With the increasing awareness of environmental protection issues, the government has adopted a series of environmental policies to reduce the adverse effects of the cement industry on the environment.

- **Capital resources:** The cement industry is highly capital-intensive, so the capital sourcing capability is fundamental to cement manufacturers. Cement enterprises, especially new entrants, require a substantial amount of capital to build their production facilities, purchase production equipment and develop and implement new technologies.

- **Raw material resources:** Cement production consumes significant amounts of raw materials and energy resources. However, in recent years, with the increasing awareness of environmental protection issues, the supply of limestone has decreased due to the shutdown of many unqualified mines by the government. It is expected that the approvals of mining rights will continue to be tighten, and stricter environment protection measures will be gradually rolled out. The raw material resources will be increasingly scarce, resulting higher pricing power for raw material suppliers.

- **Regional barriers:** Given the weight and bulky nature of cement, manufacturers prefer to establish production facilities in close proximity to the raw material resources. However, local cement enterprises have already dominated the regional market and enjoyed support from the local government, hence making it hard for new entrants to overcome the regional barriers.

Future trends of the construction materials industry

- **Promotion of green development**

As the PRC construction materials industry develops and evolves with a "going green" theme, environmentally friendly and energy-efficient construction materials have become the mainstream of the construction market. A series of regulations such as "Three-Year Action Plan for Winning the Blue Sky Defense Battle" (《打贏藍天保衛戰三年行動計劃》) and "Guiding Opinions on Promoting the Healthy and Orderly Development of Sand and Stone Industry" (《關於促進砂石行業健康有序發展的指導意見》) has been gradually rolled out these years to promote the green development of construction materials industry.

- **Adoption of information and energy conservation technologies in cement production**

Cement construction materials manufacturers are increasingly adopting information and energy conservation technology to support automation and process control, improve fuel efficiency, optimize production, and improve product quality. For instance, digital information technology allows manufacturers to better monitor cement plant equipment and production processes. They can make quicker and more informed management decisions, such as when to repair or maintain equipment based on timely data; which will in turn increase productivity and optimize production processes by reducing bottlenecks and downtime and minimizing environmental footprint. Besides, energy conservation technology such as NSP (New Dry Process) can also reduce the consumption of coal and energy during the manufacturing process of clinker.

This section sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company, including laws and regulations on foreign investment, production and manufacturing of cement and concrete, product quality, environment protection, production safety, labor protection, intellectual property rights, company establishment and operation management. This section is an overview and is not intended to be a detailed analysis of PRC laws and regulations relating to our business and operations.

APPLICABLE LAWS AND REGULATIONS IN THE PRC

Laws and Regulations in Relation to the Foreign Investment

Regulations of Foreign Investment Law

On 15 March 2019, the Foreign Investment Law of the People's Republic of China was promulgated by the NPC and it has taken effect on 1 January 2020. The Foreign Investment Law is the fundamental law for foreign investment in PRC, which replaces the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law on Foreign-Capital Enterprises (《中華人民共和國外資企業法》) as the general law applicable for the foreign investment within the PRC.

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of pre-establishment national treatment plus Negative List, foreign investment information report system and security review system. The said systems, together with other administration measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. The pre-establishment national treatment refers to granting foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the Negative List refers to special administrative measures for access of foreign investments in certain fields and the national treatment will be given to the foreign investments that do not fall within any of the categories set out in the Negative List. The Negative List shall be released by or upon approval by the State Council.

Foreign Investment Catalog and Negative List

Under the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) which was promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the "**NDRC**") and the MOFCOM on 27 December 2020 and became effective on 27 January 2021, and the Special Administrative Measures for Access of Foreign Investment (2021 Version) (Negative List) (《外商投資准入特別管理措施(負面清單)(2021年版)》) which was promulgated by the NDRC and the MOFCOM on 27 December 2021 and became effective on 1 January 2022, production of environment-friendly (non-chromizing) refractory materials used in furnaces, including cement, electronic glass, ceramics, and microporous carbon bricks and safe disposal of solid wastes using new dry process cement kilns and sintered wall materials have been included in the Catalog of Industries for Encouraging Foreign Investment.

LAWS AND REGULATIONS IN RELATION TO PRODUCTION AND MANUFACTURING OF CEMENT AND CONCRETE

Industrial Products Production License

According to Regulation of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) promulgated by the State Council on 9 July 2005 with effect from 1 September 2005, the Catalog of Industrial Products subject to the system of production license by the State shall be formulated by the competent department of the State Council in charge of production license for industrial products together with the relevant departments of the State Council, and be announced to the public upon the approval of the State Council after soliciting the opinions of consumers associations and industrial associations of the relevant products.

According to the Measures for the Implementation of the Regulation of the PRC on the Administration of Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 21 April 2014 and effective on 1 August 2014, the enterprises which produce important industrial products shall be subject to the production license system of the State. The Catalog of the Industrial Products subject to the production license system shall be developed by the General Administration of Quality Supervision, Inspection and Quarantine in conjunction with the relevant departments of the State Council, and be announced to the general public upon the approval of the State Council after opinions of consumers' associations and industrial associations of the relevant products as well as of the general public are solicited.

According to the Decision of the State Council on the Adjustment of the Catalog of Industrial Products Subject to Production License Administration and the Trial Implementation of Simplified Approval Procedures (No. 34 [2017] of the State Council) (《國務院關於調整工業產品生產許可證管理目錄和試行簡化審批程序的決定》(國發〔2017〕34號)) promulgated on 24 June 2017 by the State Council, the State Council has decided to further adjust the catalog of industrial products subject to production license administration, in which 19 categories of industrial products subject to production license administration are canceled, three categories of industrial products are subject to compulsory product certification administration instead of production license administration, and the production license administration authority of eight categories of industrial products is delegated by the General Administration of Quality Supervision, Inspection and Quarantine to the quality and technical supervision departments of the provincial people's governments. After the adjustment, a total of 38 categories of products will continue to be subject to production license administration for industrial products, cement products shall be licensed by General Administration of Quality Supervision, Inspection and Quarantine.

In accordance with the Announcement of the State Administration for Market Regulation on Issuing the General Implementation Rules and Specific Implementation Rules of Production Licenses for Industrial Products (No. 26 [2018]) (《市場監管總局關於公佈工業產品生產許可證實施通則及實施細則的公告》(2018年第26號)) and Detailed Rules for the Implementation of Cement Product Production Licenses (《水泥產品生產許可證實施細則》), issued by the State Administration for Market Regulation on 1 December 2018, licenses of cement products are issued by the State Administration for Market Regulation. In accordance with the Announcement of the State Administration for Market Regulation on Notice of the State Administration for Market Regulation on Delegating the Approval Authority of Production Licenses for 5 Categories of Industrial Products and Strengthening Supervision during and after the event (《市場監管總局關於下放5類產品工業產品生產許可證審批權限加強事中事後監管工作的通知》), cement products are accepted, examined, approved and issued by the provincial Administration for Market Regulation, and the State Administration for Market Regulation will not implement the examination and approval.

According to the Measures for Administration of Bulk Cement (《散裝水泥管理辦法》) promulgated by Ministry of Commerce, Ministry of Finance, Ministry of Construction (dissolved), Ministry of Railways (dissolved), Ministry of Transport, State Administration of Quality Supervision, Inspection & Quarantine (dissolved), State Administration of Environmental Protection (dissolved) on 29 March 2004, the competent commercial administrative department under the State Council shall be responsible for coordinating the development and administration of bulk cement throughout the nation. Competent administrative departments under the State Council concerning finance, construction, railways, transport, quality and technical supervision, as well as environmental protection, shall, according to their respective functions and duties, be in charge of work related to bulk cement. Departments designated by local people's governments at or above the county level shall be responsible for the supervision and administration of bulk cement under their jurisdiction. Competent administrative departments under local people's governments at or above the county level in terms of finance, construction, transport, quality and technical supervision, as well as environmental protection, shall, according to their respective functions and duties, be in charge of work related to bulk cement.

Qualifications of Construction Enterprises

According to the Construction Law of the PRC (《中華人民共和國建築法》) which was promulgated on 22 April 2011 and took effect on 1 July 2011 and was amended on 23 April 2019, the Provisions on the Administration of Qualifications of Enterprises in Construction Industry (《建築業企業資質管理規定》) which was promulgated on 22 January 2015 and amended on 22 December 2018 and other applicable laws and regulations, an enterprise engaging in construction and other relevant construction projects may only carry out construction activities within the scope of their respective qualifications.

The qualifications of construction enterprises can be divided into three categories, which are general contracting, specialized contracting and construction labor service respectively. General contracting and specialized contracting are further divided into various qualification ratings depending on the nature and technical specifications of the project. Each of these qualification ratings is then further subdivided into certain classes based on prescribed conditions.

According to the Notice of the Ministry of Commerce, the Ministry of Public Security, the Ministry of Construction, and the Ministry of Transport on Prohibiting the Mixing of Concrete on the Site in Urban Areas within a Time Limit (Shang Gai Fa [2003] No. 341) (《商務部、公安部、建設部、交通部關於限期禁止在城市城區現場攪拌混凝土的通知》(商改發[2003] 341號)) issued on 16 October 2003 by the Ministry of Commerce, the Ministry of Public Security, the Ministry of Construction (dissolved), and the Ministry of Transport, the ready-mixed concrete production enterprise shall comply with the urban construction planning, the development plan of the construction industry and the environmental protection requirements, possess the qualifications stipulated by the State, and accept the qualification examination of the construction administrative department. Concrete production enterprises that have not been approved by the construction administrative department shall not provide ready-mixed concrete to the society. Production enterprises engaged in ready-mixed concrete should establish a complete quality control system, strictly implement relevant regulations in standardization management, measurement management, process control, quality inspection and other relevant aspects to ensure the quality of ready-mixed concrete.

Mining License

According to the Mineral Resources Law of the PRC amended by the Standing Committee of the National People's Congress (the "**SCNPC**") on 27 August 2009, anyone who wishes to mine the following mineral resources shall be subject to examination and approval by the department in charge of geology and mineral resources under the State Council, which shall also issue a mining license: (1) those within the mining areas embraced in State plans or within the mining areas which are of great value to the national economy; (2) those outside the areas mentioned in the preceding sub-paragraph, and where the minable mineral reserves are at least of a large quantity; (3) specified minerals of which protective mining is prescribed by the State; (4) those in the territorial seas and other sea areas under China's jurisdiction; and (5) other mineral resources as prescribed by the State Council.

Industrial Policies in Relation to Cement and Concrete Industries

According to the Industrial Policy for the Cement Industry (《水泥工業產業發展政策》) promulgated by the NDRC on 17 October 2006, the number of enterprises will be reduced from the current 5,000 to 2,000 by 2020, and the number of enterprises with a production scale of over 30 million tons will reach 10, and that of over 5 million tons will reach 40. The cement industry will be basically modernized, and the technical and economic indicators and environmental protection will reach the international advanced level in the same period. In accordance with the Industrial Policy for the Cement Industry (《水泥工業產業發展政策》), the State encourages local governments and enterprises to develop new dry-process cement by shutting down backward production capacity, with the focus on supporting the construction of new dry-process cement projects with a daily output of 4,000 tons or more in resource-rich areas and the construction of large clinker bases; large cement grinding stations will be built in areas close to the market.

According to the Guiding Catalog of Industrial Restructuring (2019 Edition) (《產業結構調整指導目錄(2019年本)》) promulgated by the NDRC on 1 January 2020, Category I Encouragement: "XII Building Materials: 1. Use of a new dry process cement kiln having capacity of not less than 2,000 tons per day (inclusive) or a new sintered brick and tile production line having capacity of not less than 60 million pieces per year (inclusive) for co-processing of waste and desalination pretreatment by water washing process of incineration fly ash from the co-processing of waste by cement kilns; research, development and application of processes, technologies and products for production of sulfur (iron) aluminate cement, aluminate cement, white portland cement and other special cement in new dry process cement kilns; research, development and application of new static clinker calcination processes and technologies; research, development and application of alternative fuel technologies for new dry process cement kilns and capture and purification technologies for flue gas carbon dioxide; development and application of cement admixture; energy-saving improvement of grinding systems (cement vertical mills and final grinders of roller press for raw materials, among others); development and application of automated bag-inserting machine for cement packaging, packaging machine and loading machine". Category II Restriction: "IX Building Materials: 1. New-type clinker cement production lines by dry process with a daily output of less than 2,000 tons (exclusive) (except special cement production lines) and cement grinding stations with an annual output of less than 600,000 tons (exclusive)". Category III Elimination: "I Outdated Production Techniques and Equipment: (VIII) Building Materials: 1. Dry hollow kiln (except for the production of aluminate cement and other special cement), cement mechanical vertical shaft kiln, Lepol kiln, and wet-process kiln; 2. Cement powder grinding equipment of less than 3 meters (exclusive) in diameter (except for the production of special cement) ; 3. Non-laminating plastic woven cement bag"," Outdated Products: (V) Building Materials: 1. GRC hollow slats made from non-alkali-resistance fiberglass and non-low-alkali cement".

The Guidelines of the State Council on Resolving the Excessive Overcapacity Issue (《國務院關於化解產能嚴重過剩矛盾的指導意見》) (Guo Fa [2013] No. 41), issued by the State Council on 6 October 2013, requires to expedite the formulation and revision of cement and concrete product standards and related design specifications, promote the use of high-grade cement and high-performance concrete, abolish the PC32.5 grade cement product standard as soon as possible, and gradually reduce the proportion of PC32.5 grade cement used. It encourages the utilization of existing cement production lines to develop new products such as high-grade cement as well as special cement that may meet the needs of marine, port, nuclear power and tunnel projects with the comprehensive utilization of tailings. It supports the use of existing cement kilns for the environment-friendly disposal of municipal solid waste and industrial waste, and further improves the fee settlement mechanism, with the proportion of production lines for joint disposal being no less than 10%. It strengthens the constraints on the emission of major pollutants such as nitrogen oxides and energy and resource unit consumption targets, and eliminates production lines that do not meet the required standards in accordance with the law.

According to the Guiding Opinions on Promoting the Stable Growth, Structure Adjustment and Increasing Efficiency of the Building Materials Industry (《關於促進建材工業穩增長調結構增效益的指導意見》) (Guo Ban Fa [2016] No. 34) issued by the General Office of the State Council on 18 May 2016, an increase in production capacity is strictly prohibited. By the end of 2020, the filing and new construction of clinker and flat glass projects with expanded capacity will be strictly prohibited; by the end of 2017, the replacement of clinker and flat glass production capacity between enterprises with different de facto controllers will be suspended. For those projects approved or filed after issuance of the Guidelines of the State Council on Resolving the Excessive Overcapacity Issue (《國務院關於化解產能嚴重過剩矛盾的指導意見》) (Guo Fa [2013] No. 41), where there is an increase in production capacity due to the replacement of capacity that has not been carried out in accordance with the requirements, they will be seriously investigated and punished, and the land, environmental protection, quality inspection and other departments and financial institutions will not support them. For the cement projects in violation of regulations before the issuance of the Guo Fa [2013] No. 41 Document, which has not been jointly announced, recognized by the Ministry of Industry and Information Technology and the National Development and Reform Commission, or specified to be handled by the local government on a case-by-case basis, the acceptance of production licenses shall be suspended, and those that had been accepted shall not be approved. If there are outdated equipment, processes, non-compliant production capacity and the production of obsolete products, they shall not be accepted or approved. The use of cement kilns to co-process municipal solid waste or hazardous waste, calcium carbide slag and other solid waste associated with cement projects, must rely on the existing new dry-process clinker production line for the transformation without capacity expansion. The new industrial glass projects with a melting furnace capacity of more than 150 tons/day shall rely on the existing flat glass production line for technical transformation. The construction of new clinker and flat glass production capacity projects in the name of co-processing and development of industrial glass shall be strictly prevented.

LAWS AND REGULATIONS IN RELATION TO PRODUCT QUALITY

General Regulations

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated and implemented by the SCNPC on 29 December 2018, the product quality supervision and administration departments of the State Council are responsible for nationwide product quality supervision. All the relevant departments under the State Council are in charge of product quality supervision according to their respective responsibilities. Local administrations for the supervision of product quality at or above the county level are responsible for product quality supervision within their own administrative territories. The relevant departments of the local people's governments at or above the county level are responsible for product quality supervision according to their respective responsibilities. If there are different provisions concerning the supervision departments of product quality, such provisions shall be applied.

Standardized Laboratory for Cement Production Enterprises

According to the Notice of the Ministry of Industry and Information Technology about Improving Cement Quality Assurance Ability (《工業和信息化部關於提升水泥質量保障能力的通知》) promulgated on 21 November 2017 by the Ministry of Industry and Information Technology, and the Quality Control Regulations for Cement Manufacturers (《水泥生產企業質量管理規程》) promulgated on 1 May 2017 by China Building Materials Association, laboratories should validate and verify the quality of cement and clinker to be delivered in accordance with the quality conformance procedures formulated by relevant product standards and enterprises and prevent any delivery of cement and clinker of substandard quality; laboratories have the discretion in determining whether cement and clinker can be delivered.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

General Regulations

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated on 26 December 1989 and amended on 24 April 2014 by the SCNPC, provides that enterprises causing environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities.

Pollutant Discharge Permit

According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) amended and implemented on 22 August 2019 by the Ministry of Ecology and Environment, pollutant discharging entity shall hold a pollutant discharge permit as legally required and discharge the pollutant as provided in the pollutant discharge permit. The MEP shall lawfully formulate and issue the catalog of classified management of pollutant discharge licenses for stationary pollution sources, and define the scope of stationary pollution sources included in pollutant discharge licensing management and the time limit for the application for pollutant discharge licenses. Enterprises, public institutions and other production operators included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources shall apply for and obtain a pollutant discharge license as per the prescribed time limit.

Specific Regulations

The Law of the PRC on the Appraising of Environmental Impacts (《中華人民共和國環境影響評價法》) was promulgated by the SCNPC on 28 October 2002, and most recently amended, and became effective on 29 December 2018. The Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) were promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017. The Interim Measures for the Acceptance

Inspections of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) were promulgated by the MEP on 20 November 2017. Such laws and regulations require enterprises that are planning construction projects to provide assessment reports, statements or registration forms on the environmental impact of such projects. The assessment reports and statements must be approved by the competent environmental protection authorities prior to commencement of any construction work, while the registration forms shall be filed to them. Unless otherwise stipulated by laws and regulations, enterprises which are required to provide assessment reports and statements shall undertake the responsibility of acceptance inspections of the environmental protection facilities itself upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination. The competent authorities may carry out spot checks on and supervision of the implementation of the environmental protection facilities.

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) revised on 27 June 2017 and implemented on 1 January 2018 by the SCNPC, enterprises, public institutions and other business entities which discharge water pollutants to waters shall set up pollutant discharge outlets in accordance with the laws, administrative regulations and the provisions of the administrative department for environmental protection of the State Council; if such outlets lead to rivers or lakes, they shall also abide by the provisions of the water administrative department of the State Council.

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), revised and implemented by the SCNPC on 26 October 2018, enterprises, public institutions, and other business entities that construct projects which may cause pollution to the atmospheric environment should conduct environmental impact assessment according to the law and publish environmental impact assessment documents; when constructing projects that discharge pollutants to the air, they should comply with the air pollutant emission standards and the requirements for controlling the total of key air pollutant emissions. Steel, building materials, nonferrous metals, petroleum, chemical engineering, and other enterprises that discharge dust, sulfide or nitrogen oxide in the production process shall adopt clean production techniques and build dust removal, desulfurization, denitration, and other supporting devices, or carry out technical transformation or take other measures to control the discharge of atmospheric pollutants.

According to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) amended by the SCNPC on 29 April 2020 and implemented on 1 September 2020, the prevention and control of environmental pollution by solid wastes shall be in adherence to the principle of liability for pollution. Any entity or individual that produces, collects, stores, transports, utilizes, or treats solid wastes shall take measures to prevent or reduce environmental pollution caused by solid wastes, and be liable for resultant environmental pollution in accordance with the law.

On October 18, 2021, the NDRC and other departments jointly issued Several Opinions of the National Development and Reform Commission and other departments on Promoting Energy Conservation and Carbon Reduction in Key Fields by Strictly Restricting Energy Efficiency (國家發展改革委等部門關於嚴格能效約束推動重點領域節能降碳的若干意見) and Action Plan on Promoting Energy Conservation and Carbon Reduction by Strictly Restricting Energy Efficiency in Key Industries of Metallurgy and building Materials (20212025) (冶金、建材重點行業嚴格能效約束推動節能降碳行動方案(2021-2025年)) (the "**Action Plan**"). The Action Plan sets out a mandatory minimum energy efficiency standard for clinker production of 117 kgce/t, and a voluntary, advanced standard of 100 kgce/t. By 2025, production facilities representing more than 30 percent of production capacity in cement and clinker industries are expected to meet the advanced standard through the adoption of energy-saving and carbon emission reduction measures.

LAWS AND REGULATIONS IN RELATION TO PRODUCTION SAFETY

General Regulations

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) amended by the SCNPC on 6 October 2021 and implemented on 1 September 2021, entities which engage in production and business operations must observe the aforesaid law and other laws and regulations concerning work safety, strengthen the administration of work safety, establish and improve the system of responsibilities for work safety, and perfect the conditions for work safety to guarantee the work safety. Entities which engage in production and business operations should have the work safety conditions stipulated by this law, other relevant laws and administrative regulations and national standards or industry standards. Relevant authorities of the State Council supervise and manage the work safety in their respective scope of administration according to the aforesaid law and regulation and other relevant laws and regulations, while local governmental authorities are responsible for the supervision and administration of relevant work safety aspects within their respective scope of responsibilities.

According to Notice of the State Council on Further Strengthening Work Safety of Enterprises (《國務院關於進一步加強企業安全生產工作的通知》) which was promulgated and implemented on 19 July 2010 by the State Council, enterprises shall formulate strict work safety rules and stick to the principle of "no safety, no production". They shall reinforce the on-site supervision and examination of production, strictly investigate and punish the "three types of violations", namely, acts of giving instructions that violate the relevant rules, producing in violation of relevant rules, and violation of labor disciplines. Any enterprise that organizes production in excess of its capacity, labor intensity, and manpower, shall be ordered to suspend the production for rectification, and the said enterprise and its major responsible persons shall have financial penalties imposed at the prescribed higher limit in accordance with the law.

Work Safety Licenses

According to the Regulation on Work Safety Permits (《安全生產許可證條例》) issued by the State Council on 29 July 2014, the State applies a work safety licensing system to enterprises engaged in mining, construction, and the production of dangerous chemicals, fireworks and crackers, and civil explosives. No enterprises may engage in production activities without work safety licenses. The departments of work safety supervision and administration under the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government, shall be in charge of the issuance and administration of work safety licenses for enterprises outside the scope of the preceding paragraph which are engaged in non-coal mining, and the production of dangerous chemicals and fireworks and crackers, and be subject to the guidance and supervision of the department of work safety supervision and administration under the State Council.

LAWS AND REGULATIONS IN RELATION TO LABOR PROTECTION

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was issued by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and was amended on 27 August 2009 and 29 December 2018, employers shall develop and improve their rules and regulations to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labor protection equipment that meets the safety and hygiene conditions stipulated by the State, and conduct regular health checks for workers who engage in operations of occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC on 29 June 2007 with effect from 1 January 2008 and revised on 28 December 2012 with effect from 1 July 2013, and the Implementation Regulation on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council) (promulgated by the State Council on 18 September 2008 with effect on the same day) regulate both parties through a labor contract, namely the employer and the employee, and contain specific articles involving the terms of the labor contract. Meanwhile, it is stipulated labor contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignment. After reaching an agreement upon due negotiation with employees or fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract and dismiss its employees. Labor contracts concluded before the issuance of Labor Law and existing during its effective term shall continue to be acknowledged.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulation on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide their employees with benefit plans, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration with local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was amended and implemented by the SCNPC on 29 December 2018, for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they still fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Also, it has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and the legal obligations and liabilities of employers who do not comply with relevant laws and provisions on social insurance have been stipulated in detail.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (amended and implemented by the State Council on 24 March 2019), the housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration of provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

Pursuant to the Notice of the General Office of the Ministry of Human Resources and Social Security of the PRC on the Proper Handling of Labor Relations During the Prevention and Control of Pneumonia Epidemic Caused by the Novel Coronavirus (《人力資源社會保障部辦公廳關於妥善處理新型冠狀病毒感染的肺炎疫情防控期間勞動關係問題的通知》), the MOHRSS Circular (2020) No.5) issued by the MOHRSS on 24 January 2020, where corporate employees who are patients or suspected patients of the COVID-19 as well as their close contacts and cannot provide normal service due to the quarantine or medical observation period and quarantine measures or other emergency measures imposed by the government, the enterprise shall pay them the salary of that period and shall not terminate the labor contract with employees in accordance with Articles 40 and 41 of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》). For labor contracts which expire during this period, they shall be extended to the termination of the medical treatment period, the medical observation period, the quarantine period or the emergency measures of the government due to the COVID-19.

LAWS AND REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY RIGHTS

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated on 23 August 1982 and most recently amended on 23 April 2019. The Implementing Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on 3 August 2002 by the State Council and most recently amended on 29 April 2014 and became effective on 1 May 2014. These current effective laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC, covering registered trademarks including commodity trademarks, service trademarks, collective marks and certificate marks. Pursuant to the Trademark Law of the PRC, the valid period for registered trademark is ten years from the date of registration; to renew trademark registration upon expiration, the trademark registrant should follow the provisions to manage renewal twelve months before expiration; if it is not processed within the period, a six-month extension period shall be given. Valid period for each renewal is ten years from the next day after the previous expiration date. If renewal is not managed after expiration, the trademark shall be canceled. Business administration authority shall sanction any infringement of trademark by law; where suspected crime is involved, the perpetrator shall be promptly apprehended by judicial agency for legal proceedings.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on 12 March 1984 and subsequently amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020 and the Detailed Rules for the Implementation of the Patent Law of the PRC amended by the State Council on 9 January 2010, Notice of the State Intellectual Property Office No. 423 -- Interim Measures for Handling Relevant Examination Business of The Implementation of the Amended Patent Law promulgated by the State Intellectual Property Office on May 24, 2021 and effective on June 1, 2021 (《國家知識產權局公告第423號關於施行修改後專利法的相關審查業務處理暫行辦法》), patents of invention, utility model and exterior design are entitled to legal protection. Only inventions and utility models which are original, creative and practicable shall be granted patents. For exterior design, patent will only be granted to new design, and there shall be no patent application from other unit or individual being submitted to the patent administrative department of the State Council before the relevant date of application and recorded in the patent document published after the date of application. The patents for invention and utility model shall be valid for 20 years and 10 years, respectively, commencing from the date of application. The patents for designs shall be 10 years for those filed before May 31, 2021 inclusive, and 15 years for those filed after June 1, 2021 inclusive, commencing from the date of application.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) amended on 26 February 2010 and implemented on 1 April 2010 by the SCNPC, works of PRC citizens, legal persons or other organizations, which include works of literature, art, natural sciences, social sciences, engineering technology and computer software created in writing or oral or other forms, whether published or not, enjoy copyright in their works. Copyright holders may enjoy multiple rights, which include the right of publication, the right of authorship and the right of reproduction.

According to the Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002 with effect from the same day, the National Copyright Administration of the PRC regulates the registration of software copyrights nationwide, and the Copyright Protection Center of China is recognized as the software registration agency. The Copyright Protection Center of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of and the Computer Software Copyright Registration Measures and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (Order No. 339 of the State Council) (issued by the State Council on 20 December 2001 with effect from 1 January 2002 and revised on 8 January 2011 and 30 January 2013).

Domain

According to the Measures on the Administration of Domain Names (《互聯網域名管理辦法》) issued by the Ministry of Industry and Information Technology on 24 August 2017 with effect from 1 November 2017, the Ministry of Industry and Information Technology shall be responsible for managing Internet network domain names in China. The principle of "first come, first file" is adopted for domain name. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon granting a permit for the domain name, the applicant will become the holder of the right of use of the relevant domain name within the validity period of its permit.

LAWS AND REGULATIONS IN RELATION TO COMPANY ESTABLISHMENT AND OPERATION MANAGEMENT

The establishment, operation of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》), or the Company Law, which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. Under the Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail. Pursuant to the Company Law, there is no prescribed time frame for the shareholders to make full capital contribution to a company, except otherwise provided in other relevant laws, administrative regulations and State Council decisions. Shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Further, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business license of a company will not show its paid-up capital.

Overseas Listing

The Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) promulgated by the State Council on 4 August 1994 are formulated and implemented in accordance with the Company Law of the PRC (《中華人民共和國公司法》), which apply to the overseas share offering and listing of joint stock limited companies. The China Securities Regulatory Commission promulgated on 1 January 2013 the Guidelines on Supervision of the Documents and Procedures for the Examination and Approval of Overseas Issuance and Listing of Shares of Joint Stock Limited Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》), which set out guidelines on the matters of applying to the CSRC for overseas issuance and listing. In accordance with regulations of these two sets of rules, the shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

OVERVIEW

Our history can be traced back to 1907, when Huaxin Cement Plant, the predecessor of our Company, was established. After decades of operations and development, the current form of our Group was established in 1993, when the main founders, eight enterprises including Huaxin Cement Plant, established our Company by way of social fundraising. As "the cradle of China's cement industry", our business was originally focused in the cement production industry, before expanding into concrete and aggregates during our development. As of the Latest Practicable Date, we had over 250 branches and subsidiaries across 14 provinces within the PRC, including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan and overseas in regions covering Southeast Asia, Central Asia and Africa.

Our Company is among the Top 500 Manufacture Companies (中國製造業500強) and ranked amongst one of the "Fortune" China Top 500 companies (《財富》中國500強企業) from 2010 to 2020 consecutively, according to Fortune Magazine China.

Our Company has been a public company listed on the Shanghai Stock Exchange since 1994. On January 3, 1994, our Company listed its ordinary shares denominated in RMB for domestic investors (being the A Shares, 600801.SH) on the Shanghai Stock Exchange. On December 9 of the same year, our Company also listed its B Shares on Shanghai Stock Exchange.

As at the Latest Practicable Date, the total issued shares of the Company were 2,096,599,855, of which 1,361,879,855 were A Shares and 734,720,000 were B Shares (representing 64.96% and 35.04% of the total issued shares of the Company respectively). Holcim was the largest shareholder of the Company, indirectly holding 451,333,201 A Shares and 425,902,467 B Shares via Holchin B.V. and Holpac Limited, in aggregate representing 41.84% of the total issued share capital of the Company, and Huaxin Group is our second largest shareholder and a substantial shareholder of the Company, holding 338,060,739 A Shares, representing 16.12% of the total issued share capital of the Company.

OUR DEVELOPMENT MILESTONES

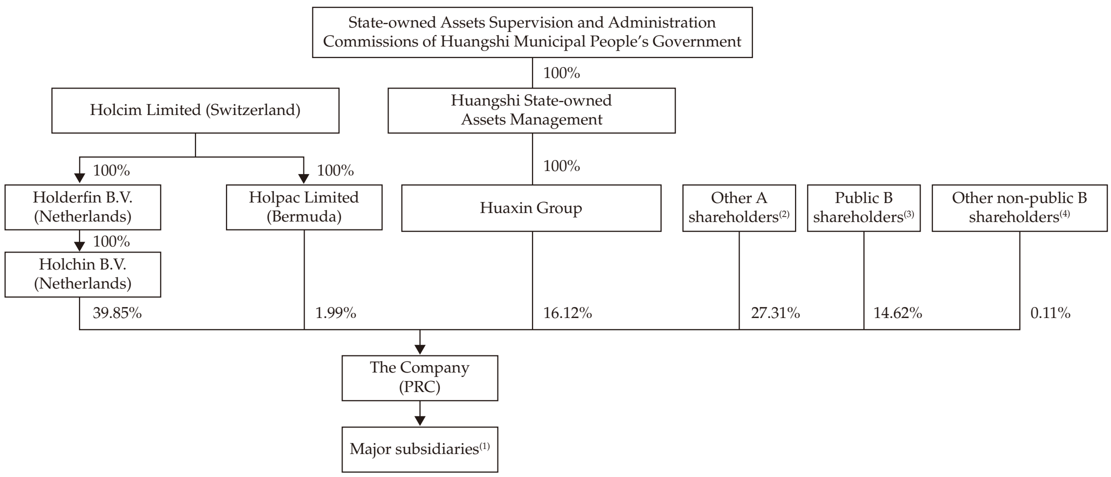
The following table sets forth our significant business development and milestones:

Year	Events
1907	• Establishment of Huaxin Cement Plant, the predecessor of the Company
1993	• Establishment of the Company through equity fundraising
1994	• Listing of the A and B shares of the Company on the Shanghai Stock Exchange

Year	Events
1999	• Establishment of the strategic partnership with Holderbank (the predecessor of Holcim)
2005	• Expansion of our business into concrete
2007	• Expansion of our business into environmental protection
2009	• Awarded the National Science and Technology Progress Award (國家科技進步二等獎) for the first time
2011	• Expansion of our business into aggregates
2012	• Construction of our first overseas cement project, in Tajikistan
2019	• Expansion of our overseas business into Africa, through our cement project in Tanzania
2020	• Ranked 308th among ''Fortune'' China Top 500 Companies (《財富》中國500強), marking our 11th consecutive year on the list
	• Ranked 82nd among "China's 500 Most Valuable Brands" (中國500最具價值品牌), with a brand value of RMB59.875 billion

OUR SHAREHOLDING AND GROUP STRUCTURE

As of the Latest Practicable Date, we had 239 subsidiaries. The following chart sets out the simplified shareholding and group structure of our Company as of the Latest Practicable Date:



Notes:

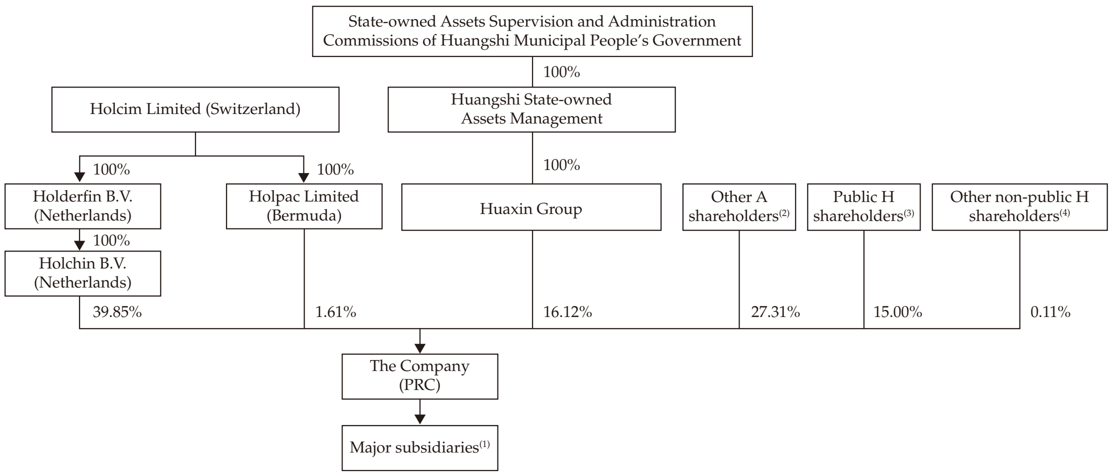
(1) For a list of our major subsidiaries, see "— Our Major Subsidiaries" below.

(2) The other A shareholders of the Company include (i) the shareholding platform for our 2020-2022 Key Employee Incentive Plan, which holds approximately 1.08% of the total issued share capital of the Company, details of which are set out under "Directors, Supervisors and Senior Management — Remuneration of the Directors, Supervisors and Senior Management", and (ii) certain of our Directors and Supervisors, who hold approximately 0.02% of the total issued share capital of the Company in A Shares. Our A Shares will not be counted towards our public float in Hong Kong.

(3) The public B shareholders of the Company comprise of entities and individuals who are Independent Third Parties, with the shareholding of each individual B shareholder ranging from one (1) B share to 0.39% of the total issued share capital of the Company. The B Shares held by them will count towards our public float in Hong Kong.

(4) The other non-public H shareholders comprise of core connected persons of the Company other than Holcim and its subsidiaries, namely 46 directors, supervisors and/or general managers of our Company and/or our subsidiaries, including our executive Directors Mr. Li Yeqing and Mr. Liu Fengshan, our Supervisors Mr. Ming Jinhua, Mr. Zhang Lin and Mr. Liu Weisheng, and our senior management Mr. Ke Youliang, Mr. Du Ping, Ms. Liu Yunxia, Mr. Mei Xiangfu, Mr. Yuan Dezu, Mr. Yang Hongbing, Mr. Ye Jiaxing and Mr. Chen Qian.

The following chart sets out the simplified shareholding and group structure of our Company upon Listing:



Notes:

(1) For a list of our major subsidiaries, see "— Our Major Subsidiaries" below.

(2) The other A shareholders of the Company include (i) the shareholding platform for our 2020-2022 Key Employee Incentive Plan, which holds approximately 1.08% of the total issued share capital of the Company, details of which are set out under "Directors, Supervisors and Senior Management — Remuneration of the Directors, Supervisors and Senior Management", and (ii) certain of our Directors and Supervisors, who hold approximately 0.02% of the total issued share capital of the Company in A Shares. Our A Shares will not be counted towards our public float in Hong Kong.

(3) The public H shareholders of the Company comprise of entities and individuals who are Independent Third Parties, with the shareholding of each individual H shareholder ranging from one (1) H share to 0.39% of the total issued share capital of the Company. The H Shares held by them will count towards our public float in Hong Kong.

(4) The other non-public H shareholders comprise of core connected persons of the Company other than Holcim and its subsidiaries, namely 46 directors, supervisors and/or general managers of our Company and/or our subsidiaries, including our executive Directors Mr. Li Yeqing and Mr. Liu Fengshan, our Supervisors Mr. Ming Jinhua, Mr. Zhang Lin and Mr. Liu Weisheng, and our senior management Mr. Ke Youliang, Mr. Du Ping, Ms. Liu Yunxia, Mr. Mei Xiangfu, Mr. Yuan Dezu, Mr. Yang Hongbing, Mr. Ye Jiaxing and Mr. Chen Qian.

(5) This is for illustration purposes only and subject to Holcim's execution plan of the B Share Sell-down to restore the 15% public float.

OUR MAJOR SUBSIDIARIES

Our major subsidiaries which have materially contributed to our revenue and profits during the Track Record Period and as of the Latest Practicable Date are set forth in the following table:

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Effective shareholding percentage of our Company as of the Latest Practicable Date	Major scope of business
1.	Huaxin Cement (Yangxin) Co., Ltd. (華新水泥(陽新)有限公司)	PRC	February 22, 2005	100%	Production and sale of cement
2.	Huaxin Cement (Wuxue) Co., Ltd. (華新水泥(武穴)有限公司)	PRC	August 24, 2006	100%	Production and sale of cement
3.	Huaxin Cement (Chibi) Co., Ltd. (華新水泥(赤壁)有限公司)	PRC	May 23, 2007	100%	Production and sale of cement
4.	Huaxin Cement (Yichang) Co., Ltd. (華新水泥(宜昌)有限公司)	PRC	April 28, 2002	100%	Production and sale of cement
5.	Huaxin Cement (Xiangyang) Co., Ltd. (華新水泥(襄陽)有限公司)	PRC	May 18, 2006	100%	Production and sale of cement
6.	Huaxin Cement (Enshi) Co., Ltd (華新水泥(恩施)有限公司)	PRC	September 4, 2003	100%	Production and sale of cement
7.	Huaxin Cement (Zhaotong) Co., Ltd. (華新水泥(昭通)有限公司)	PRC	October 29, 2004	100%	Production and sale of cement
8.	Huaxin Cement (Tibet) Co., Ltd. (華新水泥(西藏)有限公司)	PRC	December 22, 2003	79%(1)	Production and sale of cement
9.	Huaxin Cement (Henan Xinyang) Co., Ltd. (華新水泥(河南信陽)有限公司)	PRC	February 21, 2008	100%	Production and sale of cement
10.	Huaxin Cement (Zigui) Co., Ltd. (華新水泥(秭歸)有限公司)	PRC	March 25, 2008	100%	Production and sale of cement
11.	Huaxin Cement (Zhuzhou) Co., Ltd. (華新水泥(株洲)有限公司)	PRC	May 20, 2008	100%	Production and sale of cement
12.	Huaxin Cement (Chenzhou) Co., Ltd. (華新水泥(郴州)有限公司)	PRC	April 11, 2008	100%	Production and sale of cement
13.	Huaxin Cement (Quxian) Co., Ltd. (華新水泥(渠縣)有限公司)	PRC	October 17, 2008	100%	Production and sale of cement
14.	Huaxin Cement (Wanyuan) Co., Ltd. (華新水泥(萬源)有限公司)	PRC	September 4, 2009	100%	Production and sale of cement

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Effective shareholding percentage of our Company as of the Latest Practicable Date	Major scope of business
15.	Huaxin Cement Chongqing Fuling Co., Ltd. (華新水泥重慶涪陵有限公司)	PRC	November 18, 2008	100%	Production and sale of cement
16.	Huaxin Hongta Cement (Jinghong) Co., Ltd. (華新紅塔水泥(景洪)有限公司)	PRC	November 1, 2007	51%(2)	Production and sale of cement
17.	Huaxin Cement (Changyang) Co., Ltd. (華新水泥(長陽)有限公司)	PRC	October 22, 2003	100%	Production and sale of cement
18.	Huaxin Cement (Daoxian) Co., Ltd. (華新水泥(道縣)有限公司)	PRC	May 5, 2009	100%	Production and sale of cement
19.	Huaxin Cement (Kunming Dongchuan) Co., Ltd. (華新水泥(昆明東川)有限公司)	PRC	September 11, 2008	100%	Production and sale of cement
20.	Huaxin Cement (Fangxian) Co., Ltd. (華新水泥(房縣)有限公司)	PRC	October 17, 2007	70%(3)	Production and sale of cement
21.	Huaxin Cement (Lengshuijiang) Co., Ltd. (華新水泥(冷水江)有限公司)	PRC	March 16, 2010	90%(4)	Production and sale of cement
22.	Huaxin Cement (Diqing) Co., Ltd. (華新水泥(迪慶)有限公司)	PRC	August 7, 2007	69%(5)	Production and sale of cement
23.	Huaxin Jinlong Cement (Yunxian) Co., Ltd. (華新金龍水泥(鄖縣)有限公司)	PRC	November 18, 2004	80%(6)	Production and sale of cement
24.	Huaxin Cement (Jianchuan) Co., Ltd. (華新水泥(劍川)有限公司)	PRC	May 9, 1997	100%	Production and sale of cement
25.	Huaxin Cement (Yunlong) Co., Ltd. (華新水泥(雲龍)有限公司)	PRC	November 26, 2007	100%	Production and sale of cement
26.	Huaxin Cement (Lincang) Co., Ltd. (華新水泥(臨滄)有限公司)	PRC	December 9, 2010	100%	Production and sale of cement
27.	Kunming Chongde Cement Co., Ltd. (昆明崇德水泥有限公司)	PRC	December 12, 2008	100%	Production and sale of cement
28.	Huaxin Cement (Daye) Co., Ltd. (華新水泥(大冶)有限公司)	PRC	September 17, 2003	70%(7)	Production and sale of cement
29.	Huaxin Cement (E'zhou) Co., Ltd. (華新水泥(鄂州)有限公司)	PRC	November 4, 2011	70%(8)	Production and sale of cement
30.	Huaxin Cement (Enping) Co., Ltd. (華新水泥(恩平)有限公司)	PRC	November 10, 2008	100%	Production and sale of cement

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Effective shareholding percentage of our Company as of the Latest Practicable Date	Major scope of business
31.	Huaxin Cement (Fumin) Co., Ltd. (華新水泥(富民)有限公司)	PRC	August 23, 2006	100%	Production and sale of cement
32.	Yunnan Huaxin Dongjun Cement Co., Ltd. (雲南華新東駿水泥有限公司)	PRC	July 4, 2000	100%	Production and sale of cement
33.	Huaxin Cement (Lijiang) Co., Ltd. (華新水泥(麗江)有限公司)	PRC	November 10, 2005	100%	Production and sale of cement
34.	Huaxin Cement (Honghe) Co., Ltd. (華新水泥(紅河)有限公司)	PRC	March 10, 1997	100%	Production and sale of cement
35.	Huaxin Cement (Sangzhi) Co., Ltd. (華新水泥(桑植)有限公司)	PRC	December 7, 2011	80%(9)	Production and sale of cement
36.	Guizhou Shuicheng Rui'an Cement Co., Ltd. (貴州水城瑞安水泥有限公司)	PRC	March 25, 2005	70%(10)	Production and sale of cement
37.	Huaxin Cement (Huangshi) Co., Ltd. (華新水泥(黃石)有限公司)	PRC	January 2, 2018	94%(11)	Production and sale of cement
38.	Chongqing Huaxin Yanjing Cement Co., Ltd (重慶華新鹽井水泥有限公司)	PRC	May 8, 1995	80%(12)	Production and sale of cement
39.	Chongqing Huaxin Diwei Cement Co., Ltd. (重慶華新地維水泥有限公司)	PRC	August 28, 2001	97%(13)	Production and sale of cement
40.	Chongqing Huaxin Cantian Cement Co., Ltd. (重慶華新參天水泥有限公司)	PRC	March 14, 2008	100%	Production and sale of cement
41.	Huaxin Aggregate (Wuxue) Co., Ltd. (華新骨料(武穴)有限公司)	PRC	December 30, 2009	100%	Production and sale of aggregate
42.	Huaxin Aggregate (Yangxin) Co., Ltd. (華新骨料(陽新)有限公司)	PRC	September 29, 2010	100%	Production and sale of aggregate
43.	Huaxin Equipment Engineering Co., Ltd. (華新裝備工程有限公司)	PRC	November 5, 2012	100%	Manufacturing, maintenance and installation of mechanical & electrical tools
44.	Yunwei Baoshan Organic Chemical Co., Ltd. (雲維保山有機化工有限公司)	PRC	September 8, 2008	80%(14)	Production and sale of cement

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Effective shareholding percentage of our Company as of the Latest Practicable Date	Major scope of business
45.	Huaxin (Hainan) Investment Co., Ltd. (華新(海南)投資有限公司)	PRC	December 2, 2020	100%	Investment
46.	Cambodia Cement Chakrey Ting Factory Co., Ltd.	Cambodia	July 13, 2012	68%	Production and sale of cement
47.	Huaxin Gayur Cement Limited Liability Company	Tajikistan	September 14, 2011	75%(15)	Production and sale of cement
48.	Huaxin Gayur (Sogd) Cement Limited Liability Company	Tajikistan	September 6, 2014	95%(16)	Production and sale of cement
49.	Huaxin Cement Jizzakh Limited Liability Company	Uzbekistan	July 13, 2018(17)	100%	Production and sale of cement
50.	CJSC Yuzhno-Kyrgyzskiy Cement	Kyrgyzstan	June 23, 2005(18)	100%	Production and sale of cement
51.	Huaxin Cement Narayani Private Limited	Nepal	January 20, 2016	100%	Production and sale of cement
52.	Maweni Limestone Limited	Tanzania	February 2, 2007	100%	Production and sale of cement

Notes:

(1) Shannan Changsheng Highway Bridge Construction Co., Ltd. (山南市長盛公路橋樑建設責任有限公司), a PRC governmental body and an Independent Third Party, holds the remaining 21% equity interest in Huaxin Cement (Tibet) Co., Ltd..

(2) Yunnan Hongta Dianxi Cement Co., Ltd. (雲南紅塔滇西水泥股份有限公司), an Independent Third Party, holds the remaining 49% equity interest in Huaxin Hongta Cement (Jinghong) Co., Ltd..

(3) Hanjiang Water Conservancy and Hydropower (Group) Limited (漢江水利水電(集團)有限責任公司), an Independent Third Party, holds the remaining 30% equity interest in Huaxin Cement (Fangxian) Co., Ltd..

(4) Lengshuijiang Boyue Economic and Trade Co. (冷水江市波月經貿有限公司), an Independent Third Party, holds the remaining 10% equity interest in Huaxin Cement (Lengshuijiang) Co., Ltd..

(5) Diqing Mushunlin Product Development Co., Ltd. (迪慶沐順林產品開發有限責任公司), an Independent Third Party, holds the remaining 31% equity interest in Huaxin Cement (Diqing) Co., Ltd..

(6) Shaanxi Jinlong Cements Co.,Ltd. (陝西金龍水泥有限公司), an Independent Third Party, holds the remaining 20% equity interest in Huaxin Jinlong Cement (Yunxian) Co., Ltd..

(7) Wuhan Huayu Construction Materials Group Co.,Ltd. (武漢市華宇建材集團有限公司), an Independent Third Party, holds the remaining 30% equity interest in Huaxin Cement (Daye) Co., Ltd..

(8) Wuhan Huayu Construction Materials Group Co., Ltd., an Independent Third Party, holds the remaining 30% equity interest in Huaxin Cement (E'zhou) Co., Ltd..

(9) Hunan Zhangjiajie Tianzi Industrial Co., Ltd. (湖南張家界天子實業有限責任公司), an Independent Third Party, holds the remaining 20% equity interest in Huaxin Cement (Sangzhi) Co., Ltd..

(10) Guizhou Shuicheng Cement Co., Ltd. (貴州水城水泥股份有限公司), an Independent Third Party, holds the remaining 30% shareholding in Guizhou Shuicheng Rui'an Cement Co., Ltd..

(11) Huaxin Cement (Huangshi) Co., Ltd. is held as to 80% by the Company and as to 20% by Huaxin Cement (Daye) Co., Ltd., a non-wholly owned subsidiary of our Company.

(12) Chongqing No. 2 Cement Factory (重慶市第二水泥廠), a PRC governmental body and an Independent Third Party, holds the remaining 20% equity interest in Chongqing Huaxin Yanjing Cement Co., Ltd..

(13) Chongqing Shishan Building Materials Co.,Ltd. (重慶市石山建材有限公司), an Independent Third Party, holds the remaining 2.73% equity interest in Chongqing Huaxin Diwei Cement Co., Ltd..

(14) Yunnan Yunwei Group Co., Ltd. (雲南雲維集團有限公司), an Independent Third Party, holds the remaining 20% equity interest in Yunwei Baoshan Organic Chemical Co., Ltd..

(15) GAYUR Limited Liability Company, an Independent Third Party, holds the remaining 25% equity interest in Huaxin Gayur Cement Limited Liability Company.

(16) GAYUR Limited Liability Company, an Independent Third Party, holds the remaining 5% equity interest in Huaxin Gayur (Sogd) Cement Limited Liability Company.

(17) Huaxin Cement Jizzakh Limited Liability Company was re-registered on June 19, 2019.

(18) CJSC Yuzhno-Kyrgyzskiy Cement was re-registered on September 17, 2018.

(19) Each of our major subsidiaries is an "insignificant subsidiary" under the meaning of Chapter 14A of the Listing Rules.

POST-TRACK RECORD PERIOD ACQUISITIONS

We proposed to make a number of acquisitions after the Track Record Period and up to the Latest Practicable Date. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to these proposed acquisitions. See "Waivers from Strict Compliance with the Listing Rules — Waiver from Strict Compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules" for alternative disclosure of these acquisitions.

REASONS FOR THE LISTING

Our Company has noted that the trading of B Shares has historically been inactive in the PRC securities market. The B Share market lacks liquidity and the B Shareholders have found it difficult to fully realize the value of their investment in our Company. As of the Latest Practicable Date, the total number of B Shares in issue is approximately 35.04% of the issued share capital of the Company. In addition, as of the Latest Practicable Date, the average closing price for the A Shares and B Shares for the five trading days immediately preceding the Latest Practicable Date was RMB19.996 and USD1.883 (equivalent to approximately RMB11.958), respectively, and the average closing price for the A Shares and B Shares for the five trading days up to March 2, 2022 (being the last trading day of B Shares) was RMB20.62 and USD1.8864 (equivalent to approximately RMB11.98), respectively. The current status of the B Share market affects the valuation of our B Shares adversely, which is not in line with the interests of our B Shareholders as a whole. Our Company believes that the Listing may provide our Shareholders with more liquidity in our Shares and more opportunities to release the value of their investment.

In addition, our Company believes that the Listing will enable us to promote our international presence and develop our international business. Upon the completion of the Listing, our Company will gain direct access to the international capital markets, from which we hope would increase our fund-raising capacity and improve our competitiveness in the international market.

LISTING ON THE SHANGHAI STOCK EXCHANGE

To the best knowledge of our Directors, since our listing on the Shanghai Stock Exchange and up until the Latest Practicable Date, there have been no instances of non-compliance with the Shanghai Listing Rules in any material respect. The Sole Sponsor has conducted relevant due diligence including, but not limited to, (i) conducted searches and reviewed the public records of disciplinary actions and punishment by the CSRC and Shanghai Stock Exchange which does not reveal any findings against the Company; (ii) obtained confirmation from the Company to confirm that it has not been informed of any material breach of the Shanghai Listing Rules or, to the best of its knowledge, subject to any investigations and disciplinary actions from the CSRC and Shanghai Stock Exchange during Track Record Period and up to the Latest Practicable Date; and (iii) discussed with our PRC legal advisers to understand that all disciplinary actions and punishment by the CSRC and the Shanghai Stock Exchange would be made available in the public records. Having considered the foregoing, and based on the relevant due diligence performed, nothing has come to the Sole Sponsor's attention that would reasonably cause it to believe that there has been any material breach of the Shanghai Listing Rules by, or any other non-compliance matter in relation to the listing of, our Company on the Shanghai Stock Exchange that should be brought to the attention of the Stock Exchange and the public.

PUBLIC FLOAT

The current public float for B Shares is approximately 14.62% of the total issued shares of the Company. Holpac Limited and Shenwan Hongyuan Strategic Investments (H.K.) Limited (申萬宏源策略投資(香港)有限公司) has entered into a share purchase agreement on February 19, 2022 (the "**Share Purchase Agreement**") in respect of the conditional acquisition of 8,000,000 H Shares of the Company (the "**Holcim Sell-down Shares**"). Upon the satisfaction of the conditions precedent set out in the Share Purchase Agreement, Shenwan Hongyuan Strategic Investments (H.K.) Limited will be obliged to acquire the Holcim Sell-down Shares from Holpac Limited, which will be settled on the listing date of the H Shares of the Company by way of private placement in Hong Kong. Meanwhile, Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司) ("**Shenwan Hongyuan Securities**") and Hubei Zhenghan Investment Limited (湖北正涵投資有限公司) ("**Zhenghan Investment**") have also entered into a total return swap agreement on February 22, 2022, according to which Zhenghan Investment has subscribed for the right of total return swap for 8,000,000 H Shares. Zhenghan Investment will, upon the listing date of the H Shares, bear the economic interest of 8,000,000 H Shares of the Company, while Shenwan Hongyuan Strategic Investments (H.K.) Limited will become the legal owner of such H Shares, and will not exercise the voting rights of such H Shares under the total return swap agreement.

Zhenghan Investment is an investor based in the PRC primarily engaged in financial investment, investment in mineral industry and provision of mining consultancy services, and its ultimate beneficial owner is Mr.Wu Shaoxun (吳少勛). Zhenghan Investment is unable to invest directly in H shares as it not a qualified domestic institutional investor. It is only able to invest in the H Shares Holcim Sell-Down via the total return swap arrangement provided by Shenwan Hongyuan Strategic Investments (H.K.) Limited. Each of Shenwan Hongyuan Securities, Zhenghan Investment, and Mr. Wu Shaoxun is an independent third party of the Company.

The abovementioned transactions will ensure that the public float of H Shares of the Company immediately upon listing will meet the 15% threshold as required under Rule 8.08(1)(b) of the Listing Rules (the "**B Share Sell-down**"). Upon Listing, it is expected that approximately 42.22% of our total issued share capital will be held by the public (27.22% and 15.00% of our A Shares and B Shares as percentages of our total issued share capital, respectively), under the Listing Rules.

Pursuant to the Implementation Plan, the Cash Option Provider, namely Anhui Conch Cement Co, Ltd, will hold 4.43% of total issued share capital of our Company upon Listing. To the best knowledge of our Directors, the Cash Option Provider is not a core connected person of the Company, nor will it become a core connected person of the Company as a result of the result of its acquisition of B Shares. As such, the H Shares held by the Cash Option Provider will be regarded as being "in public hands" upon Listing, and count towards the public float of the Company.

OVERVIEW

We are a comprehensive building material enterprise engaged in the production and sale of cement, clinker, concrete and aggregate, and operating businesses of environmental protection, equipment manufacturing, EPC engineering and cement-based new building materials. Since the founding of our predecessor, Huaxin Cement Plant, in 1907, and over a century of doing business in the PRC, our manufacturing brand is renowned nationwide. According to the China Cement Association, we ranked 5th among all leading Chinese cement manufacturers in terms of operating income of cement in 2020 with a market share of 2.6%.

We currently produce and sell a variety of cement products, mainly under the trademarks "華新堡壘" (Huaxin Castle) and "華新師傅" (Huaxin Master). Operating income generated from our cement and clinker, concrete and aggregate businesses represented approximately 95.4% of our total operating income in 2020. We also operate other ancillary businesses, mainly including environmental protection business, cement-based new building materials business, equipment manufacturing business and EPC engineering business, the operating income from which represented approximately 3.9% of our total operating income in 2020.

We are committed to producing our products in an environmentally friendly manner. Our strong industry expertise and our research and development capabilities enable us to successfully develop various waste processing and green production technologies, such as "Huaxin Technology and Application of Effective and Ecological Co-processing of Solid Wastes in Cement Kiln" (華新水泥窯高效生態化協同處置固體廢棄物成套技術與應用), "Cement Kiln Pure Low-Temperature Residual Heat Power Generation Technology" (水泥窯純低溫餘熱發電技術) and the "Nitrogen Oxide Emissions Reduction by Combination of 'Low-NOx Combustion + Staged Combustion + Selective Non-catalytic Reduction (SNCR) + Cement Kiln Biomass Co-processing' Technology" (低氮燃燒+分級燃燒+SNCR+水泥窯協同處置生物質降氮技術).

As of September 30, 2021, we had more than 250 subsidiaries or branches across 14 provinces, autonomous regions and municipalities in China and six foreign countries, including 43 integrated cement production plants with 52 clinker production lines, 13 independent cement grinding plants, 63 concrete batching plants and 23 aggregate production plants in China. As of the same date, we operated nine production plants in five countries outside China, namely Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia and Tanzania consisting of six integrated cement production plants which were equipped with six clinker production lines in total, as well as one independent cement grinding plant, one cement packaging bag manufacturing plant and one concrete batching plant. As of September 30, 2021, our overall BDP capacity for clinker was approximately 73.9 million tons per year, our capacity for cement grinding was approximately 114.8 million tons per year (including the capacities for trial operation), our production capacity for concrete was approximately 35.5 million cubic meters per year, and our production capacity for aggregate was approximately 76.3 million tons per year.

During the Track Record Period, we sold most of our products in China, primarily in Hubei, Hunan, Sichuan, Chongqing, Yunnan, Guizhou, Henan, Guangdong and Tibet. We sell our cement directly to end-customers through our extensive sales network as well as through distributors. As of September 30, 2021, we had 105 regional sales offices covering 122 cities in 18 provinces, autonomous regions and municipalities in China, and seven regional sales offices in six countries abroad. More than 90% of our customers use the Huaxin Market system and the Major Client Management System, which are our self-developed systems supporting the entire business process of order placement, payment, logistics and settlement.

We have won numerous awards and recognitions for our renowned brands throughout the years. For example, our brands have been listed among China's 500 Most Valuable Brands (中國500最具價值品牌) for eight consecutive years and we ranked 80th in 2021 with a brand value of RMB70.3 billion, and been listed among the Top 500 Asia Brands (亞洲品牌五百強) for five consecutive years and ranked 168th in 2020. We also ranked 258th among the Top 500 Chinese Manufacturing Enterprises (中國製造企業500強) in 2020, have been listed among the Top 100 Chinese Listed Enterprises (中國上市公司百強企業) for three consecutive years and ranked 86th in 2020, and been listed on the Fortune China 500 List (《財富》中國500強) for 11 consecutive years and ranked 308th in 2020. Our "華新堡壘" (Huaxin Castle) trademark was honored as a Well-known Trademark in China (中國馳名商標), and is one of the oldest cement production brands in the PRC, according to the CIC Report.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our operating income was approximately RMB27,466.0 million, RMB31,439.2 million, RMB29,356.5 million, RMB20,411.7 million and RMB22,453.9 million, respectively, and our net profit was approximately RMB5,705.5 million, RMB7,020.8 million, RMB6,173.6 million, RMB4,430.6 million and RMB3,894.4 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and the foundation of our future development are based on the following strengths:

We maintain a leading market position in the central China cement market, and we have vigorously developed our business in southwestern China.

We are a comprehensive building material enterprise principally engaged in the production and sale of cement, clinker, concrete and aggregate. According to the China Cement Association (中國水泥協會), we ranked 5th among all Chinese cement manufacturers in terms of operating income of cement in 2020 with a market share of 2.6%. In selecting sites for our production facilities, we place great emphasison selecting advantageous locations. By adhering to the strategic principle of "sufficient raw material resources, convenient transportation and strong market potential," we have built most of our production facilities across the Yangtze River Economy Belt, which has a vibrant economy and a mature market, and across key areas in western China that have a growing economy and benefit from national development strategies. Headquartered in Wuhan and after many years of development in Hubei, we have established a wide-reaching production and sales network which covers most of the prefectures and cities in Hubei. We possess a leading position in the cement and clinker industries in central China and have become a major player in the cement and clinker market in southwestern China, according to the CIC Report.

- ***Central China.*** Our development and business expansion benefit greatly from the superior location of Hubei. Hubei is located in central China, the midstream of the Yangtze River, and has been historically regarded as the "Thoroughfare to Nine Provinces" (九省通衢). It has the geographical advantage of connecting the different regions of China and offers us the potential to expand to most areas of the country. Hubei also serves as an important transportation hub in China, with various rivers flowing across the province and rich waterway transportation resources. Due to its large carrying capacity and relatively low operating cost, waterway transport is the primary method used in the delivery of products and the procurement of raw materials in the cement industry. As of September 30, 2021, we had a total of 18 production lines for cement and clinker in Hubei distributed across six cities and the only autonomous prefecture of Hubei. As of September 30, 2021, our BDP capacity for clinker in Hubei was 25.8 million tons per year. As the competitive landscape of the cement industry in Hubei is highly concentrated, we believe that we are in a favorable competitive position, with a cost advantage compared with other cement manufacturers in the province.

- ***Southwestern China.*** We have developed our presence in core markets of Yunnan, and we believe that we are well positioned to expand to its surrounding areas. As of September 30, 2021, we had 14 clinker production lines in Yunnan, with a production capacity which accounted for approximately 21% of our total production capacity. The complicated terrain and transportation networks of Yunnan naturally subdivide its cement market into several regional markets. We primarily operate in the central and northwestern parts of Yunnan, which is the largest regional cement market in Yunnan with convenient logistics infrastructures. We also operate in Zhaotong, Xishuangbanna and Shangri-La in Yunnan, which are high-end cement markets with cement prices above market average. The concentration ratio of the Yunnan cement market is currently at a medium level. Leveraging the location advantages of our existing operation in Yunnan, we believe that we are able to capitalize on our well-recognized market reputation as well as our technology capability and experience to seize the growth opportunity in the cement industry in Yunnan.

- ***Tibet.*** According to the CIC Report, as one of the first cement production companies entering into the Tibet market, we enjoy the first-mover advantage to establish our production facilities and sales networks within this area. According to the statistics published by the China Cement Association (中國水泥協會), as of September 30, 2021, there were a total of 15 production lines for cement and clinker in Tibet, five of which are owned by us. We experienced rapid development in Tibet during the Track Record Period. Our operating income generated from Tibet was RMB1,030.9 million and RMB1,544.5 million in 2018 and 2020, respectively, representing a CAGR of 22.4% from 2018 to 2020.

By following the "Belt and Road Initiative", we were one of the first Chinese cement enterprises to expand into overseas markets, and we have achieved continuing growth from our overseas business.

According to the CIC Report, we were among the first batch of cement production enterprises that entered the overseas markets. According to Cement.com (中國水泥網), as of December 31, 2020, we ranked 2nd among all Chinese cement production enterprises in terms of both designed annual production capacity for cement in overseas markets, and the production capacity under construction in overseas markets.

In 2010, we began exploring the opportunities to develop overseas business. On August 25, 2011, Huaxin Central Asia Investment (Wuhan) Co., Ltd. (華新中亞投資(武漢)有限公司) and Gayur Limited Liability Company in Tajikistan signed a cooperation agreement in respect of the construction of a new dry process cement production line with a designed annual production capacity of one million tons. After the Chinese government proposed the "Belt and Road Initiative" in 2013, we further actively explored business opportunities, and accelerated the implementation of our overseas plan by establishing new facilities in countries across Central Asia, Southeast Asia, South Asia and East Africa. In September 2019, we signed an agreement to acquire all equity interests in Maweni Limestone Limited in Tanzania, which was subsequently completed in October 2020, and started our journey into overseas acquisition.

As of September 30, 2021, we operated cement production lines in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia and Tanzania and our capacity for cement grinding in overseas markets reached 9.2 million tons per year. In January 2022, we started operation of a cement production line project in Narayani, Nepal, with a production capacity of 4,000 tons per day. In addition, we completed acquisition of two cement factories with a total production capacity of 1.5 million tons per year, one cement grinding station with a capacity of 0.25 million tons per year and one aggregate station in Zambia and Malawi in November and December 2021.

After nearly 10 years of operation in markets overseas, we have established a comprehensive development and operation system as well as an experienced team for our overseas business. Our investment goal for factories of "build one, run one successfully" ("投資建設一家工廠，成功運營一家工廠") has been achieved, and we also achieved satisfactory annual weighted average return on invested capital of our overseas business during the Track Record Period. We have gradually realized the aim of employment localization in all of our overseas factories, and, as of September 30, 2021, the proportion of local employees in those factories had exceeded 80%. At the business division level, we have established a dedicated overseas business division equipped with a professional international team.

In addition, we have gradually formed a well-operated overseas project development system. We have developed mature internal procedures and management systems to handle both greenfield projects and mergers and acquisitions projects. In addition, we have established a stable cooperation with a number of external professional institutions, which lays a solid foundation for subsequent expansion of our overseas business.

Our self-sufficient limestone supply as well as active deployment in aggregate production and in the environmental protection business have enabled us to realize vertical integration development along the whole industrial chain for cement-based material production.

Leveraging our expertise and experience in the cement production industry, we actively integrate resources in upstream and downstream industries to achieve economies of scale and synergies among our businesses along the whole industrial chain for cement-based material production. As of September 30, 2021, we had more than 250 subsidiaries and branches across 14 provinces, autonomous regions and municipalities in China, including Hubei, Hunan, Yunnan, Sichuan, Guizhou, Guangdong, Henan, Chongqing, Tibet, Shanghai, Jiangsu, Jiangxi, Shaanxi and Hainan, and in six foreign countries, including Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Tanzania and Nepal, with an overall BDP capacity for clinker of approximately 73.9 million tons per year, capacity for cement grinding of approximately 114.8 million tons per year (including the capacities of trial operation), production capacity for concrete of approximately 35.5 million cubic meters per year, and production capacity for aggregate of approximately 76.3 million tons per year.

Limestone is the principal raw material used in the production of clinker. There are abundant limestone resources along the Yangtze River, which have laid a solid foundation for our business in central China and provide a stable and uninterrupted supply of limestone for the operation of our large-scale cement and clinker production lines. The majority of the limestone that we use for cement and clinker production is sourced from the quarries that we are licensed to excavate. As of September 30, 2021, we were licensed to excavate 57 limestone and sand shale quarries. Substantially all of our cement and clinker production lines were built within three kilometers of mining resources, so that the limestone can be directly transported to our production lines by conveyer belt. In 2020, approximately 95.4% of the limestone that we used in cement and clinker production was supplied by limestone quarries operated by us, which effectively reduces the risk relating to rising raw material prices. As of September 30, 2021, we had obtained mining licenses over aggregate limestone reserve of approximately 2,571 million tons. Meanwhile, we vigorously upgrade our mining technologies and equipment, and improve the processing of stripped materials, ore interlayers and low-grade limestone, to increase the utilization rate of limestone mineral resources. During the Track Record Period, our comprehensive utilization rate of limestone resources exceeded 95%.

By advocating the business development concept of "rational competition, integration and optimization, environmental protection transformation", as well as capitalizing on our strength in cement production, we are committed to investing in the concrete and aggregate production businesses. In 2019, through strategically taking advantage of window of opportunity for the structural adjustment and upgrade of the aggregate industry in China, we completed the construction of eight new aggregate production lines, which increased our designed annual production capacity for aggregate by 14.5 million tons per year. In 2020, our designed annual production capacity for aggregate was approximately 55 million tons, representing an increase of approximately 39% compared with 2019. In 2020, we sold approximately 23 million tons of aggregate, representing an increase of approximately 31% compared with 2019. In 2018, 2019, 2020 and the nine months ended September 30, 2021, the gross profit margin of our aggregate business was approximately 63.8%, 64.8%, 62.6% and 64.9%, respectively, which was higher than our overall gross margin. Due to the structural adjustment and upgrade of the aggregate industry as a result of enhanced environmental protection policies implemented by central and local governments, supply and demand conditions in the aggregate market continue to improve, resulting in steady growth in the sales price of the aggregate product. In the meantime, we fully apply the industry idea of integrated utilization of resources, produce our aggregate by preferentially utilizing low-quality ores that are not suitable for cement, and further utilize production wastes to manufacture brick products. With growth in our aggregate production capacity, not only can we diversify our operating income sources, but also further improve utilization rates of our mine resources and optimize our cost structure.

Expanding downstream from clinker, cement and aggregate production, we also produce and sell concrete. We are capable of producing a variety of concrete, including, but not limited to, common concrete, high-strength concrete and expansive performance concrete. As of September 30, 2021, we operated 64 concrete batching plants with a total designed annual production capacity of approximately 35.5 million cubic meters.

Apart from our operations in cement-based material production businesses, in recent years we have developed innovative ancillary businesses in areas that we believe have strong growth potential. Our outstanding expertise and experience in operating throughout the whole industry chain of cement-based material production enable us to maintain a solid position in the cement-based material equipment manufacturing business. We mainly design, manufacture and sell rotary kilns, tube mills, vertical mills, high-efficiency separators, bucket elevators, grate coolers, roller presses and other cement equipment, and we have developed and launched several product models with new technologies in the relevant industries.

Our market reputation for outstanding product quality and innovation-oriented development preserves the value of our century-old and well-established brand and contributes to long-term sustainable development.

Since the establishment of our predecessor, Huaxin Cement Plant in 1907, we have established a reputable century-old manufacturing brand across the PRC. In 1994, our A and B shares were listed on the Shanghai Stock Exchange. In 1999, we established a strategic partnership with Holcim, one of the world's largest cement manufacturers. We have won numerous awards and recognitions for our well-known brands throughout the years. For example, our brands have been listed among China's 500 Most Valuable Brands (中國500最具價值品牌) for eight consecutive years and ranked 80th in 2021 with a brand value of RMB70.3 billion, and been listed among the Top 500 Asia Brands (亞洲品牌五百強) for five consecutive years and ranked 168th in 2020. We also ranked 258th among the Top 500 Chinese Manufacturing Enterprises (中國製造企業500強) in 2020, have been listed among the Top 100 Chinese Listed Enterprises (中國上市公司百強企業) for three consecutive years and ranked 86th in 2020, and been listed on the Fortune China 500 List (《財富》中國500強) for 11 consecutive years and ranked 308th in 2020. Our "華新堡壘" (Huaxin Castle) trademark was honored as a Well-known Trademark in China (中國馳名商標), and is one of the oldest cement production brands in the PRC, according to the CIC

Report. We believe that our widely recognized brand names materially distinguish us from many of our competitors, helping us to acquire customers effectively, and lending significant support to our strong market position.

More importantly, with forward-looking vision, we are able to safeguard our brand value and augment brand recognition. We have a long-standing market reputation for outstanding product quality. We were the first industrial enterprise in China's cement industry to obtain the certification of GB/T19001-ISO9001 Quality Management System. All our 15 types of cement products were listed by the PRC government as the first batch of national quality inspection-free products, and maintained high ratings in the national quality rating of cement products. Owing to our market reputation for high quality, our cement products have been used in a large number of national major projects, such as the Great Hall of the People (人民大會堂), Wuhan Yangtze River Bridge (武漢長江大橋), the Three Gorges Project (三峽工程), Jingzhu Expressway (京珠高速公路), Qinghai-Tibet Railway (青藏鐵路), and Hong Kong-Zhuhai-Macao Bridge (港珠澳大橋). We believe that the market recognition of our high product quality will enable us to expand our customer base and increase our market share, thus preserving our brand value.

Further, we have been firmly adhering to the concept of "innovation-driven development" and aim to realize sustainable development in the long term. By adopting conventional industry practice as a base, and through a combination of proprietary technology and independent research and development, we have established a comprehensive system and cultivated a professional team with solid technical research and development capabilities. We do not only possess the engineering contracting capacity to research, develop, design, manufacture, install, and operate cement production equipment and conduct turn-key EPC projects, but also have the industrial transformation expertise to conduct research and development on cement kiln waste co-processing technology and apply it in commercial production. In addition, through in-depth and extensive cooperation with Holcim's Lyon Lab in France, Wuhan University of Technology and Hunan University in China, we are devoted to the research and development, application and promotion of environmentally friendly building material products, project engineering and construction, expert technical consultancy and provision of professional construction solutions. We have completed the research and development of a series of new environmentally friendly building material products, such as tile adhesive, putty powder, permeable concrete, colored concrete, wear-resistant concrete, wear-resistant anti-corrosion flooring, ultra-high-performance roof tiles, wall panels and precast components, grout products, anti-corrosion sprays and shaft reinforcement products. In addition, we have realized commercial applications of our products in bridge paving, anti-corrosion engineering, assembled precast components and other fields.

Our innovative strengths have won us numerous awards. For example, in 2009 and 2016, we were the second prize winners of The State Scientific and Technological Progress Award (國家科技進步二等獎). In 2018, we won the 20th China Patent Merit Award (第二十屆中國專利優秀獎). In 2019, we won the First Prize of Technology Improvement by China Building Materials Federation (中國建材聯合會科技進步一等獎) and First Prize in the 13th National Building Material and Machinery Industry Technological Innovation "Zhongjiancai Fenti Cup" (第十三屆全國建材機械行業技術革新「中建材粉體杯」一等獎). In

2020, we won the Second Prize in National Building Materials and Machinery Industry Technological Innovation (全國建材機械行業技術革新二等獎), and we were recognized as the Intelligent Manufacturing Demonstration Enterprise by China Building Materials Federation (中國建材聯合會「智能製造示範企業」). As of September 30, 2021, we held 49 invention patents, 75 utility model patents and two design patents. We believe that our advanced technologies and robust research and development capabilities significantly enhance our overall competitiveness and strong market position, thus contributing to our sustainable and steady development in the long term.

Apart from our principal businesses, we have also pursued the development of innovative businesses closely related to the cement and clinker production process, such as environmental protection, equipment manufacturing, engineering and cement-based new building material businesses. In particular, we hold a leading position in respect of environmental protection technologies in the cement industry. We began to carry out the transformation to green production in 2007, and we have vigorously developed our environmental protection business since then. We have committed to the research and development and the application of alternative raw materials and energy, and to cement kilns household waste co-processing technologies. Huaxin Cement Kiln Household Waste Co-Processing Technology (華新水泥窯協同處理城市生活垃圾技術) is the world's first integrated system using Household Waste Ecological Pre-Treatment and Cement Kiln Co-Processing Technology (生活垃圾生態化前處理和水泥窯協同後處置技術) and combining the complete and thorough treatment of household waste with the production process of cement kilns. This technology does not produce waste gas, waste residue or waste liquid during the treatment of household waste. The dioxin emission during the disposal of solid waste complies with and is superior to the European Union standard of 0.1ng TEQ/Nm^3, which provides an effective and energy-efficient environment protection solution to the disposal of municipal solid waste. As of September 30, 2021, over 50% of our cement kiln production lines had been equipped with the cement kiln waste co-processing system.

After years of development, our solid waste treatment business covers six treatment platforms, namely municipal solid waste, municipal sewage sludge, industrial hazardous waste, contaminated soil, floating waste, and medical waste. We have a national-level recognized enterprise center and an alternative fuel research laboratory company. Since 2007, we have successively carried out cement kiln environmental protection co-processing business in Hubei, Hunan, Chongqing, Guangdong, Henan, Yunnan, Sichuan, Guizhou and Tibet. As of September 30, 2021, we had treated approximately 10.55 million tons of municipal solid waste, approximately 3.80 million tons of sewage sludges, approximately 0.25 million cubic meters of floating waste, approximately 0.88 million tons of contaminated soil, approximately 0.26 million tons of normal industrial waste and approximately 0.27 million tons of industrial hazardous waste. In 2020, we processed approximately 2.97 million tons of solid waste, accounting for approximately 50% of the total waste treated through cement kilns co-processing in China.

We have become one of the benchmark companies for utilizing digitalization in the cement industry in China and we embrace the trend of applying new information technologies and systems throughout our business operations. We are equipped with a wide range of intelligence systems, including an enterprise resource planning (ERP) system, an office automation (OA) collaborative office platform, a technology information and energy management platform (see "— Production Process"), the Huaxin Market system, smart procurement platforms and shared service platforms, which have significantly improved our operating efficiency.

We maintain a professional, stable and effective management team with extensive industry knowledge.

Our management's leadership is key to our success. Our current management team consists of highly experienced professionals with diverse skill sets, extensive business experience and significant expertise in the cement industry. Our management team has a proven track record of leadership and execution, which contribute substantially to our daily operations and strategy development.

Most of our senior managers have over 30 years of experience in key areas relating to our business, such as cement production, operation management and accounting. The president of the Group, Mr. Li Yeqing, who joined us in 1987, holds a doctoral degree. In 2020, Mr. Li received the 20-Year Distinguished Entrepreneur Award (二十年功勳企業家獎) in the 20th China Business Top 100 Company Forum. In 2019, he received the Golden Bull Corporate Leadership Award for Chinese Listed Companies (中國上市公司金牛企業領袖獎), the Outstanding Engineer Award (傑出工程師獎), the "Building Material Industry 'Two Second Generation' Significant Contribution Award" (建材行業「兩個二代」重大貢獻獎) and the China Building Materials Federation Scientific and Technological Progress First Prize (中國建材聯合會科技進步一等獎). He currently serves as the executive vice president of China Building Materials Federation and the vice president of the China Cement Association.

We believe that our capability to maintain solid performance in terms of business operation and financial results is partially attributable to our dedicated, visionary, stable and learning-oriented management team, as well as its advanced management concepts and effective management approach. We believe that our senior management team's experience and capabilities will be instrumental to the success of our business in the future.

OUR STRATEGIES

We intend to further strengthen our strong market position in the cement industry of the PRC and continue to enhance our operating income and net profit. To achieve this goal, we plan to pursue the following strategies:

Realize transformation and upgrading through synergy of cement, concrete, aggregate and environmental protection business

As of September 30, 2021, we had established our cement kiln co-processing business in Hubei, Hunan, Chongqing, Guangdong, Henan, Yunnan, Sichuan, Guizhou and Tibet. In 2020, we completed and put into operation seven projects, including four municipal solid waste treatment projects located in Badong county, Hefeng county and Chibi (phase II) in Hubei and Huaping county in Yunnan, one normal industrial solid waste treatment project located in Zhuzhou, Hunan, and two industrial hazardous waste treatment projects located in Wuxue (phase II) in Hubei and Shuicheng in Guizhou. As of September 30, 2021, two industrial hazardous waste treatment projects in Cantian and Changyang, and two solid waste projects in Changyang and Shannan were under construction.

We anticipate that our strategic transition to the environmental protection business will contribute to the environmentally friendly development of the cement industry. Further, our transition lays a solid foundation for improvement in the ecological environment in urban and suburban areas. We intend to further promote our cement-kiln co-processing business with the goal of achieving full coverage on our cement kiln lines. At the same time, we plan to step up our efforts to process industrial wastes, thus building up the brand influence of our environmental protection business and reinforcing customer loyalty.

Expand our aggregate production capacity by utilizing the opportunity to restructure and upgrade the industry

The cement and aggregate industries have a high degree of overlap in terms of customers, markets, mineral resources, technologies, equipment and human resources. Accordingly, cement companies have potential to realize major synergies by expanding in the aggregate business. This business strategy has been adopted by international cement giants, and is proven to be cost-effective and rewarding in the long term. For international cement giants whose business has progressed into a mature stage with an established model, the ratio of sales of aggregates to sales of cement is maintained at roughly two to one, while domestic cement companies still heavily rely on cement production as their principal business activity and key source of operating income, creating much potential for sand and stone business development. Further, as logistics conditions improve, sand mining plants are expected to be replaced by enterprises with modern management capabilities. In line with the current trend of industry restructuring and upgrading, we plan to seize the opportunities to further optimize our business model, which we expect will drive our production efficiency and enhance our profitability.

Our designed annual production capacity of aggregate increased by 120% from 2018 to 2020, and amounted to 76.3 million tons as of September 30, 2021. We intend to continuously strengthen and expand our aggregate business through a combination of exploitation of independent aggregate quarries, comprehensive utilization of quarries serving cement production, as well as acquisition and integration of aggregate quarries.

Accelerate the pace of overseas expansion and further strengthen our principal business of cement production

As one of the first Chinese cement companies to expand overseas, we have achieved capacity expansion in Central Asia, Southeast Asia and Africa. In particular, we have become a leader in the local cement market in Central Asia in terms of production capacity of cement. In the future, with the continuous efforts of implementation of the "Belt and Road Initiative" at the national level, and leveraging our accumulated overseas business operation experience and growing overseas business division, we plan to accelerate the pace of our overseas expansion through construction as well as mergers and acquisitions, thus further consolidating our first-mover advantages in the overseas market among Chinese cement players. We aim to turn our overseas business into a new profit growth point and maintain our strong position among Chinese cement companies in the overseas market.

Seek business expansion in cement-based new building materials

In 2018, we officially established our new business department as well as a research and development center at the international level. As of September 30, 2021, the center had more than 100 research and development personnel. Through in-depth and extensive cooperation with Holcim's Lyon Lab in France, Wuhan University of Technology and Hunan University in China, we are devoted to the research and development, application and promotion of environmentally friendly building material products, project engineering and construction, expert technical consultancy and provision of professional construction solutions.

In May 2020, we completed and commenced operations at the Huaxin New Materials Science and Technology Park project, which is located in the Huangshi Economic and Technological Development Zone. A project with an annual output of 240 million pieces of integrated, environmentally friendly wall materials in Wuxue was put into operation in October 2020. And another project with an annual output of 300,000 tons of calcium oxide in Lijiang started trial operation in December 2020.

In the future, by leveraging our accumulated experience and strength in the area of cement-based building materials, we intend to focus on the research and development of new high-tech building materials, thus achieving industrial chain expansion and collaborative development in new business segments.

With respect to the UHPC (ultra-high performance concrete) business, we intend to focus on the areas of industrial construction, civilian construction, bridges and tunnels, and special engineering, and we plan to build up a system consisting of five major products, including ultra-coron industrial tile panels (超可隆工業瓦板), exterior wall decorative panels, production of pre-cast structures, pre-mix engineering materials and grouting materials.

With respect to the wall material business, by leveraging our solid waste resources such as aggregate residual materials and mine clay, we aim to realize comprehensive utilization of resources and create low-energy consuming, modern and environmentally friendly cement bricks, aerated concrete, boards and the production of other new wall materials.

With respect to the mortar business, we intend to enhance our business layout in areas where we have maintained advantages, such as cement and manufactured sand, and efficiently increase sales through a model focused on engineering mortar and supplemented by special mortar. In addition, we plan to explore the integration and synergy of the "cement-manufactured sand – concrete-mortar" model. Moreover, we will also pilot businesses in highly active calcium, ground calcium carbonate, and precipitated calcium carbonate.

Deepen the innovation of "Digitalization of Traditional Industry" business model

Our digital innovation center provides informatized, automated, digitized, and intelligent solutions to our subsidiaries and branches across the country and overseas. It has a complete and independent research and development system, with capabilities including independent system development, automatic control, hardware and software research and development. Huaxin Cement Technology Management (Wuhan) Co., Ltd., with the digital innovation center as its core, obtained the national high-tech enterprise qualification and double soft certification in 2020. In 2019, our "Development and Innovation of Digitized Operation Systems for Cement Company" project won the first prize for 2019 China Technological Progress in the Building Materials Industry Award (2019年度中國建築材料科技進步一等獎). We were also recognized as the Intelligent Manufacturing Demonstration Enterprise by China Building Materials Federation (中國建材聯合會「智能製造示範企業」) in 2020.

We are committed to supporting business development with digital innovation. Through implementation of the development strategy of "digitalization of traditional industry", we have reduced our costs and increased efficiency in management, production and operation by digitalization, supported business transformation, and enhanced corporate competitiveness. In recent years, we have also actively promoted the application of artificial intelligence and big data analysis technology in the cement industry, taking the lead in promoting various digital and intelligent factory solutions. We have built a digital operation system that is coordinating upstream as well as downstream. At the same time, we have applied the industrial intelligent application of automated operations in mining, cement production and logistics. As of September 30, 2021, approximately 64.4% of our application software was built on the self-developed CAP micro-service cloud development platform, involving internal and external applications such as OA, procurement, marketing, logistics, finance, human resources and sharing services. In 2020, sales of cement and clinker through our digital marketing platform accounted for more than 90.0% of our total sales.

The value of embracing informatization and enhancing our information management system has been demonstrated effectively during the COVID-19 outbreak. Through the usage of various Internet technologies, our businesses activities as well as internal and external collaborations could still operate normally.

In the future, we intend to further combine the traditional cement industry with digital innovation, and aim to achieve deep integration of the whole process and all elements involved in cement production management based on intelligent equipment, production control and commerce, so as to achieve intelligent upgrading of cement production and operation and enhance our business and management efficiency.

We will continue to optimize and expand the functions of our business intelligence system. Based on 5G applications and other new technologies, we will further break down the barriers between various business procedures, achieve data interconnection and closed-loop factory management, thus improving our customer experience. By means of intelligent integration of software, hardware and Internet, we plan to build intelligent cement production factories, and further realize digital system integration of various business lines and cement production systems. We plan to build an intelligent mining system based on the Internet and the Internet of Things as the main carriers. Through the application of intelligent information technology, we intend to realize the digitalization of resources and mining environment, intelligence of technology and equipment, visualization of production process control, networking of information transmission, and scientific production management and decision-making. We also plan to build an intelligent quality inspection system. Through mature process control technology and online element analysis, online particle size analyzers and other online testing equipment, and through application of advanced computer monitoring technology and intelligent fieldbus technology (智能現場總線技術), we will move away from the traditional mode of manual sampling, grinding, sheeting, analysis and batching.

PRODUCTS AND SERVICES

Our principal products are cement, clinker, concrete and aggregate. The following table sets forth the breakdown of our operating income from our principal activities by products for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
		%		%		%		%		%
	(RMB in millions, except percentages)									
Cement and Clinker	23,884.2	87.4	27,259.4	87.2	24,944.9	85.6	17,428.0	85.9	17,900.7	80.3
Cement	23,106.7	84.6	26,472.2	84.7	23,632.1	81.1	16,518.9	81.4	16,694.3	74.8
Clinker	777.6	2.8	787.2	2.5	1,312.8	4.5	909.1	4.5	1,206.4	5.4
Concrete	1,354.7	5.0	1,810.7	5.8	1,879.6	6.4	1,226.9	6.0	1,975.1	8.9
Aggregate	827.0	3.0	1,033.2	3.3	1,183.1	4.1	793.5	3.9	1,470.1	6.6
Others	1,257.0	4.6	1,150.4	3.7	1,143.9	3.9	840.9	4.2	958.6	4.3
Total	**27,322.9**	**100.0**	**31,253.6**	**100.0**	**29,151.5**	**100.0**	20,289.3	100.0	22,304.5	100.0

The following table sets out the gross profit and the gross profit margin of our business segments of principal activities for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Cement	9,429.4	40.8	11,013.0	41.6	9,619.4	40.7	6,675.2	40.4	5,827.4	34.9
Clinker	234.7	30.2	236.0	30.0	410.2	31.2	278.2	30.6	285.7	23.7
Concrete	318.9	23.5	422.3	23.3	527.0	28.0	341.3	27.8	559.4	28.3
Aggregate	527.9	63.8	669.1	64.8	740.6	62.6	509.4	64.2	954.8	64.9
Others	308.0	24.5	348.6	30.3	495.9	43.4	342.8	41.7	477.8	49.8
Total/ Average annual margin	10,819.0	39.6	12,689.1	40.6	11,793.0	40.5	8,147.0	40.2	8,105.1	36.3

Cement and Clinker

We produce different types of cement by mixing different proportions of gypsum, blast furnace slag and other additives to clinker, a semi-finished product produced from limestone during the rotary kiln process. We currently produce and sell a variety of cement products mainly under the trademarks "華新堡壘" (Huaxin Castle) and "華新師傅" (Huaxin Master). "華新堡壘" (Huaxin Castle) has been recognized as a China Well-known Trademark (中國馳名商標). Our products are primarily used in the construction of industrial and residential real estate projects, high-rise buildings and infrastructure projects such as hydroelectric power stations, dams, bridges, ports, airports, railways and roads.

The cement we produce is classified into general cement and special cement by use and performance. General cement refers to the varieties of cement that are commonly used in general engineering work, such as Portland Cement, Ordinary Portland Cement and Portland-slag Cement, while special cement refers to different varieties of cement with unique characteristics that are suitable for specific applications in construction, such as Moderate Heat Portland Cement, Low Heat Portland Cement, and Portland Cement for Road.

The following table sets forth our main cement products with certain key information:

Product	Grade	National Standards	Characteristics	Application
Portland Cement	P I52.5	GB175-2007 Insoluble≤0.75%; Loss≤3.0%; SO_3≤3.5%; MgO≤5.0%; Chloride≤0.06%; **Setting Time**: Initial ≥45min, Final ≤390min; **Compressive Strength**: 3-day≥23.0MPa, 28-day≥ 52.5MPa; **Fractural Load**: 3-day≥4.0MPa, 28-day≥7.0MPa;	High strength at the initial phase; high freeze-resistance; high abrasion-resistance; high hydration heat; low sulfate resistance.	Production of high-strength concrete and pre-stressed concrete products; construction of roads and projects constructed at low temperatures.
Ordinary Portland Cement	P O52.5, P O52.5R, P O42.5, P O42.5R	GB175-2007 Loss≤5.0%; SO_3 ≤3.5%; MgO≤5.0%; Chloride≤0.06%; **Setting Time:** Initial≥45min, Final≤600min; **52.5 Compressive Strength:** 3-day≥23.0MPa, 3-day≥ 27.0MPa(R), 28-day≥ 52.5MPa; **52.5 Fractural Load**: 3-day≥4.0MPa, 3-day≥5.0MPa(R), 28-day≥7.0MPa; **42.5 Compressive Strength**: 3-day≥17.0MPa, 3-day≥22.0MPa(R), 28-day≥ 42.5MPa; **42.5 Fractural Load**: 3-day≥3.5MPa, 3-day≥4.0MPa(R), 28-day≥6.5MPa;	Similar to Portland Cement, with lower strength at the initial phase and higher sulfate resistance.	Construction of general projects without special requirements, such as roads, bridges and high-rise buildings.

Product	Grade	National Standards	Characteristics	Application
Portland-slag Cement	P S A42.5, P S B32.5	GB175-2007 SO_3≤4.0%; MgO≤6.0%; Chloride≤0.06%; **Setting Time:** Initial≥45min, Final≤600min; **42.5 Compressive Strength**: 3-day≥15.0MPa, 28-day≥ 42.5MPa; **42.5 Fractural Load:** 3-day≥3.5MPa, 28-day≥6.5MPa; **32.5 Compressive Strength**: 3-day≥10.0MPa, 28-day≥ 32.5MPa; **32.5 Fractural Load**: 3-day≥2.5MPa, 28-day≥5.5MPa;	Low hydration requirement; low strength at the initial phase but high strength at late phase; low hydration heat; high sulfate-resistance; low water retention and freeze-resistance.	General structural projects without special requirements, such as underground, water conservancy construction, large-scale concrete projects.
Portland-Composite Cement	P C42.5	GB175-2007 SO_3≤3.5%; MgO≤6.0%; Chloride≤0.06%; **Setting Time**: Initial≥45min, Final≤600min; **Compressive Strength**: 3-day≥15.0MPa, 28-day≥ 42.5MPa; **Fractural Load**: 3-day≥3.5MPa, 28-day≥6.5MPa;	Low hydration heat; high sulfate-resistance; its performance can be improved, such as increasing water retention or decreasing drying shrinkage, through applying composite materials.	General structural works without special requirements, such as underground, water conservancy construction, large-scale concrete projects, works exposed to chemical erosion.
Masonry Cement	M32.5	GB/T 3183-2017 SO_3≤3.5%; Chloride≤0.06%; **Setting Time**: Initial≥60min, Final≤720min; Water Retention Rate≥80%; **Compressive Strength**: 3-day≥10.0MPa, 28-day≥ 32.5MPa; **Fractural Load**: 3-day≥2.5MPa, 28-day≥5.5MPa;	High workability and water retention; low strength; performance can be improved through applying composite materials and functional grinding aid.	Masonry and plaster mortar and bedding concrete of industrial and civilian buildings, but not suitable for production of reinforced concrete and structural concrete.

Product	Grade	National Standards	Characteristics	Application
Moderate Heat Portland Cement	P MH42.5	GB/T 200-2017 Insoluble≤0.75%; Loss≤3.0%; SO_3≤3.5%; MgO≤5.0%; **Setting Time**: Initial ≥60min, Final ≤720min; **Heat of Hydration**: 3-day≤251kJ/kg, 7-day≤293kJ/kg; **Compressive Strength**: 3-day≥12.0MPa, 7-day≥ 22.0MPa, 28-day≥ 42.5MPa; **Fractural Load**: 3-day≥3.0MPa, 7-day≥ 4.5MPa, 28-day≥6.5MPa;	Compared with common cement, lower hydration heat, lower strength at the initial phase with increasing level of strength in later phase, lower drying shrinkage and higher sulfate-resistance.	Dams and other large-scale concrete projects; this product can reduce the internal temperature increase of concrete and reduce cracks caused by temperature.
Low Heat Portland Cement	P LH42.5	GB/T 200-2017 Insoluble≤0.75%; Loss≤3.0%; SO_3≤3.5%; MgO≤5.0%; **Setting Time**: Initial ≥60min, Final ≤720min; **Heat of Hydration**: 3-day≤251kJ/kg, 7-day≤ 293kJ/kg; **Compressive Strength**: 7-day≥13.0MPa, 28-day≥42.5MPa, 90-day≥ 62.5MPa; **Fractural Load**: 7-day≥3.5MPa, 28-day≥6.5MPa;	Compared with Mid-Temperature Portland Cement, lower hydration heat, lower strength at the initial phase with increasing level of strength in later phases, lower drying shrinkage and higher sulfate-resistance.	Dams and other large volume concrete projects; this product can more effectively reduce the internal temperature increase of concrete and reduce cracks caused by temperature, compared with Mid-Temperature Portland Cement.

Product	Grade	National Standards	Characteristics	Application
Portland Cement for Road	P R 7.5	GB/T 13693-2017 Loss≤3.0%; SO_3≤3.5%; MgO≤5.0%; Chloride≤0.06%; **Setting Time**: Initial ≥90min, Final ≤720min; 28-day Drying Shrinkage Ratio≤0.10%; **Abrasion Resistance**: 28-day abrasion≤3.00 kg/m^2; **Compressive Strength**: 3-day≥21.0MPa, 28-day≥ 42.5MPa; **Fractural Load**: 3-day≥4.0MPa, 28-day≥7.5MPa;	Compared with common cement, higher fractural load, higher abrasion-resistance, lower drying shrinkage and higher sulfate-resistance.	Road surface, airport road surface and projects with high requirements on abrasion-resistance, impact-resistance, dry shrinkage-resistance and erosion-resistance.
Highly Sulfate Resisting Portland Cement	P HSR42.5	GB/T 748-2005 C_3S Ratio≤50.0%; C_3A Ratio≤3.0%; Insoluble≤1.5%; Loss≤3.0%; SO_3≤2.5%; MgO≤5.0%; **Setting Time**: Initial ≥45min, Final ≤600min; **Sulfate Resistance**: 14-day linear expansion rate ≤0.040%; **Compressive Strength**: 3-day≥15.0MPa, 28-day≥ 42.5MPa; **Fractural Load**: 3-day≥3.0MPa, 28-day≥6.5MPa;	Compared with common cement, lower tricalcium silicate ratio and lower aluminate calcium, higher sulfate corrosion resistance.	Harbor, water conservancy, underground, tunnels and culverts, water diversion, road and bridge foundations that are susceptible to sulfate corrosion.

The following table sets forth the operating income and price range of our main cement products for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Operating Income	Price Range	Operating Income	Price Range	Operating Income	Price Range	Operating Income	Price Range	Operating Income	Price Range
	(RMB in million)	*(RMB)*	*(RMB in million)*	*(RMB)*	*(RMB in million)*	*(RMB)*	*(RMB in million)*	*(RMB)*	*(RMB in million)*	*(RMB)*
Portland Cement	—	—	348.8	438.0	—	—	—	—	—	—
Ordinary Portland Cement	15,211.3	331.3-386.8	17,488.4	350.0-413.1	15,177.6	313.4-395.1	10,697.4	318.7-429.1	11,805.4	311.2-518.0
Portland-slag Cement	—	—	—	—	—	—	231.7	280.0-351.9	139.9	245.6-342.0
Portland-Composite Cement	353.2	350.8	1,467.9	353.2-357.6	3,524.0	298.1-314.5	3,272.2	257.0-335.8	2,525.3	242.9-325.4
Masonry Cement	—	—	—	—	2,259.8	325.3-331.1	1,796.0	297.5-390.3	1,855.0	249.5-348.6
Low Heat Portland Cement	254.7	452.5	—	—	—	—	—	—	—	—
Other cement products	7,287.5		7,167.0		2,670.8		521.6		368.7	
Total	23,106.7		26,472.2		23,632.1		16,518.9		16,694.3	

Clinker is the semi-finished product from grinding and calcination of limestone (as the main raw material) together with other raw materials including clay, shale, sandstone (silicon) and iron powder in a rotary kiln. It can be used to produce different types of cement products when mixed with different additives in the grinding process. During the Track Record Period, we consumed the majority of our clinker for our own production of cement, and we occasionally sold clinker to third-party customers to relieve the inventory pressure from our warehouses when the market demand for cement was lower than anticipated. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, we used approximately 92.1%, 94.1%, 89.1%, 86.9% and 88.8%, respectively, of the clinker produced by us during the same periods to produce our cement products.

The table below sets forth the breakdown of our sales volume and production volume of cement and clinker during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume
	(thousand tons)									
Cement	68,759.0	67,970.6	74,986.5	74,195.5	72,286.6	71,365.9	50,379.4	49,468.5	54,265.2	52,511.3
Clinker	54,438.5	2,749.0	58,887.8	2,741.6	61,072.4	4,640.9	43,559.0	3,289.2	46,202.5	4,058.7

The table below sets forth the breakdown of the average selling prices of our cement and clinker during the Track Record Period:

	For the year ended December 31,			Nine months ended September 30,	
Average selling price[(1)]	2018	2019	2020	2020	2021
	RMB/ton				
Cement	340.0	356.8	331.1	333.9	317.9
Clinker	282.9	287.1	282.9	276.4	297.2

(1) *Average selling price is our average ex-factory selling price exclusive of value-added tax.*

From 2018 to 2019, the average selling price of our cement increased, primarily due to (i) the decrease in the total production capacity of the cement industry in China during the Track Record Period, which was driven by the PRC government policy requiring the closure of a number of vertical kiln facilities that used old technologies and were unable to comply with new quality and environmental standards and (ii) the suspension of cement production for certain months as prescribed by local provincial governments in the PRC for staggered production in order to reduce air pollution, which also had an upward impact on the market price of cement products. The average selling price of our cement decreased to RMB331.1 per ton for 2020, primarily due to decreased social and economic activities during the COVID-19 pandemic. We review our pricing strategy regularly and make adjustments based on various factors, including levels of sales, expected profit margins on individual products, our competitors' prices and expected demand from customers. Compared with the nine months ended September 30, 2020, the average selling price of cement decreased in the same period in 2021, primarily due to decreased market demand for cement in the construction industry. See "Financial Information — Major Factors Affecting our Results of Operations — Pricing."

Concrete

Concrete is a mixture of cement paste and aggregates. The paste is composed of cement and water and is used to coat the surface of the fine and coarse aggregates. Through a chemical reaction called hydration, the cement paste hardens and strengthens to form concrete. Our concrete products are widely used in the construction of real estate projects and infrastructure projects.

According to the specifications of Ready-mixed Concrete (GB/T 14902), a national standard of the PRC, the concrete strength grade may be divided into various levels, namely C10, C15, C20, C25, C30, C35, C40, C45, C50, C55, C60, C65, C70, C75, C80, C85, C90, C95 and C100. Ready-mixed concrete may be divided further into conventional products and special products. Special products include high strength concrete (concrete with a strength grade level of C60 and above), self-compacting concrete, fiber reinforced concrete (synthetic fiber reinforced concrete and steel fiber concrete), lightweight-aggregate concrete and heavyweight concrete. Conventional products primarily include ordinary concrete other than the aforesaid special products.

The table below sets forth our sales volume and production volume of concrete during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume
	(thousands m³)									
Concrete	3,557.8	3,557.8	4,232.4	4,232.4	4,607.6	4,607.6	2,879.8	2,879.8	5,782.9	5,782.8

The table below sets forth the average selling prices of our concrete products during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
Average selling price[(1)]	**2018**	**2019**	**2020**	**2020**	**2021**
	RMB/m³				
Concrete	380.8	427.8	407.9	426.0	341.5

(1) *Average selling price is our average ex-factory selling price exclusive of value-added tax.*

The increase in average selling price of our concrete in 2019 was primarily due to (i) the increase in selling price of cement, which is the major raw material for producing concrete and (ii) the decrease in the production capacity of concrete in China in recent years, which resulted from shutting down small concrete production plants that were not able to meet environmental protection requirements. The decrease in average selling price of our concrete in 2020 was primarily due to the decrease in overall economic activity that was caused by the COVID-19 pandemic. The decrease in average selling price of our concrete for the nine months ended September 30, 2021 compared with the nine months ended September 30, 2020 was primarily due to decreased market demand for cement in the construction industry.

Aggregate

Aggregate is a granular loose material that acts as the skeleton or filler in concrete and provides structural integrity in buildings that are formed with concrete.

During the Track Record Period, we sold most of our aggregates products to external customers and used a small portion of our aggregate as raw materials for our concrete production. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, the average selling price (tax exclusive) of our aggregates products was approximately RMB57.0 per ton, RMB58.7 per ton, RMB51.3 per ton, RMB52.8 per ton and RMB57.7 per ton, respectively.

Others

We also operate other businesses, mainly including the environmental protection business, the cement-based new building materials business, the equipment manufacturing business, the EPC engineering business and the cement package bags manufacturing and sales business. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, operating income generated from our other businesses amounted to approximately RMB1,257.0 million, RMB1,150.4 million, RMB1,143.9 million, RMB840.9 million and RMB958.6 million, respectively, accounting for approximately 4.6%, 3.7%, 3.9%, 4.2% and 4.3% of our total operating income from our principal activities, respectively.

Environmental Protection

Leveraging our experience and expertise in the cement production industry, we have successfully developed an advanced cement-kiln co-processing technology, namely Huaxin Technology and Application of Effective and Ecological Co-processing of Solid Wastes in Cement Kiln (華新水泥窯高效生態化協同處置固體廢棄物成套技術與應用). We have applied this technology in the treatment of various types of municipal solid wastes such as domestic wastes, sewage sludge, contaminated soil, industrial wastes and medical wastes. As of September 30, 2021, our solid waste treatment business is subdivided into six treatment platforms, namely municipal solid waste, municipal sewage sludge, industrial hazardous waste, contaminated soil, floating waste, and medical waste. We operate most of our environmental protection business through our subsidiary, Huaxin Environment Engineering Co., Ltd. (華新環境工程有限公司). We have a national-level recognized enterprise center and an alternative fuel research laboratory company. As of September 30, 2021, we have carried out cement-kiln co-processing business in nine provinces, autonomous regions and municipalities, including Hubei, Hunan, Chongqing, Guangdong, Henan, Yunnan, Sichuan, Guizhou and Tibet.

Cement-based New Building Materials

We engage in the research, development, production and sales of environmentally friendly building material products and green construction solutions. Huaxin New Building Materials Co., Ltd. (華新新型建築材料有限公司), a wholly owned subsidiary of our Company, offers a series of new green building material products, including ultra-high performance construction systems, lightweight thermal insulation systems, new impervious and energy-saving materials, and environmentally friendly decorative brick.

On July 1, 2018, we established the Huaxin Research and Development Center, which is dedicated to the research and development and promotion of applications of new building materials, patent promotion, the establishment of industry technical standards, and the training of professional and technical personnel. Through independent research and development and extensive cooperation with well-known academic institutions in China, such as Wuhan University of Technology and Chongqing University, Huaxin Research and Development Center has innovated and developed a wide range of products, including adhesives, putty powder, permeable concrete, colored concrete, wear-resistant concrete, wet-mix mortar, wear-resistant and anti-corrosion flooring, ultra-high-performance roof tiles, wall panels and prefabricated components, grout products and sprayed anti-corrosion products, some of which have started industrial production.

In recent years, the Huaxin Research and Development Center has received numerous awards and recognitions, such as the excellence award for groups in the National Cement Chemical Analysis Competition (全國水泥化學分析大對比團體優勝獎) received in 2019, the first prize for groups in the National Cement Chemical Analysis Workmanship Competition (全國水泥化學分析工技能大賽團體一等獎) received in 2019, the nomination prize of the Most Innovative Supporting Products of the "Jinxuan" Award in the Doors, Windows and Curtain Wall Industry (建築門窗幕牆行業金軒獎最具創新力配套產品提名獎) received in 2018, and second prize in "China Building Material Cup" National Concrete Design Competition (「國檢集團杯」全國混凝土設計大賽二等獎) received in 2017. We were also recognized as the Intelligent Manufacturing Demonstration Enterprise by China Building Materials Federation (中國建材聯合會「智能製造示範企業」) in 2020.

Equipment Manufacturing

We operate most of our equipment manufacturing business through Huaxin Equipment Engineering Co., Ltd. (華新裝備工程有限公司) ("**Huaxin Equipment Engineering**") and Huaxin Equipment Manufacturing Co., Ltd. (華新水泥(黃石)裝備製造有限公司) ("**Huaxin Equipment Manufacturing**"). Huaxin Equipment Manufacturing is a wholly owned subsidiary of our Company, which obtained ISO9001:2000 quality management system certification in 2002. Huaxin Equipment Manufacturing is a certified high-tech enterprise in Hubei and one of the leading domestic heavy cement machinery manufacturing enterprises. Huaxin Equipment Manufacturing mainly designs, manufactures and sells rotary kilns, tube mills, vertical mills, high-efficiency separators, bucket elevators, grate coolers, roller presses and other cement equipment. Huaxin Equipment Manufacturing is also committed to providing energy-saving and environmentally friendly products.

We developed our own solid waste treatment equipment, and integrated it into our waste pre-treatment and cement kiln co-processing functions. We were the first company in China to conduct large-scale production of cement vertical mills and fourth generation grate coolers. After introducing the international advanced cement production process, we have independently designed, manufactured and installed new dry process production lines (maximum capacity reaching 14,000 t/d), which contain various patents and major technical innovations. In 2019, Huaxin Equipment Manufacturing completed the production of Φ6.2×98m cement rotary kiln, HXVRM-R50.4 cement raw material vertical roller mill, HXVRM-CA36.3 coal vertical mill, HXCLS140 fourth-generation high-efficiency grate cooler, and G200180 cement roller press, and put them into use in 2020, making us the first company to manufacture wholly domestic-made core host devices with daily capacity of over 10,000 tons. In 2020, Huaxin Equipment Manufacturing was devoted to researching, developing and manufacturing aggregate and integrated crashing and filtering devices.

EPC Engineering

We operate most of our EPC engineering business through Huaxin Equipment Engineering, which is mainly responsible for the project management of our domestic investment projects, development and manufacture of complete sets of cement production equipment, and undertaking of our external contracting business. As of September 30, 2021, it had undertaken five overseas construction projects, namely the Cambodian Bulk Storage Project (completed in 2018), the Tajikistan Bulk Storage Project (completed in 2019), the Jizzakh Project in Uzbekistan (started operation in 2020), the Narayani Project in Nepal (started operation in January 2022), and the Maweni Project in Tanzania (started operation in 2021). We are generally responsible for engineering design, project management, equipment as well as material supply of those projects.

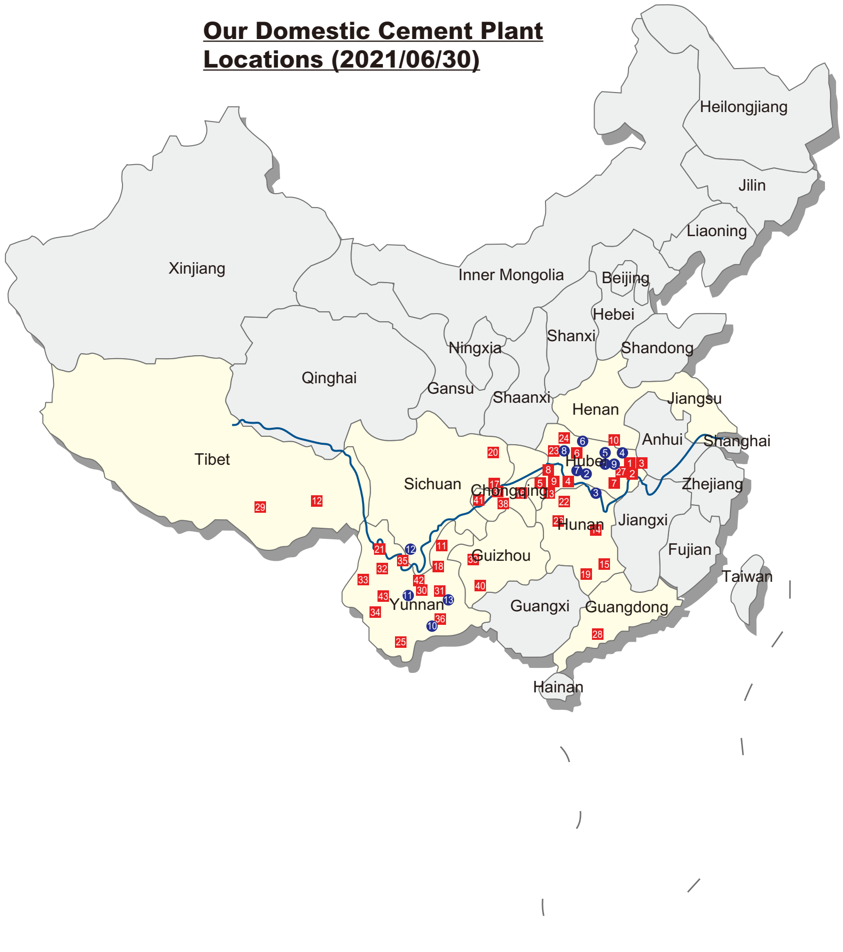
PRODUCTION FACILITIES

As of September 30, 2021, our production plants were located across 14 provinces, autonomous regions and municipalities in China and five foreign countries, including 43 integrated cement production plants with 52 clinker production lines, 13 independent cement grinding plants, 63 concrete batching plants and 23 aggregate production plants, excluding those under construction in China. As of the same date, we operated nine production plants in five countries outside China, namely Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia and Tanzania, consisting of six integrated cement production plants which were equipped with six clinker production lines in total, as well as one independent cement grinding plant, one cement packaging bag manufacturing plant and one concrete batching plant. For the nine months ended September 30, 2021, our overall BDP capacity of clinker was approximately 73.9 million tons per year, our capacity of cement grinding was approximately 114.8 million tons per year (including the capacities of trial operation), our production capacity of concrete was approximately 35.5 million cubic meters per year, and our production capacity of aggregate was approximately 76.3 million tons per year.

Cement and Clinker

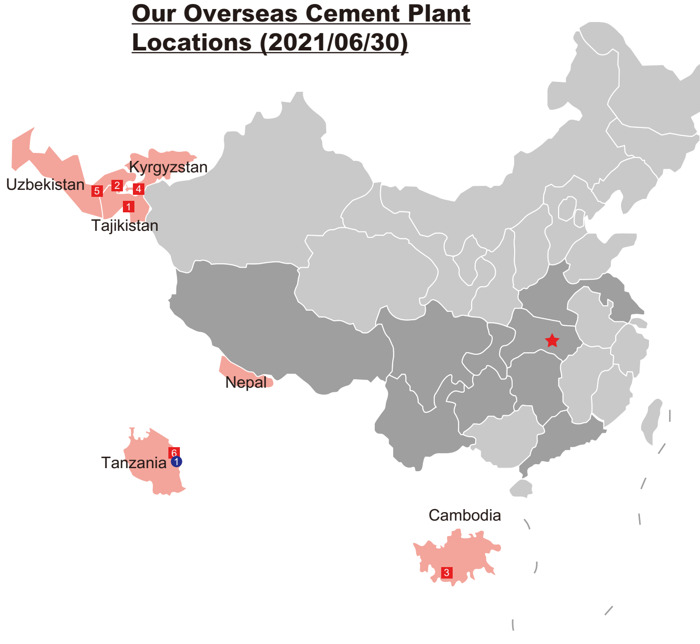
We own and operate two types of cement production plants: (i) integrated cement production plants with both clinker production lines and cement grinding systems; and (ii) independent cement grinding plants with cement grinding systems only. We carefully selected the locations of our production facilities to minimize operation costs. We generally build our integrated cement production plants in proximity to our limestone quarries so that limestone ores can be delivered by belts or trucks to ensure stable supply of raw materials to support the operations of the clinker production lines at low transportation costs. Our independent cement grinding plants are generally located in areas near target markets and with admixture resources, especially industrial slag resources, so that we are able to conveniently acquire admixture to produce cement and transport our cement to target markets in a cost-effective manner. As of September 30, 2021, we had 43 integrated cement production plants with 52 clinker production lines, and 13 independent cement grinding plants in China. Most of our integrated cement production plants and independent cement grinding plants are located in Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Guangdong and Henan. Our existing production facilities for cement and clinker are located in the following locations:

Our Domestic Cement Plant Locations (2021/06/30)



Integrated plant		Grinding plant	
1	Huangshi	1	Wugang
2	Yangxin	2	Xiantao
3	Wuxue	3	Yueyang
4	Yichang	4	Macheng
5	Enshi	5	Suizhou
6	Xiangfan	6	Xiangcheng
7	Chibi	7	Jingzhou
8	Zigui	8	Danjiangkou
9	Changyang	9	Ezhou
10	Xinyang	10	Gejiu
11	Zhaotong	11	Chuxiong
12	Tibet	12	Jinsha
13	Hefeng	13	Chenggong
14	Zhuzhou		
15	Chenzhou		
16	Fuling		
17	Quxian		
18	Dongchuan		
19	Daoxian		
20	Wanyuan		
21	Diqing		
22	Sangzhi		
23	Fangxian		
24	Yunxian		
25	Jinghong		
26	Lengshuijiang		
27	Daye		
28	Enping		
29	Shigatse		
30	Fumin		
31	Dongjun		
32	Jianchuan		
33	Yunlong		
34	Lincang		
35	Lijiang		
36	Honghe		
37	Yanjing		
38	Diwei		
39	Shuicheng		
40	Dingxiao		
41	Cantian		
42	Luquan		
43	Baoshan		

Our Overseas Cement Plant Locations (2021/06/30)



	Country	Integrated plant
1	Tajikistan	Gayur
2	Tajikistan	Sogd
3	Cambodia	CCC
4	Kyrgyzstan	Yuzhno
5	Uzbekistan	Dzizak
6	Tanzania	Marvini

	Country	Cement grinding plant
1	Tanzania	Dar-es-Salaam

As of September 30, 2021, we operated six integrated cement production plants which were equipped with six clinker production lines in total, as well as one independent cement grinding plant, one cement packaging bag manufacturing plant and one concrete batching plant in five countries outside China, namely Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia and Tanzania. In 2018, 2019, 2020 and the nine months ended September 30, 2021, the total designed annual production capacity of our cement production facilities in overseas countries was 4.4 million tons, 5.5 million tons, 9.2 million tons, and 9.2 million tons, respectively, while the total BDP capacity of our overseas clinker production lines was 2.8 million tons, 4.0 million tons, 6.9 million tons and 6.9 million tons for the same periods, respectively.

The table below sets forth the number of production lines and designed annual production capacity for cement and clinker by geographical areas as of September 30, 2021:

Location	Number of Clinker Production Lines	Number of Integrated Cement Production Plants and Cement Grinding Plants	BDP Capacity of Clinker (thousand tons/year)	Capacity of Cement Grinding[1] (thousand tons/year)
Hubei	18	21	25,820	40,890
Hunan	5	6	7,810	14,460
Yunnan	14	16	16,630	24,260
Sichuan	2	3	2,790	4,730
Tibet	5	2	3,810	6,230
Chongqing	4	4	5,800	8,090
Guangdong	1	1	1,550	2,940
Henan	1	1	1,550	2,450
Guizhou	2	2	1,300	1,540
Tajikistan	2	2	2,050	2,730
Kyrgyzstan	1	1	780	1,050
Uzbekistan	1	1	1,550	2,030
Cambodia	1	1	1,240	1,680
Tanzania	1	2	1,240	1,680
Total	58	63	73,920	114,760

(1) Capacity of cement grinding is calculated based on 7,000-hour operation of cement mills per year.

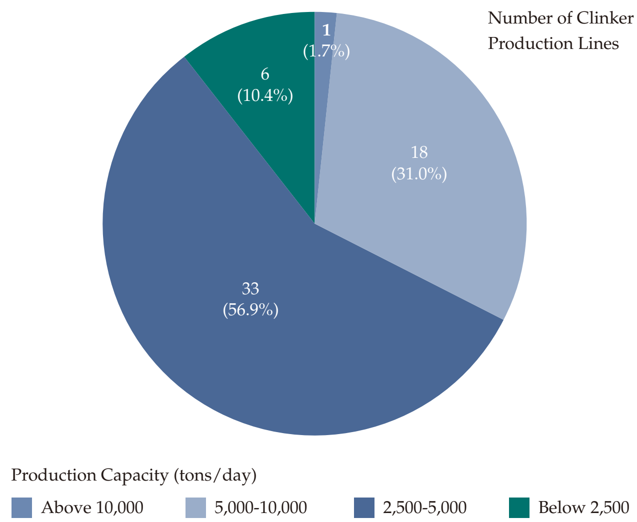
The table below sets forth the number of production lines, production capacity, production volume and the utilization rate for cement and clinker for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
Clinker					
Number of Clinker Production Lines as of the End of the Period	56	59	58	60	58
BDP Capacity ('000 tons)	62,380	69,470	73,920	71,020	73,920
Production Volume ('000 tons)	54,438.5	58,887.8	61,072.4	43,559	46,202
Utilization Rate[1] (%)	87.3	84.8	82.6	81.8	83.3
Cement					
Number of Integrated Cement Production Plants as of the End of the Period	44	47	49	48	49
Number of Independent Cement Grinding Plants as of the End of the Period	15	15	14	13	14
Capacity of Cement Grinding ('000 tons)	105,190	111,140	114,760	110,490	114,760
Total Production Volume ('000 tons)	68,759.0	74,986.5	72,286.6	50,379	54,265
Utilization Rate[1] (%)	65.4	67.5	63.0	60.8	63.0

(1) Utilization rates for the years ended December 31, 2018, 2019 and 2020 are calculated as the production volume for the years divided by the production capacity for the years. Utilization rates for the nine months ended September 30, 2020 and 2021 are calculated as the production volume for the period divided by 75% of the total production capacity for the year. Production capacity of our plant in Uzbekistan was calculated at 25% of its total production capacity in calculating our utilization rates for the nine months ended September 30, 2020, as our plant in Uzbekistan started operation in late June 2020.

The utilization rates of our cement and clinker production facilities remained generally stable during 2018 and 2019, and the nine months ended September 30, 2021. In 2020, we recorded relatively low utilization rates of our cement and clinker production facilities, primarily because of the COVID-19 outbreak at the beginning of 2020 and the flood in the middle and lower reaches of the Yangtze River in 2020. See "— Seasonality."

The pie chart below sets forth the number of clinker production lines by capacity as of September 30, 2021:



In accordance with the Industrial Policy for the Cement Industry (《水泥工業產業政策》), the PRC government has implemented policies eliminating backward production capacity, with a focus on supporting construction of new dry-process cement projects with a daily output of 4,000 tons or more in resource-rich areas. During the Track Record Period, we shut down four kiln lines with a total daily production capacity of approximately 8,000 tons of clinker, representing approximately 4.0% of our total production capacity, and had built a new cement kiln line with an annual capacity of 2.85 million tons of clinker, or 7,800 tons per day, as part of our capacity replacement plan.

Concrete

When choosing the location of our concrete batching plants, we take into account various factors, such as traffic conditions, distance to consumers, land cost and disturbance to surrounding residents. Our concrete batching plants are strategically located near our target markets to ensure timely delivery of our concrete products to our customers. As of September 30, 2021, we owned 64 concrete batching plants with a total annual production capacity of approximately 35.5 million cubic meters. Among them, we directly operated 59 concrete batching plants with a total annual production capacity of approximately 33.6 million cubic meters and leased out five concrete batching plants with a total annual production capacity of approximately 1.9 million cubic meters. Our concrete batching plants in China are mainly located in Hubei, Hunan, Yunnan, Sichuan, Chongqing, Tibet, Henan, Guizhou, Jiangxi and Jiangsu. We have one concrete batching plant in Cambodia.

The table below sets forth the number of concrete batching plants, production capacity, production volume and the utilization rate for concrete for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
Concrete					
Number of Concrete Batching Plants as of the End of the Period	58	54	56	53	64
Number of Self-operated Concrete Batching Plants as of the End of the Period	47	45	50	48	59
Designed Production Capacity of Self-operated Concrete Batching Plants ('000 m^3)	19,150	18,650	25,000	22,220	33,600
Production Volume of Self-operated Concrete Batching Plants ('000 m^3)[(1)]	3,558	4,232	4,608	2,880	5,783
Utilization Rate of Self-operated Concrete Batching Plants[(2)(3)] (%)	18.6	22.7	18.4	17.3	22.9

(1) Our concrete products are manufactured upon orders.

(2) Utilization rates for the years ended December 31, 2018, 2019 and 2020 are calculated as the production volume for the year divided by the designed production capacity for the year. Utilization rates for the nine months ended September 30, 2020 and 2021 are calculated as the production volume for the period divided by 75% of the total production capacity for the year.

(3) Utilization rates of our self-operated concrete batching plants were lower than the utilization rates of our other production facilities mainly because concrete is produced upon our customers' demands and we keep no inventory of concrete due to its nature.

The production capacity of a facility is generally calculated on the basis of 24 operating hours per day. However, the actual operating hours of our facilities are less than 24 hours per day for the following reasons: (i) construction activities stop during night times; and (ii) to ensure the quality and condition of our concrete products, the concrete production plants operate only after our customers have placed orders, given the time-sensitive nature of the concrete production process.

According to CIC, the average utilization rate of concrete production capacity in China is between 20% and 40%. For 2018, 2019 and 2020 and the nine months ended September 30, 2021, our utilization rate of production plants for concrete was approximately 18.6%, 22.7%, 18.4% and 22.9%, respectively, generally in line with utilization rates of the industry in China.

Aggregate

As of September 30, 2021, we operated 23 aggregate production plants with a total annual production capacity of approximately 76.3 million tons. Our aggregate production plants are primarily located in Hubei, Yunnan, Chongqing, Hunan, Sichuan, Guizhou and Tibet.

The table below sets forth the number of production plants, production capacity, production volume and the utilization rate for aggregate for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
Aggregate					
Number of Aggregate Production Plants as of the End of the Period	8	16	21	18	23
Designed Production Capacity[(1)] ('000 tons)	25,000	39,500	55,000	52,000	76,300
Production Volume ('000 tons)	15,411	18,401	25,853	16,595	31,963
Utilization Rate[(2)] (%)	61.6	46.6	47.0	42.6	55.9

(1) Designed annual production capacity equals the sum of the designed production capacities of individual production lines for the period, weighted by actual operation period.

(2) Utilization rates for the years ended December 31, 2018, 2019 and 2020 are calculated as the production volume for the year divided by the designed production capacity for the year. Utilization rates for the nine months ended September 30, 2020 and 2021 are calculated as the production volume for the period divided by 75% of the total production capacity for the year.

According to CIC, the average utilization rate of aggregate production capacity in China is between 50% and 70%. For 2018, 2019 and 2020 and the nine months ended September 30, 2021, our utilization rate of production plants for aggregate was approximately 61.6%, 46.6%, 47.0% and 55.9%, respectively, generally in line with utilization rates of the industry in China.

In 2019, by strategically taking advantage of the window of opportunity for the structural adjustment and upgrade of the aggregate industry in China, we completed the construction of eight new aggregate production lines, which increased our designed aggregate production capacity by 14.5 million tons per year.

PRODUCTION CAPACITY EXPANSION PLAN

We believe that the market will present great upside potential, as demands for the construction of real estate, and construction of railways, roads and expressways are increasing. In anticipation of such increase in demand, we plan to further enhance our production capacity primarily by expanding our production lines. As of the Latest Practicable Date, we had several ongoing production capacity expansion plans. We expect to incur total investment of approximately RMB14,162.6 million for the construction of such projects, which will be our cash reserves and operating cash flow in the future. The following table sets forth certain details of our expansion plans.

Product	Location of product line	Construction commencement date	Expected construction completion date	Expected designed annual production capacity	Expected aggregate capital expenditure (RMB in millions)	Expected investment payback period	Expected breakeven point
Aggregate and Concrete	Middle, East and West China and Overseas	August 2020 to February 2022	March to December 2022	105,400 thousand tons of aggregate and 3,100 cubic meters of concrete	12,718.7	0.4 years to 9.6 years	2022 and 2023
Cement	Overseas	March 2019	April 2022	1,100 thousand tons	1,006.4	5.6 years	2022
Environmentally friendly new materials	Middle and East China	January 2021 to February 2022	August to December 2022	600,000 thousand environmentally friendly bricks and 1,000 thousand tons of phosphor gypsum	437.5	2.6 years to 8.5 years	2022 and 2023

Under the influence of tightening national policies on safety, environment, energy consumption and emission, a large number of non-compliant aggregate producers have been reorganized or closed. On the other hand, the market demand for aggregate remains high as aggregate is an essential raw material for national infrastructures such as buildings, roads, bridges, water conservancy and hydropower. We have been deeply involved in the construction materials industry for many years with extensive experience in equipment, craftsmanship, technology and management. Therefore, it is strategically significant to expand our production lines for aggregate to ease the contradiction between supply and demand, which is in line with the industrial requirements for greening, intensive and scale transformation.

In addition, considering that the production of cement has specific requirements towards the content of calcium oxide in limestone, we strategically decided to expand our aggregate production lines near our cement plants, where we are able to produce aggregate from tailings and use for concrete production. Furthermore, as an essential production raw material for concrete which plays a key role in the stabilization of supply and quality, aggregate becomes a core material of our integrated competitiveness. Meanwhile, as aggregate is a key resource, it is expected to be increasingly difficult to obtain aggregate in the future. Therefore, we believe it will effectively reduce operating costs and uncertainties if we expand our production lines for aggregate and complete our strategic expansion as soon as practicable.

Designed production capacities of concrete are calculated as the theorical capacities of non-stop production, while in practice, concrete is produced upon customers' orders. Therefore, we strategically decided to expand our production facilities for concrete as it is essential that we have high designed production capacities of concrete in response to large orders our customers may have in a timely manner. We also plan to strategically expand our production capacities for concrete in certain areas in response to increasing demands locally.

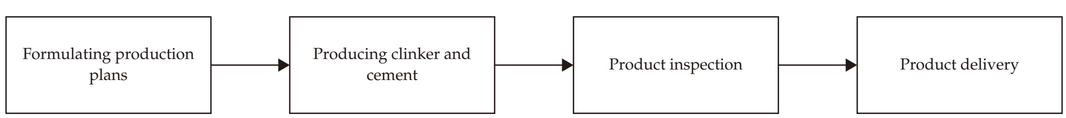
PRODUCTION PROCESS

The production department of each of our subsidiaries and branch companies takes charge of its own production process management. In addition, we have adopted the ERP and the TES production and energy management system within the Group, which provide overall support to our production and transportation process. The TES system is the combination of our Technology Information System (TIS) and Energy Management System (EMS). TIS is a tool providing online access to production process data, long-term storage and integrated management of such data, and analysis and optimization of process performance. EMS is an information management and control system that helps our production plants better plan and utilize energy resources, reduce energy consumption per unit of product, and improve economic efficiency.

During the production process, we collect, store and manage statistics relating to production management, quality management and technical standards, and feed such statistics to the relevant business division for production management. For example, should there be any abnormal data concerning raw materials, the system will alert relevant departments and allow production staff to take corresponding actions. We are also able to monitor the transportation process by checking the arrival and departure times of trucks.

Cement and Clinker

The diagram below illustrates our main cement production process.

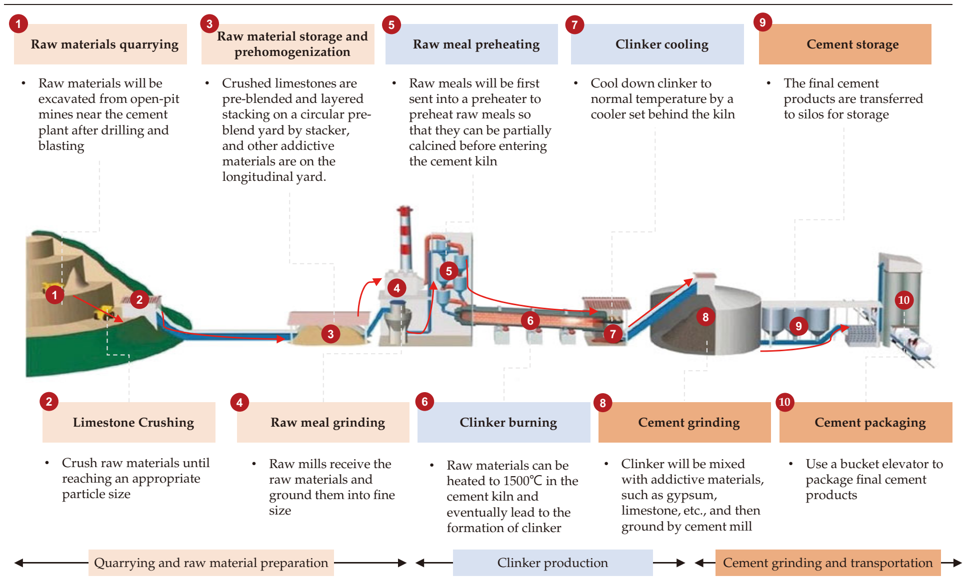


There are four key stages in our standard process for production of cement and clinker:

(1) ***Formulating production plans:*** based on customer orders, sales contracts, sales estimation, and considering our production capacities, the production departments of our branch companies and subsidiaries formulate annual, seasonal and monthly production plans. Based on such plans, the production departments and quality control departments of our branch companies and subsidiaries prepare the production guidance, which includes production craft, quality control standards, inspection criteria, applicable monitoring tools and equipment management requirements, thus ensuring the implementation of the production plans;

(2) ***Producing clinker and cement:*** the diagram below illustrates our clinker and cement production process:

Cement manufacturing process, the PRC



(Source: CIC)

The key steps of clinker and cement production include:

- *Excavating and transporting of limestone:* limestone is the key raw material in producing clinker. We acquire the majority of the limestone from the quarries that we are licensed to excavate. The limestone is transported to crushers by truck or belts and is then crushed for further processing;

- *Crushing, homogenization and batching of raw materials:* limestone, siliceous raw materials and iron raw materials are transported by conveyor belt to the batching system, where they are mixed in predetermined proportions;

- *Preparation and homogenization of raw meal, clinker burning and homogenization*: the raw materials mixed in appropriate proportions are grounded in a raw mill and fed into a raw meal homogenization silo. The raw meal is then fed into the kiln system for calcination. After a series of complex physical and chemical reactions during the high-temperature calcination, the cement raw meals are turned into clinker. After coagulation, the clinker is sent for storage and homogenization; and

- *Production of cement:* to produce cement, the clinker, set retarder materials, such as gypsum and industrial by-product gypsum and admixtures, such as volcanic ash and fly ash, are mixed in appropriate proportions and fed into the cement grinding mill. They are ground to produce the desired cement products, which are sent to a cement silo with a homogenization function.

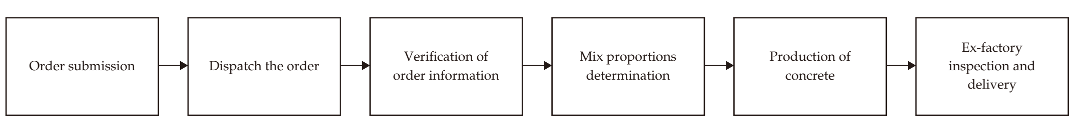
(3) ***Product inspection:*** the quality control departments of our branches and subsidiaries conduct product inspection of their own products. To ensure that the product quality meets the specified requirements, we set up quality control stations at various stages of the production process. Products of different grades are stored in different warehouses, and are then packaged and arranged for shipment in accordance with ex-warehouse quality control instructions to avoid the mixing of different grades of products. We normally provide a product quality warranty period of 90 days for cement and clinker, and 10 days for aggregate. Due to its nature, there is no warranty period for concrete; and

(4) ***Product delivery:*** following approval by responsible personnel, depending on customer needs, the products are delivered to the customers on time in bulk or in packages.

The quality control departments of our branch companies and subsidiaries provide customers with after-sales service for the cement and clinker sold, including submitting warranty documents on schedule and providing technical guidance on the use of cement.

Concrete

We commence our production upon receipt of our customers' orders. The diagram below illustrates our main concrete production process:



There are six key stages in our standard production process of concrete:

(1) *Order submission:* generally, construction units collect concrete casting plans from their subordinate construction sections, and submit concrete demand plans on the following day to the order coordination departments of our branches by 5:00 p.m. every day;

(2) *Dispatch the order:* upon receipt of the order, our order coordination departments submit production plans to the responsible person on duty of the batching plant, laboratories, production department and procurement department by 5:00 p.m. on the same day;

(3) *Verification of order information:* upon receipt of the manufacturing plan sheet issued by the coordination department, the responsible person on duty confirms and verifies project information and establishes a task sheet;

(4) *Mix proportions determination:* the technicians in charge at the batching plant issue the mixing proportions of the concrete, input them into the database and check with operators;

(5) *Production of concrete:* operators follow the mixing protocol and operate concrete mixers carefully, monitor and control the measured batch charge and the mixing time of raw materials to ensure that the procedure parameters are saved automatically, and measurement errors are minimized; and

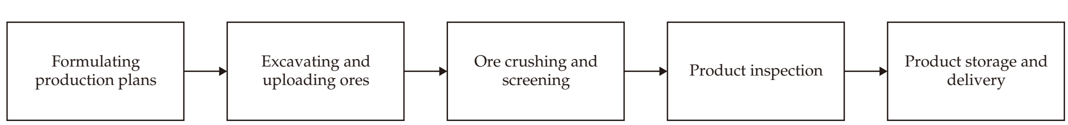
(6) *Ex-factory inspection and delivery:* before delivery of the concrete, subsidiaries are required to arrange inspectors to examine the quality of the mixture and fill out an appraisal report for production commencement (開盤鑑定報告) so as to ensure that the finished product satisfies the construction quality requirements. Thereafter, the concrete is then ready to be delivered to customers. We normally engage third-party transportation companies to provide concrete transportation services.

Within a week after the concrete is poured, our customer service or lab personnel will inspect concrete curing and carry out form removal, and provide customers with relevant tips in due course. In addition, we closely track the concrete rebound strength. Our sales personnel make both regular and ad hoc customer satisfaction survey visits.

When a customer orders a new type of concrete with special performance characteristics, our technology center and quality department will issue instructions and design theoretical mixing proportions pursuant to the customer's requirements, verify and determine the mixing proportions at the laboratory, and develop the production and pouring technical plan. The rest of the processes for producing new types of concrete are the same as those for producing standard concrete.

Aggregate

The diagram below illustrates our main aggregates production process:



There are five key stages in our standard production process of aggregates:

(1) *Formulating production plans:* based on customers' orders or sales contracts as well as considering our production capacities, our production department formulates seasonal and monthly production plans. Based on such plans, the production department prepares the production guidance, which includes inspection criteria, applicable measuring tools and equipment management requirements;

(2) *Excavating and uploading ores:* selecting raw ores is the very first step in controlling the quality of our products. We clean up the soils before excavating and further remove the crevice soil after blasting. We select ore of satisfactory quality for shipment to our production lines;

(3) *Ore crushing and screening:* the ores are generally crushed through secondary and tertiary crushing and are screened to produce products with the required size. Those ores which fail to satisfy the relevant size requirements go through the above-mentioned processes again and are reprocessed automatically in the crusher;

(4) *Product inspection:* to ensure the quality of our products, we implement process control and product inspection, conduct regular inspections of key production steps, and carry out sampling inspection and tests to ensure compliance with national quality standards; and

(5) *Product storage and delivery:* we arrange transportation and delivery of products after they pass the quality inspection stage.

PRODUCTION RAW MATERIALS

The most important production raw material that we use in producing clinker and cement is limestone. Other production raw materials used in our production activities include sandstone, clay, gypsum, fly ash and mineral slag. To meet our production demand, we source more than 95% of the limestone from the quarries that we are licensed to excavate. Where there are no such easily accessible limescale quarries, we purchase limestone from local suppliers for certain clinker and cement production lines. As to other production raw materials, we generally purchase them from independent third-party suppliers. The suppliers of production raw materials for our domestic operations are located in the PRC, while those for our operations overseas are primarily located in countries where we operate production facilities.

We procure production raw materials through our headquarters and business divisions. The procurement department of our headquarters is responsible for bulk purchases, such as purchase of gypsum, fly ash and slag, while each business division takes charge of procurement of production raw materials that can be more efficiently acquired from local suppliers.

At the headquarters level, we usually enter into long-term supply agreements with a fixed term of one year or above, under which we are obligated to make advance payments. At the business division level, the terms of supply agreements vary on a case-by-case basis and are tailored to our demands. We are required to make advance payments or settle within the month after the month of delivery. We may pay through immediate cash payment, bank money orders or bank acceptance bills.

At either the headquarters level or the business division level, the procurement department is responsible for organizing bidding procedures and selecting suppliers. In order to ensure the quality of purchased materials and control of procurement costs, we manage the preliminary evaluation of suppliers' eligibility online based on our proprietary database, and select our suppliers based on various factors such as quality, pricing, delivery time, distance to our plants, after-sales services and reliability. We also take into account the length of our business relationship with a supplier and its market reputation. As to certain types of materials of which the supply is limited in the market, such as fly ash and mineral slag, we also strategically approach suppliers directly, or acquire a procurement right through competitive bidding.

Our procurement department also monitors the quality, the timing of delivery and the pricing of production raw materials. Our procurement frequency is roughly once a month. At the end of each month, the production plants file purchase applications, and the procurement departments place purchase orders and ask the suppliers to deliver the required production raw materials accordingly. The production plants may sometimes file emergency procurement applications, and the procurement department will seek appropriate suppliers and enter into supply agreements.

For the purchase of production raw materials the quality of which is critical to our production, the supply agreements set out quality standards, quality inspection and reinspection procedures. Upon delivery, quality of the production raw materials is inspected by our quality control department to ensure that the production raw materials comply with our production requirements. In particular, at the business division level, upon acceptance of production raw materials, if suppliers fail to meet contractual quality standards, we are entitled to pay at a discounted price, withhold performance bonds or even unilaterally cancel the agreements.

At both the headquarters level and the business division level, we mitigate risks associated with price fluctuation in production raw materials through price adjustment mechanisms incorporated into the production raw materials supply agreements. In the event of changes of market circumstances and material price fluctuations, our supply agreements allow us to negotiate with our suppliers on price adjustment and enter into supplemental agreements. In addition, we strive to maintain a reasonable level of inventory of production raw materials to achieve a balance between minimizing inventory costs and mitigating the risks associated with price fluctuations in production raw materials.

During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this listing document, we did not have any difficulty in obtaining adequate production raw materials and equipment, and we do not anticipate significant difficulties in obtaining alternative sources of supply if necessary. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major price fluctuations, overstock, delays or shortages in the supply of production raw materials and equipment.

Limestone

The principal raw material used in the production of our cement and clinker is limestone. The majority of the limestone that we use for cement and clinker production is sourced from the quarries that we are licensed to excavate. We carry out limestone excavation activities solely to meet our internal demand for limestone and did not make external sales of our excavated limestone during the Track Record Period.

In 2018, 2019, 2020 and the nine months ended September 30, 2021, we excavated approximately 94.1 million tons, 100.0 million tons, 114.7 million tons and 85.8 million tons of limestone, respectively. During the Track Record Period, our utilization rate of excavated limestone for cement production exceeded 95%.

As of September 30, 2021, we were licensed to excavate 54 limestone quarries, 48 of which are primarily distributed in Hubei, Hunan, Yunnan, Sichuan, Chongqing, Guizhou, Henan and Tibet in China, and seven of which are overseas quarries, located in Tajikistan, Uzbekistan, Cambodia and Kyrgyzstan. As of the same date, we had acquired mining licenses and held mining rights over an aggregate limestone reserve of approximately 2,571 million tons. The limestone is excavated from these quarries, crushed and then transported to our production lines by conveyer belt.

The following table sets forth the reserve and range of the remaining mine life of our limestone quarries by geographical areas as of the Latest Practicable Date:

Location	**Reserve of the limestone quarries**	**Range of the remaining mine life**
	(Tons in million)	*(Years)*
Hubei	1,575.3	4.4-54.1
Henan	9.8	4.7
Hunan	303.3	4.9-61.8
Sichuan	100.4	26.0-45.7
Guizhou	37.8	10.1-36.3
Tibet	129.8	3.3-41.1
Chongqing	187.0	16.7-25.7
Yunnan	800.8	1.8-76.8
Overseas countries	451.7	7.1-127.1
Total	**3,595.9**	

Substantially all of our cement and clinker production lines were built in proximity to the mining resources so that the limestone can be directly transported to our production lines by conveyer belt, which effectively controls the transportation costs and ensures a stable supply of production raw materials. Further, through technology and equipment upgrades focusing on the improvement of the utilization rate of low-grade ores and intercalation of ores, and reduction of loss and dilution during the mining process, we are able to achieve highly efficient comprehensive utilization of limestone resources. As of September 30, 2021, the comprehensive utilization rate of our limestone ores excavated from our own quarries exceeded 95.0%. Certain of our subsidiaries with a longer period of operation, such as Huaxin Cement (Yichang) Co., Ltd. (華新水泥(宜昌)有限公司), Huaxin Cement (Xiangyang) Co., Ltd. (華新水泥(襄陽)有限公司), Huaxin Cement (Yangxin) Co., Ltd. (華新水泥(陽新)有限公司), Huaxin Cement (Zigui) Co., Ltd. (華新水泥(秭歸)有限公司), Huaxin Cement (Lincang) Co., Ltd. (華新水泥(臨滄)有限公司), and Huaxin Cement (Honghe) Co., Ltd. (華新水泥(紅河)有限公司), had realized a 100% comprehensive utilization rate of limestone ores during the mining process.

Other production raw materials

Other production raw materials we use in our production primarily include sandstone, clay, gypsum, fly ash and slag. We purchase the majority of such production raw materials from local qualified suppliers who possess the required mining rights. As of September 30, 2021, we had 15 production plants possessing mining rights over sandstone quarries and clay quarries, and two production plants possessing mining rights over gypsum quarries. Therefore, we also source part of such production raw materials from the quarries that we are licensed to excavate. We seek to diversify the supply sources of such other production raw materials and have not in the past experienced any material disruption of our production due to insufficient supply of production raw materials. We do not foresee any difficulty in acquiring such production raw materials for our production requirements in the near future.

ENERGY SUPPLY

The main energy consumed in our production process is coal and electricity; therefore, supply of coal and electricity is critical to our business. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our purchases of coal and electricity accounted for approximately 48.0%, 46.4%, 47.5%, 47.7% and 48.5% of our operating costs for principal activities, respectively.

Coal

We primarily use coal as fuel in our clinker and cement production process. In order to reduce our purchase costs as much as possible while ensuring sufficient and timely supply of coal, we actively conduct relevant market research, strategically negotiate with suppliers and accurately keep abreast of industry pricing trends.

For our domestic operations, we obtain coal mainly from Shanxi, Shaanxi and Xinjiang. Similar to procurement of raw materials, we purchase coal through our headquarters and business divisions.

At the headquarters level, based on our estimate of energy consumption for the next fiscal year, our headquarters enters into annual supply framework agreements with large state-owned coal suppliers. The fuel procurement team of our headquarters is responsible for seeking resources, entering into supply agreements, placing orders, receiving coal and settling, while our logistics team takes charge of coal delivery to production plants in need.

On top of the general pricing mechanism provided for in the annual supply framework agreements, we enter into supplemental agreements or price confirmation letters with our suppliers, which perform multiple functions in mitigation of price fluctuation risks. Among others, such supplemental agreements or price confirmation letters enable us to determine prices on a monthly or weekly basis with reference to prevailing market price. Further, we may negotiate for price adjustments in response to price fluctuations that arise out of changes in national pricing policies or relevant coal price indexes. In addition, we may specify various quality standards and corresponding price adjustment terms that come into play in the event of failure to meet such standards. Accordingly, depending on the extent of quality defects, we are entitled to accept coal at a discounted price or reject acceptance. Therefore, we are able to effectively mitigate the risks associated with price fluctuations through the aforesaid price adjustment mechanism.

Upon receipt of coal, we typically commission mutually agreed and qualified third-party agencies to carry out quality inspection. Where we dispute quality, we are entitled to initiate reinspection and further negotiations. We are typically required to pay in full within 30 days after departure of cargo ships from port of shipment or make full payment in advance, and the purchases are settled by wire transfer or other means that are mutually confirmed.

Such headquarters level procurement applies when we intend to obtain large quantities of coal with the same origin. By adopting this model, we are able to organize purchases efficiently, improve our bargaining power and acquire more price advantages.

Additionally, we also procure coal at the business division level and purchase coal from geographically dispersed suppliers. Under such procurement model, the respective fuel team of each business division is responsible for seeking supply sources, while the procurement team of each plant takes charge of matters in relation to supply agreement, orders, receipt, settlement and coal delivery. Our suppliers at the business division level primarily consist of coal intermediaries, which we seek through bidding procedures or commercial negotiations. Due to our bargaining power, the terms of agreements entered into with such suppliers may vary depending upon changes of market conditions and our specific demand. The purchase price is determined with reference to the prevailing market price, and we may mitigate the risks associated with price fluctuations by entering into supplemental agreements, or, if we fail to do so, by terminating existing supply agreements. Upon acceptance of coal, the quality control department of each plant carries out quality inspection. If suppliers fail to meet contractual quality standards, we are entitled to pay at a lower price, withhold performance bonds or even unilaterally rescind the agreements. We are typically required to settle within one month after the month of delivery, with an average settlement period of 30 or 40 days. Our suppliers at the business division level generally accept immediate cash payment or bank acceptance bills.

For our overseas business, we purchase coal from local suppliers, or, if there are no such local resources, we usually pay through international trade settled by wire transfer or letter of credit in accordance with the contracts. Accordingly, our production facilities in Tajikistan, Uzbekistan, Kyrgyzstan and Tanzania procure coal from local suppliers, while our production facilities in Cambodia procure coal from Australian and Indonesian suppliers. We adjust our storage and purchase of coal from time to time based on supply and demand in the coal industry to keep our purchase price stable. We also save costs by cooperating with coal companies directly. In addition, we reduce our overall cost for energy supply by flexibly adjusting our energy supply structure and developing alternative bioenergy.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, we incurred costs of approximately RMB5,383.0 million, RMB5,836.7 million, RMB5,534.3 million, RMB3,857.5 million and RMB4,936.0 million on coal, respectively, representing approximately 32.6%, 31.4%, 31.9%, 31.7% and 34.6% of our operating costs for principal activities for the respective periods. For the same periods, our average purchase price for coal was approximately RMB737.7 per ton, RMB697.2 per ton, RMB665.2 per ton, RMB656.0 per ton and RMB838.3 per ton, respectively. We did not experience any coal shortages in our operations during the Track Record Period.

Electricity

We generally obtain our electricity supply from state-owned electric utility companies. In each month, our payment for electricity consists of down payment and settlement, all by wire transfer. The calculation of down payment and the time to settle vary between suppliers. The purchase price is determined with reference to the prevailing market price. We have not experienced any difficulty in obtaining adequate electricity during the Track Record Period and up to the Latest Practicable Date and we do not anticipate any problem in obtaining electricity for our production facilities in the foreseeable future.

By gradually applying pure low-temperature residual heat power generation technology to our clinker production lines, we are able to collect waste gas from kiln head and kiln tail for power generation, recycling the electricity during the clinker production process. As of September 30, 2021, 39 of our 43 clinker production plants in the PRC had been equipped with pure low-temperature residual heat power generation systems with a total installed capacity of 346.2 MW per year, which supplied approximately 26.9% of our total electricity consumption during the preceding year.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, we incurred costs of approximately RMB2,567.2 million, RMB2,813.9 million, RMB2,743.0 million, RMB1,948.8 million and RMB1,975.0 million on purchasing electricity, respectively, representing approximately 15.6%, 15.2%, 15.8%, 16% and 13.8% of our operating costs for principal activities, respectively. During the same periods our average electricity purchase price per kWh was approximately RMB0.52 per kWh, RMB0.53 per kWh, RMB0.52 per kWh, RMB0.52 per kWh and RMB0.52 per kWh, respectively.

Our production was occasionally interrupted by local electricity shortages, especially during the summer months. In such circumstances, we were usually given prior notice by local electricity supply bureaus. In the event that we were given prior notice of an electricity shortage, we rescheduled our production plans accordingly.

From June 2021, many provinces across China have imposed power brownouts mainly due to high prices and shortage in supplies of coals which are the main materials for coal-based electricity generation. This will, in turn, affect our production volumes. From June 2021 to the Latest Practicable Date, approximately 18 of our production facilities experienced suspension of production due to limited electricity as required by local governments for approximately 8.8 days in average, and the production volume of such facilities if no suspension happened was approximately 516,696 tons of cement. However, the impact of such decrease in production volume was offset by an increase in sales prices. As of the Latest Practicable Date, the electricity power shortage had not materially and adversely affected our business, results of operations and financial conditions. As of the Latest Practicable Date, we had not experienced any difficulty in obtaining an adequate supply of coals. See also "Risk Factors — Our business and results of operations may be adversely affected by any increase in the prices of coal and electricity or by shortages of coal and electricity supplies."

SUPPLIERS

Our main suppliers include raw material suppliers and energy suppliers. For details, see "— Production Raw Materials" and "— Energy Supply."

Our Top Five Suppliers

In 2018, 2019, 2020 and nine months ended September 30, 2021, purchases from our five largest suppliers amounted to approximately RMB1,990.4 million, RMB2,645.9 million, RMB2,397.0 million and RMB2,528.1 million, respectively, representing approximately 12.1%, 14.5%, 14.9% and 19.5% of our total purchases from cash payment for the same periods, respectively. Purchases from our largest supplier in each period during the Track Record Period were approximately RMB665.4 million, RMB1,073.9 million, RMB1,093.9 million and RMB1,276.8 million, respectively, accounting for approximately 4.1%, 5.9%, 6.8% and 9.9% of our operating costs for the respective period.

Save for LafargeHolcim Energy Solutions, one of our five largest suppliers in 2018 and a subsidiary of Holcim at the time, as of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders of our Company (who or which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in any of our five largest suppliers.

SALES AND MARKETING

Customer Sourcing

Our customers are sourced by our sales teams. Our sales teams collect various types of customer information in their respective sales area, and gradually establish and improve customer profiles. Our sales teams make detailed customer sourcing plans every month, including customer name, customer type, key person and contact information, current business relationship with us and preliminary evaluation of customer, and update such information in a timely manner according to the sourcing progress. The customer sourcing plans are made based on customers' features in each sales region, targeting potential customers with various preferences for sales channels, prices, credit terms, deliveries, and services. Relevant managers track and evaluate the customer sourcing plans on a monthly basis. Our technology teams may also engage in sourcing key customers to provide technical supports when necessary. We also collect successful customer sourcing cases from our sales teams and share them among our Group for future use.

Sales

During the Track Record Period, most of our products are sold in China, primarily in Hubei, Hunan, Sichuan, Chongqing, Yunnan, Guizhou, Henan, Guangdong and Tibet. We also sell some cement products in overseas jurisdictions, primarily in Cambodia, Tajikistan, Uzbekistan, Kyrgyzstan and Tanzania.

The following table sets forth the breakdown of our operating income by geographical areas for the periods indicated:

	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
		%		%		%		%
	(RMB in millions, except percentages)							
Hubei	9,663.2	35.2	10,780.2	34.3	8,861.5	30.2	6,833.6	30.4
Hunan	2,926.0	10.7	3,154.8	10.0	2,813.5	9.6	2,082.8	9.3
Sichuan	1,836.5	6.7	2,121.1	6.8	2,030.2	6.9	1,748.1	7.8
Yunnan	4,640.1	16.9	5,509.8	17.5	5,738.1	19.6	3,314.3	14.8
Tibet	1,030.9	3.8	1,576.2	5.0	1,544.5	5.3	804.0	3.6
Chongqing	2,325.8	8.5	2,899.2	9.2	2,406.8	8.2	1,679.4	7.5
Henan	527.1	1.9	688.4	2.2	589.0	2.0	498.8	2.2
Jiangsu	505.6	1.8	634.1	2.0	847.9	2.9	1,373.3	6.1
Jiangxi	310.1	1.1	261.1	0.8	299.5	1.0	188.8	0.8
Anhui	368.0	1.3	433.3	1.4	487.7	1.7	470.5	2.1
Shanghai	328.4	1.2	342.7	1.1	298.2	1.0	330.2	1.5
Guangxi	175.1	0.6	212.0	0.7	195.9	0.7	103.6	0.5
Guangdong	744.5	2.7	738.8	2.4	872.9	3.0	574.3	2.6
Guizhou	672.8	2.5	425.8	1.4	342.8	1.2	236.1	1.1
Overseas countries	1,315.4	4.8	1,552.7	4.9	1,889.9	6.4	1,926.2	8.6
Others[(1)]	96.5	0.3	109.1	0.4	138.3	0.5	289.9	1.3
Total	**27,466.0**	**100.0**	**31,439.2**	**100.0**	**29,356.5**	**100.0**	**22,453.9**	**100.0**

(1) Other provinces in China.

Most of our cement is sold under the "華新堡壘" (Huaxin Castle) and "華新師傅" (Huaxin Master) trademarks. Products sold under these trademarks are well recognized and are well-known brands within the construction industry in China.

We sell our products to end-customers through our direct sales network as well as through distributors. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our operating income of cement and clinker from our direct sales network was approximately RMB8,595.3 million, RMB8,994.3 million, RMB6,976.2 million and RMB6,035.9 million, respectively, representing approximately 36.0%, 33.0%, 28.0% and 33.7% of our total operating income, respectively. For the same periods, our operating income of cement and clinker from distributors was approximately RMB15,289.0 million, RMB18,265.0 million, RMB17,968.7 million and RMB11,864.8 million, respectively, representing 64.0%, 67.0%, 72.0% and 66.3%, respectively, of our total operating income.

As of September 30, 2021, we had 105 regional sales offices covering 122 cities in 18 provinces, autonomous regions and municipalities in China, and seven regional sales offices in six countries abroad. Our wide-reaching network consists of four types of regional sales offices to cover different customer groups. The integrated regional sales offices target all kinds of customers. The civilian construction customer regional sales offices primarily target distributors, general engineering customers and large and medium-sized prefabrication plant customers and other customers. The industrial enterprise customer regional sales offices primarily serve commercial concrete mixing plant customers and large and medium-sized prefabrication plant customers, and the key regional sales offices focus their sales on large and medium-sized key infrastructure project customers. We centralize the management of our sales activities by setting sales targets and guidelines for sales activities in each regional sales office and by monitoring their performances against the set targets and guidelines. As of September 30, 2021, we had 1,090 direct sales personnel who are responsible for marketing and selling our products in their assigned areas and providing post-sales support to our customers. We provide annual bonuses based on key performance indicators such as achievement of sales targets and completion of sales volume plans for the year.

More than 90% of our customers use the Huaxin Market (華新商城) system and the Major Client Management System (大客戶管理系統), which were self-developed and support the entire business process of order placement, payment, logistics and settlement. The systems enable us to achieve excellent business efficiency while providing customers with high-quality procurement experience. The systems are accessible through various ports such as Android and iOS mobile APP, PC and WeChat mini program, thus being able to serve different system users' needs arising out of a wide range of business scenarios.

In the overseas markets, we adopt a complex sales model combining direct sales and distribution in light of the market characteristics, customer demands and relevant national laws and regulations of each country we operate in. For key projects, large-scale construction projects, large-scale batching plants and other large cement customers, we generally adopt the major sales model of direct sales and supplementary sales model of distribution. For retail customers, we primarily rely on distributor networks in sales. We constantly tailor our sales model to market needs and management requirements.

The following table sets forth the assets in the overseas countries as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
Tajikistan	1,418.7	1,426.3	1,146.4	1,145.6
Kyrgyzstan	—	624.1	487.5	465.8
Uzbekistan	—	514.0	755.1	737.1
Cambodia	895.7	1,157.3	1,168.3	1,242.5
Tanzania	—	0.4	892.9	1,091.4
Nepal	50.3	364.7	797.3	1,004.2

The following table set forth the operating income generated from overseas operations for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
Tajikistan	741.9	849.3	855.3	583.6	619.4
Kyrgyzstan	—	1.8	172.6	118.9	234.8
Uzbekistan	—	—	188.1	76.1	426.5
Cambodia	549.8	686.5	513.5	430.5	422.1
Tanzania	—	—	71.3	—	177.2
Nepal	—	—	—	—	—

Our Distributors

As of December 31, 2018, 2019, 2020 and September 30, 2021, we had 2,334, 2,404, 2,630 and 2,721 distributors, respectively, to sell our cement and clinker products. We had distributors for our cement and clinker products in various provinces in the PRC, mainly including Hubei, Hunan, Yunnan, Chongqing, Sichuan, and Tibet. Distributor networks enable us to reach a wider retail customer base in a cost-effective way. Use of other distributors for sales of products is generally in line with industry practice. The following table sets forth the changes in the number of distributors for our cement and clinker products we cooperated with during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	2,160	2,334	2,404	2,630
Newly appointed	898	999	1,039	748
Terminated	724	929	813	657
Net increase/(decrease)	174	70	226	91
At the end of the period	2,334	2,404	2,630	2,721

We discontinued our cooperation with 724, 929, 813 and 657 distributors for our cement products in 2018, 2019, 2020, and the nine months ended September 30, 2021, respectively, and appointed 898, 999, 1,039 and 748 distributors during the same periods, primarily due to: (i) the adoption of new distributor management policies which encourage the conversion from individual distributors to enterprise distributors in 2018 and 2019; (ii) the appointment of distributors as a reserve to satisfy sales needs of production facilities which were put in operation in 2019 and 2020; and (iii) our decreased focus on distributors targeting civilian construction customers in response to a decreased demand for civilian construction in 2021. Customers of our cement products who entered into sales agreements with us normally had a long-term business relationship with us, and we had minimum historical sales that are non-recurring during the Track Record Period.

There is a seller-buyer relationship between our Group and our distributors. We usually use standard sales agreements without any consignment arrangement and do not employ distributorship agreements with our distributors. We normally recognize operating income when distributors accept the products upon delivery at the designated place or at our facilities. We evaluate the experience and background, including market reputation, creditworthiness, strength of sales channel and customer base, of a potential distributor before choosing to sell our products to it. We would also consider whether it agrees to abide by our restrictions on distributors such as protection of intellectual property and other usual business terms. If we are satisfied with the potential distributors upon assessment, we proceed with negotiating the terms and the execution of the sales agreements with them. Benefiting from our bargaining power, the majority of the agreements we entered into with our distributors were based on our own template agreement.

Under our existing sales agreements with the distributors, we generally require them to make full payment of goods, freight and other fees before we ship our products from our production facilities, in cash or by bills. We generally require our distributors to resell our products within designated areas and require them to provide services such as financing and logistics to our target customers. Our sales agreements with distributors typically set forth incentive provisions to our distributors based on the amount of goods purchased, length of cooperation with us and their contribution to our market expansion, thus increasing distributor loyalty. Distributors are typically not allowed to return products purchased from us unless the products are defective, which is in line with industry practice. We typically set monthly or annual sales targets for our distributors through the sales agreement or supplemental agreements. We do not put any penalty on our distributors if they fail to meet the sales targets. Based on their performance in achieving the monthly or annual sales target, we may consider enhancing, weakening or even terminating our cooperation relationships with our distributors. We believe that our sales correspond to actual end-customer demand and therefore our products are at low risk of channel stuffing in our distribution network mainly because our cement products have a short shelf life of 90 days. We have no management control over our distributors' daily operations or their inventories level.

We do not have any terms in our sales agreements with the distributors restricting the appointment of sub-distributors. Some of our regional distributors have appointed sub-distributors. We do not have direct management over the sub-distributors while we require our distributors to enhance their management over the sub-distributors. Normally, our distributors hold meetings on a monthly basis with the sub-distributors to discuss market conditions, respond to their demands, as well as make certain requirements on their performance of customer services. We do not have any mandate selling price to sub-distributor or our customers as required by relevant laws and regulations in China.

To minimize the risk of cannibalization, we generally take the following measures in relation to our other distributors: (i) we only allow them to distribute in certain geographical areas designated by us to lessen unnecessary overlap between trade areas; and (ii) we monitor the logistics flow of our products. Through joint visits to end customers and market research carried out by our sales representatives and distributors, as well as regular distributor meetings, we ensure that our distributors comply with the contractual terms and conditions. Further, we carry out our eligibility assessment at the beginning of each year and decide whether to cease cooperation with them. We were not aware of any material cannibalization or improper competition among our distributors during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, and none of our Directors, their close associates or any Shareholders, which, to the knowledge of our Directors, owned more than 5% of our Shares, had any interest in any of them. During the Track Record Period and up to the Latest Practicable Date, there was no relationship between the distributors and each of our Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates.

Marketing

Our marketing department is responsible for collecting market information and coordinating marketing activities. As of September 30, 2021, we had 1,090 marketing staff. Our marketing activities primarily include promotional media events, purchasing outdoor billboards, distributing promotional brochures and placing advertisements on vehicles. We place a strong emphasis on maintaining close relationships with our customers. Our marketing department operates a customer service center that is responsible for handling complaints and addressing comments from our customers. We also operate a 24-hour hotline to provide timely after-sales services to our customers. In addition, we send technicians to provide on-site training to our customers regarding the use and application of our products.

Pricing policy

The prices of our products vary from region to region based on local market conditions. The prices of our products are primarily based on factors such as prevailing market prices and competitors' prices, customer relationships, our production capacity and cost and expected profit margin. These factors are assessed and adjusted by our marketing department on a regular basis. We formulate and publish guide prices for our products every month, which, in turn, provides guidance on the pricing of our products for our sales teams.

Payment terms

We normally require our customers to make full payment when placing orders with us on Huaxin Market or settle payment upon delivery. For customers with excellent credit quality or those who have cooperated with us for a long time, we grant a credit period of up to 60 days to our cement, clinker and concrete customers. We also enter into framework contracts with bulk purchase customers engaged in major construction projects. Key terms are fixed under a master contract and our products are then delivered according to the customers' actual demand. Under such model, we typically issue invoices to our customers on a monthly basis and require customers to settle payments upon receiving the invoice for the previous month.

Customer Acceptance

Our customers normally inspect our products upon delivery. According to our agreements with our customers, they are allowed to raise any objection to product quality within the respective quality warranty period of our products, and we will send the product samples together with our customers to mutual-selected national or provisional quality supervision and inspection institutions for decisions. Our customers accept our products if they do not raise any objection to product quality within the quality warranty periods.

After-Sales Services

Our after-sales services include customer services center, 400 customer service hotlines, CRM customer services platform, routine visit and call-backs, and net promoter scores investigations. Our after-sales staff at the customer services center are responsible for answering our customers' phone calls through 400 customer service hotlines, logging in and coordinating with our business and other departments on CRM customer services platform to solve our customers' problems in a timely manner, and conducting the net promoter scores investigations on a monthly basis to learn about our customers' demands and issues. Reports covering the main issues raised by our customers and our proposed solutions are also available on a monthly basis. In addition, our sales teams make detailed monthly customer visit plans, and visit and call back key customers on a routine basis.

CUSTOMERS

We have a broad and well-established customer base in China. We have four types of customers: (i) industrial enterprise customers, who generally use our products for further industrial production processes, such as commercial concrete batching plants which will further process and then sell to end customers including large construction companies; (ii) key project customers, who generally are state-owned or state-controlled companies engaged in the construction of major highways, railways, hydropower plants, urbanization construction projects, airports, airport roads and bridges and other large-scale infrastructure projects and procured our products directly; (iii) civilian construction customers, primarily construction enterprises for private buildings and decorations and other small scale constructions projects; and (iv) distributors whose ultimate customers include commercial concrete batching plants, key project customers, civilian construction customers and others. Our products have been used in a number of large-scale projects in China, including Great Hall of the People (人民大會堂), Wuhan Yangtze River Bridge (武漢長江大橋), the Three Gorges Project (三峽工程), Jingzhu Expressway (京珠高速公路), Qinghai-Tibet Railway (青藏鐵路), Hong Kong-Zhuhai-Macao Bridge (港珠澳大橋), Menghua Railway (蒙華鐵路), Yangsigang Double-Deck Yangtze River Bridge (楊泗港雙層長江公路大橋), Jinsha River Xiluodu Hydroelectric Power Plant (金沙江溪洛渡水電站), and Jinsha River Baihetan Hydropower Station (金沙江白鶴灘水電站).

The following table sets forth the breakdown of our operating income from principal activities, gross profit and gross profit margin by major types of customers for the periods indicated:

	Year ended December 31,									Nine months ended September 30,		
	2018			2019			2020			2021		
	Operating income	Gross profit	Gross profit margin	Operating income	Gross profit	Gross profit margin	Operating income	Gross profit	Gross profit margin	Operating income	Gross profit	Gross profit margin
	(RMB in millions, except percentages)											
Industrial enterprise customers	5,685.0	2,114.7	37.2%	6,446.4	2,525.7	39.2%	5,794.0	2,348.8	40.5%	5,513.8	2,268.0	41.1%
Key project customers	2,033.7	883.7	43.5%	2,196.1	1,062.7	48.4%	2,126.3	1,044.1	49.1%	1,393.2	593.9	42.6%
Civilian construction customers	3,635.9	1,421.9	39.1%	3,098.5	1,338.0	43.2%	2,391.5	951.9	39.8%	1,545.7	716.2	46.3%
Distributors	15,968.3	6,404.9	40.1%	19,512.6	7,762.7	39.8%	18,839.8	7,448.2	39.5%	13,851.7	4,526.9	32.7%
Total	**27,322.9**	**10,825.2**	**39.6%**	**31,253.6**	**12,689.1**	**40.6%**	**29,151.5**	**11,793.0**	**40.5%**	**22,304.5**	**8,104.9**	**36.3%**

In August 2020, the PRC government implemented the "three red lines" policy, tightening the financing regulation in the real estate industry and requiring real estate enterprises to reduce their overall leverage ratios. In the second half of 2021, the annual Central Economic Work Conference set the tone of promoting a virtuous circle in the real estate industry development, especially in improving the housing support system. The real estate industry has showed stable performance in 2021, with total investment amount reaching over RMB14.7 trillion at a growth rate of 4.4%. It is expected that the industry will continue to recover as more supportive policies come into effect, according to CIC.

While we generated a certain portion of revenue from industrial enterprise customers and civilian construction customers with real state exposures during the Track Record Period, we had not experienced adverse impact on our business with such customers in any material aspects, or suffered any delay or reduction in orders by such customers due to the impacts of real state exposures. Our operating income from industrial enterprise customers as a percentage of our total operating income remained stable in 2018, 2019 and 2020, accounting for approximately 20.8%, 20.6%, 19.9%, respectively, and slightly increased to 24.7% in the nine months ended September 30, 2021. Our operating income from civilian construction customers as a percentage of our total operating income in 2018, 2019 and 2020, and the nine months ended September 30, 2021 accounted for approximately 13.3%, 9.9%, 8.2%, and 6.9%, respectively, primarily because the business traditionally with civilian construction customers has been gradually taken over by industrial enterprise customers as a result of (i) the industry trend that the smaller scale construction enterprises gradually being replaced by the larger industry players and (ii) our strategic switch of focus to business with industrial enterprise customers and sales of commercial concrete products.

Our Top Five Customers

In 2018, 2019, 2020 and the nine months ended September 30, 2021, sales to our five largest customers amounted to approximately RMB672.9 million, RMB752.9 million, RMB762.0 million and RMB653.1 million, respectively, representing approximately 2.5%, 2.4%, 2.6% and 2.9% of our total operating income for the same periods, respectively. Sales to our largest customer in each period during the Track Record Period were RMB171.4 million, RMB226.5 million, RMB183.9 million and RMB166.5 million, respectively, accounting for approximately 0.6%, 0.7%, 0.6% and 0.7% of our operating income for the respective periods.

As of the Latest Practicable Date, none of our Directors, their respective associates or any of the Shareholders (which to the knowledge of our Directors own more than 5% of the issued share capital of our Company) had any interests in any of the top five customers of our Group.

SEASONALITY

We usually record our lowest production volume and utilization rate from January to March due to the Chinese New Year holiday, when the level of activity in the construction industry is lower than other months of the year. Certain climate conditions, such as heavy or prolonged rainfall, also negatively affect market demand of our products because the level of activity in the construction industry is relatively low under those conditions. See "Risk Factors — Risks Relating to Our Business and Industry — Our results of operations are subject to seasonal fluctuations in demand for our cement products as weather conditions may affect the level of construction activities."

RESEARCH AND DEVELOPMENT

Our research and development work centers on improving operation efficiency and reducing production costs. Most of our research and development expenses are used for technology and optimizing knowledge, including (a) key technologies and equipment such as the new decomposition-pre-fired system (新型分解預燒系統) and industrial waste activator and device, (b) Huaxin Technology and Application of Effective and Ecological Co-processing of Solid Wastes in Cement Kiln, (c) developing and innovating digital technology systems for cement enterprise operation. In 2015, in cooperation with Wuhan University of Technology, we developed the cement kiln stable control technology for large substitution rate co-disposal of RDF (Refuse Derived Fuel) (大替代率協同處置RDF (垃圾衍生燃料) 水泥窯系統穩定控制技術) which is applied to our 5,000 t/d clinker production line, and allows us to achieve stable operation with a 50% coal substitution rate in cement kilns for co-disposal of RDF. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, we incurred research and development expenses of approximately RMB10.8 million, RMB37.3 million, RMB56.0 million, RMB16.4 million and RMB29.1 million, respectively.

We have also successfully developed a new dry-process cement production technology with a production capacity of 10,000 tons per day. The technology integrates and optimizes the systems of each production unit to significantly reduce the investment cost of the entire production line. The main equipment supporting the technology was designed, developed and manufactured by Huaxin Equipment Manufacturing.

We have a nationally recognized enterprise technology center at our Hubei headquarters, which is the first national enterprise technology center for the cement industry in Hubei. As of September 30, 2021, the center employed 129 research and development staff, most of whom hold bachelor's and master's degrees. As of September 30, 2021, we have established formal industry-university-research cooperations with the School of Materials Science and Engineering at Wuhan University of Technology and the School of Environmental Science & Engineering at Huazhong University of Science & Technology, each of which is a leading research base for building materials or environmental protection-related technologies.

COMPETITION

The cement industry in China is relatively concentrated, characterized by an overall national over-production capacity issue to varying degrees across different regions. Economies of scale exist in this industry. We ranked fifth among all cement manufacturers in China in terms of operating income of cement in 2020 with a market share of 2.6%. In central China, namely Henan, Hubei and Hunan, the top five cement manufacturers accounted for 28.9% of the market share in terms of operating income generated from cement business in 2020, among which we were ranked first and achieved a total market share of approximately 6.9%. We face competition from nationwide large-scale cement enterprises with business focus on central China. In Yunnan, our competitors mainly include regional cement manufacturers such as Southwest Cement Co., Ltd. and Yunnan Cement Co., Ltd. In addition, our overseas business expansion lends support to our overall competitiveness. For more information on competition landscape in the clinker industry, see "Industry Overview."

The entry barriers of the cement market mainly include production requirements such as environmentally friendly standards in relation to cement production processes, capital resources, raw material resources and regional barriers created by locally dominant cement enterprises. We believe that, under current market conditions, a cement manufacturer's success depends primarily on its ability to achieve economies of scale, leading production and market layout, extension of the industry chain to cement production-related business, as well as brand reputation, all of which fall within our core competitive advantages. In addition, other traits that distinguish us from our major competitors include our leading market positions, strong capability of overseas expansion, advantages in the whole industrial chain and industrial layout, technological innovation and experienced management team. For details, see "— Our Competitive Strengths."

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks, domain name registrations and contractual restrictions to establish and protect our intellectual property rights. Our intellectual property forms an integral part of our strong brand recognition, and is important to our business and profitability. As of September 30, 2021, we held 126 patents, 139 trademarks and 40 software copyrights. In terms of trademarks, we own brands such as "Huaxin Baolei" (華新堡壘), which hold a certain degree of influence in the industry.

We have a robust system to protect our intellectual property rights, and are continuously applying for new patents for products and technologies developed through research and development activities.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claims of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent, which may, in turn, materially and adversely affect our business, financial position and results of operations.

PRODUCTION MANAGEMENT AND INVENTORY CONTROL

We plan our production and manage the inventory level of our finished products on a monthly and an annual basis based on projected sales volumes, and we make timely adjustments to the production schedule and volumes based on actual orders received. We have a network-based data management system that facilitates the collection, monitoring and analysis of a variety of production and inventory data in each of our production facilities. We adopted the ERP system to assist us in planning and managing our inventory. Our inventory system software generates real-time inventory data based on which our supply chain department monitors our inventory in terms of inventory levels, inventory composition and inventory turnover rates. We take stock of our inventory on a regular basis and maintain varying inventory levels of raw materials and coal based on the needs of our production.

We did not experience significant overstock or shortage of raw materials, coal or finished products during the Track Record Period.

QUALITY CONTROL

In strict compliance with national quality management laws and regulations, we have established a complete set of quality management systems, including the quality management of incoming raw materials, the production process and ex-factory products, the management of after-sales services and standardized management of laboratories, etc. In strict compliance with the provisions of quality management system documents, the quality department of each plant carries out quality control of each production step from incoming raw materials to delivering cement out of the factories, and the plants have passed ISO9001 quality management system certification and standardized laboratory evaluation. We produce cement of different categories, including P·I52.5, P·O52.5(R), P·O42.5(R), P·C42.5, P·S·A42.5, P·S·B32.5, M32.5 and other common Portland Cement, as well as P·MH42.5 Medium-Thermal Portland Cement, P·LH42.5 Low-Thermal Portland Cement, P·HSR42.5 Highly Sulfate-Resistant Portland Cement, P·R7.5 road Portland Cement and other special cements. The quality of our products meets the needs of our customers, and all of our products have been certified by national authorities in accordance with product quality certification requirements. The Huaxin brand has been ranked among "China's 500 Most Valuable Brands" for many years and among the top 100 brands for seven consecutive years, and was ranked 80th in 2021.

Each of our plants has a quality control department which is responsible for monitoring the quality of raw materials, the production processes and product quality. Set out below are our major quality control procedures:

- ***Raw materials quality.*** When purchasing new materials or materials provided by new suppliers, our central laboratory or factory quality department will conduct a thorough check against each index of the material. Purchase will only be made after each of the indexes is met. Prior to putting the raw materials into storage and using the raw materials, routine inspection and sampling tests are carried out to ensure that the raw materials meet the quality requirements.

- ***Production process.*** By strengthening process control at different stages of the production process, such as the implementation of batching solutions, the control of process quality indicators and the inspection of key quality indicators before leaving the factory, we ensure that the production process meets the specified quality standards.

- ***Product quality.*** Our plant quality department will carry out routine inspection and sample testing of finished products, including, but not limited to, GB 175-2007 common Portland Cement, GB/T 200-2017 Medium-Thermal Portland Cement, Low-Thermal Portland Cement and other projects with standard requirements, and sample testing in accordance with GB/T 17671-1999 cement mortar strength test method (ISO method) and GB/T l76-2017 cement chemical analysis method, etc., to ensure that they meet our quality requirements, and the products can only be delivered to customers after confirmation.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material complaints with respect to defective products. During the Track Record Period, we did not received any defective products returned to us by our customers.

LOGISTICS

During the Track Record Period and as of the Latest Practicable Date, we were generally not responsible for transportation of the raw materials we procure and products purchased by our customers except under very limited circumstances.

In procurement of raw materials and coal, except for the coal purchases at our Company level from state-owned enterprises, our suppliers were responsible for transportation. The mode of transportation, including waterway, railways and road transport, varies in accordance with the production scale and the geographical environment of the relevant production facilities. For example, raw materials are usually shipped to riverside large production facilities, and coal may be delivered by waterway through the Yangtze River within Hubei. For delivery of products to our customers, the customers arrange transportation in most cases.

When we are in charge of logistics, we organize bidding procedures to outsource it to third-party logistics service providers. Our cooperation with third-party logistics providers allows us to devote less capital investment than we would have to devote to developing and maintaining our own large-scale logistics system. Outsourcing these services also allows us to transfer most of the transportation risks. For cement delivery, we strategically choose local logistics service providers, so as to avoid damage to the quality of our cement products that may arise due to the long period of transportation time. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay or poor handling of goods that would materially and adversely affect our business operations.

REPAIR AND MAINTENANCE

Regular repair and maintenance programs for our plants' equipment are scheduled by our repair department and carried out by our machinery and electrical repair teams or (where necessary) by entrusted qualified third-party service providers to maximize production efficiency and avoid unexpected interruption of our operations. The scheduled annual overhaul usually lasts two to three weeks. Our machinery and electrical repair teams carry out day-to-day maintenance and repair of the equipment and facilities. Normally, we only conduct overhaul for one production line of a plant each time to ensure continuing production.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, we incurred approximately RMB42.8 million, RMB65.5 million, RMB40.6 million, RMB23.5 million and RMB21.9 million in repair expenses, respectively. There have not been any major disruptions caused by equipment failure during the Track Record Period.

OCCUPATIONAL HEALTH AND SAFETY

We have established a unified health and safety management system in strict compliance with national laws and regulations, industry standards and enterprise standards in respect of health and safety. See "Regulatory Overview" for more details on the PRC laws and regulations regarding occupational health and safety that we may be subject to. Health and safety represents our core value, and we regard occupational health and safety as our respect for human life and our important social responsibility.

Our business operations involve cement, environmental protection, concrete, aggregates, equipment manufacturing, high-tech building materials and other industries. The main safety and occupational health risks faced in the production process include fall from height, mechanical injuries, vehicle injuries, electric shock, lifting injuries, fire, explosion, poisoning in limited space, asphyxiation, dust hazards, etc. We attach great importance to safety risk control. Through safety education and training, investment in safety production and safety standardization, risk assessment and management, hidden danger investigation and management, occupational health management, health and safety audit and other work measures, we enhance the ability of employees to identify and control risks, and improve employees' safety awareness and skills, in order to minimize and avoid the occurrence of all kinds of safety accidents.

We have established and improved a four-level system for production safety. We have established the Occupational Health and Safety Management Committee and set up safety and health-related institutions such as the occupational health and safety department to organize and manage production safety. We provide employees with labor protection supplies and equipment, including safety helmets, goggles, safety shoes, uniforms, dust masks, earplugs, protective gloves, safety belts and relevant special work protective equipment in accordance with relevant national labor protection regulations. As of September 30, 2021, 28.7% of our plants, including 84.6% of the plants in the cement and clinker business and several plants in concrete and environmental protection businesses, have been accredited with the ISO 45001:2018 occupational health and safety management system certification. While the certification process is voluntary, we plan to have all of our cement plants in China and 80% of our other plants in China certified to ISO 45001:2018 by the end of 2025, taking into consideration of the individual plant's operation and management needs. In addition, we have implemented an internal management system in line with ISO 45001:2018 that covers all of our operations. Though we did not take the on-site evaluation of national-level safety production standardization for all of our production facilities as such evaluation is voluntary as stipulated in relevant regulations, as of September 30, 2021, 49 of our cement plants passed the on-site evaluation of national-level safety production standardization, among which 17 plants passed national first-level safety production standardization on-site evaluation, 20 plants passed national second-level safety production standardization on-site evaluation and 12 plants passed national third-level safety production standardization on-site evaluation. We had not been imposed any administrative penalty due to safety production evaluation issues. As advised by our PRC legal advisors, the Measures for the Grading of Safe Production Standardization Construction of Enterprises (《企業安全生產標準化建設定級辦法》), and other national regulations on safety production evaluation do not stipulate any administrative penalty for the failure to obtain a certificate of safety production evaluation.

We have formulated control documents in respect of accident management procedures, including the Standard for Reporting, Classification and Investigation of Safety Accidents (《安全事故報告、分類與調查標準》) and the Measures for Assessment of Work-related Deaths and Serious Injuries Accidents (《工亡/重傷事故考核辦法》). We classify accidents according to their severity as follows: fatal accidents, accidents involving loss of working hours, accidents involving transfer of work, accidents involving medical assistance, accidents involving first aid, accidents involving dangerous signs, serious accidents and accidents involving property damage. After the occurrence of accidents, we will initiate the accident emergency rescue plan, taking emergency measures to deal with and control the accidents, and will actively carry out accident investigation and RCA analysis to find out the root cause of the accidents. Further, we will formulate control measures and share the lessons of accident rectification in order to avoid the recurrence of the same type of accidents.

During the Track Record Period and up to the Latest Practicable Date, no major safety incidents occurred in the course of our business operations. Our PRC legal advisors have confirmed that we are not subject to significant administrative penalties for violations of health and safety laws and regulations during the Track Record Period and up to the Latest Practicable Date. During the Track Record and up to the Latest Practicable Date, 53 work-related light injuries, ten serious injuries and 12 fatalities (eleven contractors and one employee) occurred in the course of our business operations in the PRC and seven work-related injuries occurred in the course of our business operations overseas. As advised by our PRC legal advisors, we may face civil compensation liabilities and administrative penalties for the incidents in China. In terms of civil compensation liabilities, among these incidents, (i) our contractors paid for or shall bear the civil compensation liability for 28 incidents according to our contracts with them, (ii) the national work-related injury insurance fund bore the civil compensation for the rest 47 incidents and (iii) we additionally paid RMB1,153,600 for settlement of the civil claims brought in relation to three fatalities. As of the Latest Practicable Date, we did not receive any other civil claims brought in relation to these incidents. In terms of administrative penalties, as advised by our PRC legal advisors, we may be imposed administrative penalties for serious injuries and fatalities, and among such 22 incidents, (i) we were imposed and fully paid administrative penalties of RMB959,094.67 for four fatalities, (ii) the statute of limitations for ten incidents had passed, and (iii) local work safety authorities confirmed that they would not impose any administrative penalties on us for the rest eight incidents. With respect to the incidents overseas, after consultation with our legal advisors in the relevant jurisdictions, (i) we were not responsible for an injury in Nepal, an injury in Tanzania, and an injury in Uzbekistan, and we are not exposed to any potential or actual legal consequence, claim or penalty in relation to such incidents; (ii) we may be imposed a fine of approximately USD300 to USD1,200 in relation to an injury in Cambodia; (iii) we may be imposed a penalty of approximately USD380 to USD761 in relation to an injury in Uzbekistan and (iv) we may be imposed penalties of approximately USD214 to USD320 in relation to two injuries in Tajikistan (USD107 to USD160 each).

Our Directors are of the view that the health and safety internal control system of our Group is adequate and effective. According to CIC, while there is currently no industry standard for work-related injuries or fatalities, cement businesses may disclose such numbers on a voluntary basis in their ESG reports. We had an employee injury rate of 0.539‰ in 2019, which was lower than the range of 0.656‰ to 7.979‰ reported by other cement businesses. Our employee injury rate was 0.830‰ in 2020, falling within the range of 0.668‰ to 2.366‰ reported by others. In addition, we had an employee fatality rate of zero in 2019 and 0.060‰ in 2020, while other cement businesses reported a range of zero to 0.099‰ in 2019, and zero to 0.051‰ in 2020. Our internal control consultant, which is affiliated with one of the big four accounting firms, has conducted a review on our management of health and safety, in order to prevent the recurrence of similar safety incidents. As far as internal control process of production safety is concerned, the internal control consultant has put forward a series of measures to improve our Group's standard of health and safety in production and strengthen the internal control process. We have subsequently taken all remedial measures as suggested by our internal control consultant, including (i) analyzing the reasons for such incidents and preparing corresponding reports, (ii) sharing the analysis reports among our employees through emails and other platforms, (iii) forming new measures and rules as well as revising existing rules targeting such incidents, (iv) organizing trainings and examinations regarding our rules in relation to safety production, and (v) sorting the various categories of works with high safety risks. In addition, we regularly refer to annual reports and social responsibility reports issued by other cement companies to ensure that we are in line with prevailing industry practices, as part of our efforts to reduce workplace accident rates and improve occupational safety and health. After our implementation of these measures, we have strengthened the design of the internal control process as a result. The internal control consultant reviewed the design effectiveness of the internal control process after our rectification, and has not identified any material deficiencies in the design of our health and safety internal control system. Based on the above, and taking into account (a) the fact that no major incidents occurred in the course of our business operation during the Track Record Period and up to the Latest Practicable Date, (b) the aforementioned enhanced internal control measures implemented according to the recommendations of the internal control consultant, and (c) the results of the follow-up review conducted by the internal control consultant, nothing has come to the Sole Sponsor's attention which would reasonably cause it to believe that there are any material deficiencies in the health and safety internal control system of our Group.

INSURANCE

We take out the compulsory traffic insurance and commercial insurance for the vehicles we own. We also purchase pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, severe disease medical insurance and supplementary medical insurance for our employees. In addition, we have purchased group accident insurance, which mainly covers liabilities arising from injuries, disabilities or deaths caused by work-related accidents.

We also maintain property and machinery damage insurance for our property and equipment, earthquake insurance for areas in seismic zones, and separate construction machinery insurance plus third-party liability insurance for construction vehicles in the plant. Our insurance coverage for our facilities and equipment includes coverage of certain risks relating to industrial accidents and natural disasters. We do not maintain any product liability insurance policies. To control our product liability risk, we place significant emphasis on quality control. We believe that our current insurance coverage is customary and in line with the market practice of the cement industry in China. Since the commencement of our operations and until the Latest Practicable Date, we had not experienced any serious or material industrial accidents at our production facilities. See "Risk Factors — Risks relating to our Business and Industry — We may have limited insurance coverage and may be subject to liabilities resulting from potential operational risks and losses that may not be covered by our insurance policies."

We believe that we maintain sufficient insurance coverage that is consistent with our risk of loss. We will continue to examine and evaluate the risks of our Group and will make necessary and appropriate adjustments to our insurance policies according to our needs and the customary practice in the PRC.

EMPLOYEES

As of September 30, 2021, we employed a total of 16,200 full-time employees. A breakdown of our employees by function is shown below:

Employee function	Number of employees
Production	9,266
Sales	1,344
Technology	958
Financial	619
Administration	2,255
Others	1,758
Total	16,200

We recruit employees from various sources, including university graduates, internal position reallocations and promotions, and public and internet advertisement. Before the employees assume their positions, we generally provide training courses for them to develop relevant skills required for their positions and to be introduced to our company culture and internal rules and regulations. We also provide courses for our employees with respect to production, technology and safety to update their working knowledge and skills. Under PRC law, we make contributions to pension funds, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing funds for our employees.

The salaries of our employees are dependent on their work performance, and their total compensation includes basic salary, provident fund contributions, insurance, medical care and housing. During the Track Record Period and up to the Latest Practicable Date, there was no material insufficient contribution to social security insurance and housing provident fund. As advised by our PRC legal advisors, during the Track Record Period, we had complied with relevant laws and regulations on social security insurance and housing provident fund in all material aspects.

We also recruit independent contractors in China through recruitment agencies. There is no employment contractual relationship between the independent contractors and us, and the independent contractors enter into labor contracts with the relevant third-party human resources agencies. The third-party human resources agencies are responsible for making social security contributions for these independent contractors. We, in return, reimburse these third-party human resources agencies for such expenditures for the contractors and make salary payments to the contractors with the authorization of the third-party human resources agencies.

We have established a labor union in accordance with relevant regulations in the PRC. Our union actively provides benefits to employees, strives to protect our employees' legal rights and provides relief to employees in need; it also organizes cultural and sports activities for our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material labor dispute with, or suffer any strike by, our employees.

PROPERTIES

As of the Latest Practicable Date, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this listing document any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this listing document is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

China Owned Properties

As of the Latest Practicable Date, we owned 560 parcels of land, with an aggregate area of approximately 23,884,797.72 sq.m., and 670 buildings or units, with an aggregate gross floor area of approximately 742,195.9 sq.m. in the PRC. As of the Latest Practicable Date, among these properties, we had (i) three parcels of land with an aggregate area of approximately 70,000 sq.m. and one building with a gross floor area of approximately 5,000 sq.m. mortgaged for our own debts, (ii) one parcel of land with an area of approximately 7,000 sq.m. and one building with a gross floor area of approximately 7,000 sq.m. as guarantees for property preservation in an ongoing litigation we initiated, and (iii) two parcels of land with an aggregate area of approximately 373,000 sq.m. under temporary seizure by a court in relation to a litigation against us, which was under the procedures of release as the judgment was fully enforced. Our PRC legal advisors have confirmed that we were entitled to use such parcels of land, and entitled to occupy and use such buildings.

As of the Latest Practicable Date, we had obtained land use right certificates and building ownership certificates, but had not completed the procedures for holder amendment of 13 parcels of land with an aggregate area of approximately 366,615.5 sq.m., representing approximately 1.5% of the total area of our owned lands, and 168 buildings with a gross floor area of approximately 77,351.1 sq.m., representing approximately 10.4% of the total gross floor area our owned buildings. We mainly use these properties for production, office, storage and employees' residences, but not for crucial business purposes. We were proceeding with the completion inspection and acceptance procedures for these properties, and there is no potential safety hazards and no safety accidents occurred in relation with these properties. As these properties with defective titles are mainly legacy issues, we are unable to ascertain when the procedures for transfer can be completed. Our PRC legal advisors have advised us that the amendment registration of certificates' holders right has the effect of public announcement, and failure to amend the holder of land use right certificates and building ownership certificates will not affect the validity of the contracts relating to transfer of housing and land ownership, provided that such registration is not challenged by any third party with good faith. As of the Latest Practicable Date, no third party has any claim on such properties. As advised by our PRC legal advisors, we will not be punished by the competent government authorities in this regard. We believe, because of the limited size of these properties, that failure to complete the procedures for the transfer will not materially and adversely affect our business and results of operations. Our PRC legal advisors have confirmed that we were entitled to use such parcels of land, and entitled to occupy and use such buildings as well as dispose of such buildings subject to certain procedural requirements.

As of the Latest Practicable Date, we had not obtained the building ownership certificates for 20 properties with an aggregate area of approximately 91,810.1 sq.m., representing approximately 12.4% of the total area of our owned buildings. We used these properties mainly for production, office, storage and employees' residences, but not for crucial business purposes. We were under the process of applying for the building ownership certificates and do not foresee any difficulty in obtaining such building ownership certificates. As advised by our PRC legal advisors, we may be required to relocate as a result of the defects of building ownership certificates. If any relocation is required, we believe that we will find alternative legal premises in the relevant regions at minimal cost.

As advised by our PRC legal advisors, we may be subject to the following fines and/or penalties in connection with such 20 properties with defective titles:

- for construction work that is carried out without a construction planning permit, pursuant to the Urban and Rural Planning Law of the People's Republic of China* (《中華人民共和國城鄉規劃法》) the license issuing authority with jurisdiction shall order the construction to be ceased, and (i) we may be subject to a fine ranging from 5% to 10% of the construction cost and ordered to rectify the impact on the planning caused by such construction, if such impact can be rectified; or (ii) we may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction, if such impact cannot be rectified and the building cannot be demolished;

- for construction work that is carried out without a construction work commencement permit, pursuant to the Administrative Measures for Construction Permits of Construction Projects (《建築工程施工許可管理辦法》), we may be subject to imposition of rectification orders, and imposition of fines not less than 1% but not more than 2% of the construction contract value;

- for construction works that have been put into use prior to passing the construction project completion acceptance check, according to the Regulations on Quality Administration of Construction Engineering (《建設工程質量管理條例》), we may be ordered to rectify the non-compliance and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed.

Based on the above, we estimate that the potential maximum penalty with respect to such defects in titles is approximately RMB2.7 million. We believe that the likelihood of us being penalized due to such defects is low. Our PRC legal advisors are of the view that given the potential maximum penalty is relatively low, it would not lead to any material adverse impact on our operations.

Our PRC legal advisors have confirmed that we were entitled to use such parcels of land, and entitled to occupy and use such buildings. We were proceeding with the completion inspection and acceptance procedures for these properties, and there is no potential safety hazards and no safety accidents occurred in relation with these properties.

Leased Properties

As of the Latest Practicable Date, we leased 17 properties with an aggregate area of approximately 209,967.7 sq.m. in the PRC, mainly used for production plants and storage yards.

Pursuant to the applicable PRC laws and regulations, building lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained any lease registration for the 17 properties we leased in China including five buildings, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC legal advisors have advised us that the lack of registration of the building lease agreements will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each leased building. The estimated total maximum penalty is RMB50,000.

As of the Latest Practicable Date, lessors of 10 of our leased properties with an aggregate area of 113,649.4 sq.m., representing approximately 54.1% of the total area of our leased properties, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. We used these properties mainly as storage yards. We face the risk that we may not be able to continue to use such properties. If the lessor is not entitled to lease those properties and is challenged by the holder of such land use right certificates or building ownership certificates, we may have to bear additional costs which mainly include relocation fees and the rents of such leased properties. We have not identified any specific alternative properties for relocation. If any relocation is required, we believe that we will be able to relocate our storage yards quickly without incurring material relocation costs. See "Risk Factors — Risks Relating to Our Business and Industry — We have not obtained title certificates to some of the properties we own and some of our lessors lack, or have not presented to us, appropriate title certificates for the properties we lease from them, which may materially and adversely affect our right to use such properties."

Tajikistan

As of the Latest Practicable Date, we owned seven parcels of land, with an aggregate area of approximately 1,370,600 sq.m. for production and mining, and five buildings, with an aggregate gross floor area of approximately 20,752.26 sq.m. for residence in Tajikistan. We also leased two buildings, with an aggregate gross floor area of approximately 1,353.7 sq.m. for residence and our representation office in Tajikistan.

Uzbekistan

As of the Latest Practicable Date, we owned four parcels of land, with an aggregate area of approximately 6,066,300 sq.m. for production, offices, residence and mining, and 44 buildings, with an aggregate gross floor area of approximately 77,246.65 sq.m. for offices and residence in Uzbekistan. We also leased three buildings, with an aggregate gross floor area of approximately 774.72 sq.m. for offices and residence in Uzbekistan.

Kyrgyzstan

As of the Latest Practicable Date, we owned seven parcels of land, with an aggregate area of approximately 121,051 sq.m. for production, and one building, with a gross floor area of approximately 1,900 sq.m. for residence of our employees in Kyrgyzstan. We also leased one building, with a gross floor area of approximately 88 sq.m. for a mine transformer substation in Kyrgyzstan.

Cambodia

As of the Latest Practicable Date, we had perpetual leasehold rights in 55 parcels of land, with an aggregate area of approximately 546,706.22 sq.m. for production bases and mining areas, and nine buildings, with an aggregate gross floor area of approximately 14,903.29 sq.m. for offices and warehouses in Cambodia. We also leased one building, with a gross floor area of approximately 1,198 sq.m. for our representation office in Cambodia.

Tanzania

As of the Latest Practicable Date, we leased two buildings, with an aggregate gross floor area of approximately 600 sq.m. for residence and our representation office in Tanzania.

Nepal

As of the Latest Practicable Date, we owned land with area of approximately 114,033 sq.m. for production plant, and six buildings, with an aggregate gross floor area of approximately 11,154 sq.m. for residence and offices in Nepal. We also leased one building, with a gross floor area of approximately 1,526 sq.m. for our representation office in Nepal.

ENVIRONMENTAL COMPLIANCE AND POLLUTION CONTROLS

Overview

The cement industry is categorized by the PRC Government as a polluting industry according to the Fixed Pollution Source Emission Permits Classified Management Directory (2019 edition) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by Ministry of Ecology and Environment. The pollutants generated by our production mainly consist of gaseous wastes such as particulate matters, carbon dioxide, sulfur dioxide and nitrogen oxide, noise, wastewater and other industrial wastes. Accordingly, we are subject to a variety of governmental laws and regulations related to environmental protection.

According to the Environmental Protection Law (《中華人民共和國環境保護法》) and other relevant laws and regulations, companies that discharge contaminants must report and register with relevant environmental protection authorities. Government authorities can impose different penalties on individuals or entities in violation of the Environmental Protection Law (《中華人民共和國環境保護法》), depending on the individual circumstances of each case and the extent of contamination. Such penalties include warnings, fines, impositions of deadlines for remedying the contamination, orders to stop production or use, orders to re-install contamination prevention and treatment facilities which have been removed without permission or left unused, administration actions against relevant responsible persons or orders to close down those entities. In addition to fines, production facilities may be ordered to suspend production for rectification and additional cost may be incurred. Any downtime of the production facilities would also affect our business operation and financial performance. For further information regarding environmental laws and regulations, see "Regulatory Overview — Laws and Regulations in Relation to Environment Protection."

Through implementation of environmental audit, environmental special supervision and dynamic monitoring of environmental protection policies, we adhere to green development and environmental protection strategic transformation to promote the sustainable and high-quality development of our Group. We have established our environmental protection management policies based on national and local environmental protection laws and regulations and our internal requirement, made specific management policies for pollutants including polluted water, polluted air, noise and industrial wastes. We have also promoted various measures including environmental audits and establishment of "beautiful plants" in order to improve environment conditions near our plants. In 2020, our plants in Yangxin, Zhuzhou, Jianchuan, Fumin, and Xigaze and other five plants were selected in the national green factory list.

During the outbreak of COVID-19 in 2020, we urgently reinforced the epidemic prevention and control work in Wuhan and other places, and disposed of nearly 200 tons of medical waste from many places such as Huanggang and Wuhan, and helped Wuhan transport and dispose over 6,000 barrels of medical waste, which was highly recognized by relevant government authorities and entities.

Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon listing. We have established an ESG policies (the "**ESG Policy**") in accordance with the standards of Appendix 27 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators, the relevant measurements and mitigating measures.

Our ESG Policy also sets out the respective responsibility and authority of different parties in the above processes. Our Board has the overall responsibility for overseeing and determining our Group's environmental-related, climate-related and social-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy, strategies and targets of our Group, and reviewing our Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

We undertake to establish an ESG committee one year within the Listing Date to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and prepare the ESG report. The ESG committee will support our Board in implementing the agreed ESG Policy, targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how we adapt our business in light of climate change, collecting ESG data from the relevant interested parties while preparing for the ESG report, and continuously monitoring the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG committee would in general be responsible for the investigation of deviation from targets and liaise with the production department and environmental safety department to take prompt rectification actions. The ESG committee would report to our Board on a semi-annual basis via board meeting on the ESG performance of our Group, the effectiveness of these ESG systems and any applicable recommendations. We expect to have a diverse ESG committee composition, incorporating members with experience and knowledge in environmental protection and compliance, as well as those experienced in occupational safety management, taking into account our needs for emissions control and improving occupational safety of production workforce. We also undertake to establish an independent ESG consultant one year within the Listing Date to further assist our responsibilities relating to ESG matters, and will disclose the identity of the ESG consultant upon appointment. We are looking to engage an ESG consultant with profound experience of providing ESG consulting services and a focus on building materials and construction industries, emissions management as well as health and safety.

Our Green Production Technologies

During the Track Record Period and up to the Latest Practicable Date, we have endeavored to produce our products in an environmentally friendly manner. During the production process, we aim to reduce the use of energy and resources as well as pollution emissions. To make our products and production process environmentally friendly, we take advantage of our research and development capabilities and have developed a series of green production technologies, such as the "Cement Kiln Pure Low-Temperature Residual Heat Power Generation Technology" ("水泥窯純低溫餘熱發電技術"), the "Huaxin Technology and Application of Effective and Ecological Co-processing of Solid Wastes in Cement Kiln ("華新水泥窯高效生態化協同處置固體廢棄物成套技術與應用"), and the "Nitrogen Oxide Emissions Reduction by Combination of 'Low-NOx Combustion + Staged Combustion + Selective Non-catalytic Reduction (SNCR) + Cement Kiln Biomass Co-processing' Technology" ("低氮燃燒+分級燃燒+SNCR+水泥窯協同處置生物質降氮技術"). Through continuous optimization and improvement, the emission level of nitrogen oxides per ton of clinker in 2020 was approximately 23.6% lower than that in 2015, which truly realized the operation of denigration with low consumption and low environmental load.

On October 18, 2021, the NDRC and other departments jointly issued Several Opinions of the National Development and Reform Commission and other departments on Promoting Energy Conservation and Carbon Reduction in Key Fields by Strictly Restricting Energy Efficiency (《國家發展改革委等部門關於嚴格能效約束推動重點領域節能降碳的若干意見》) and Action Plan on Promoting Energy Conservation and Carbon Reduction by Strictly Restricting Energy Efficiency in Key Industries of Metallurgy and building Materials (2021–2025) (《冶金、建材重點行業嚴格能效約束推動節能降碳行動方案（2021–2025年）》) (the "**Action Plan**"). The Action Plan sets out a mandatory minimum energy efficiency standard for clinker production of 117 kgce/t, and a voluntary, advanced standard of 100 kgce/t. By 2025, production facilities representing more than 30 percent of production capacity in cement and clinker industries are expected to meet the advanced standard through the adoption of energy-saving and carbon emission reduction measures. In light of the new environmental protection regulations, we target to improve the energy consumption efficiency and reduce the fuel consumption for clinker production to 117 kgce/t by the end of 2022. Moreover, we plan to improve the energy efficiency of our kiln lines with a production capacity of 2,500 tons or less to 100 kgce/t. We will implement measures including, but not limited to, (i) using alternative raw materials and fuels, (ii) upgrading the preheaters and adopting oxygen enriched combustion technology to improve the fuel efficiency; (iii) developing technologies related to green energy utilization, including wind power, photovoltaics and energy storage, (iv) improving the efficiency of waste heat regeneration, (v) developing steam turbines driven by residual heat to replace electric motors; and (vi) refining our daily management of energy consumption. In the fourth quarter of 2021, we had piloted approximately 54,583 tons of non-RDF alternative materials at 24 plants in eastern, central and western China.

In addition, we have adopted a series of technologies to comprehensively control pollution. For example, we have installed electrostatic precipitators and/or bag filters at vents for the collection and removal of dust. To control noise pollution, we tend to use low-noise and low-vibration production equipment, and have also installed mufflers, acoustic claddings and soundproof doors to control the level of noise generated from our production activities. To reduce wastewater emission, we treat industrial wastewater through our circulating water treatment systems and we seek to achieve comprehensive utilization of non-recyclable water through a series of chemical and physical processing measures such as oil removal, precipitation and flocculation. In addition, we utilize industrial by-products such as fly ash, phosphate slag, sulfuric acid slag, steel slag and other industrial wastes in our cement production. We have applied the advanced NSP technology to all of our clinker and cement production lines. Save for one production facility acquired recently in Zambia, for which we expect to adopt NSP technology in the near future, all of our production plants have adopted technologies to control pollution including electrostatic precipitators, low vibration production equipment, circulating water treatment systems, and advanced NSP technologies. In addition, approximately 90% of our cement and clinker production plants have been equipped with the Cement Kiln Pure Low-Temperature Residual Heat Power Generation Technology system; over one third of them have been equipped with the Cement Kiln Solid Wastes Co-processing platforms.

Use of Energy and Water

Our resource consumption principally comprises energy consumption and coal consumption to support our business operations, including production facilities and office facilities. For the year ended December 31, 2020, we consumed approximately 6,448,271,976.3 kWh of electricity with an intensity of approximately 258,500.9 kWh per RMB million operating income from our cement and clinker business, and approximately 7,869,010.3 tons of coal, with an intensity of approximately 315.5 tons per RMB million total operating income. We will make continuous efforts in reducing the level of our average annual energy consumption and water consumption in the future.

Climate-related Risks and Opportunities

Potential physical risks can arise from extreme weather events such as flooding and typhoons. Our assets may be subject to the risk of flooding that could result in direct damage to our assets.

Potential transition risk may result from the transitioning to a lower-carbon economy which entails change in consumers' preference. In view of such increasing awareness, the introduction of environmentally friendly products, services and measures may generate business opportunities.

Our Board and the environmental and safety department will evaluate the likelihood of occurrence and the estimated magnitude of resulting impacts over short-, medium- and long-term horizons. The decision of mitigate, transfer, accept or control a risk is influenced by various factors such as the production facilities' geographical location, transportation network and policy change.

Set forth below is a summary of the climate-related risks we identified over the short, medium and long term.

	Risks	Potential Impacts
Short term (current financial reporting period)	• Extreme weather conditions such as extreme cold or heat, storm, flooding, and so forth	• Decreased production volume, reduced revenues and disruptions to supply chain
	• Environmental regulatory compliance risks	• Increased operating costs of environmental regulatory compliance
Medium term (one to three years)	• Heightened pollutant discharge policies	• Higher operating costs due to increased costs for pollutant discharge, fines and penalties as a result of non-compliance and higher operating costs incurred in connection with investment in new equipment
Long term (four to ten years)	• Risks relating to shortage of natural resources	• Higher operating costs or tax burdens due to increased costs of raw materials

We have established and put in place various measures to mitigate and manage the risks and opportunities from environmental, social and climate-related issues. We have formulated an annual environmental protection rectification roadmap, promoted optimization of fugitive emission control, and made rectification plans for ultra-low emissions of pollutants. We are devoted to continuously improving ourselves to meet the evolving environmental laws and regulations. We have established our carbon asset management measures, conducted carbon emission audits, reviewed the carbon emission data of our various cement plants. In 2019, we actively participated in the pilot work of carbon exchange in Hubei, Chongqing and Guangdong, completed implementation of carbon quota within the time limit specified by each pilot, and fulfilled the corporate social responsibility for climate change.

We believe that our good records in the areas of environment, society, and climate are helpful for us to take a leading position in the industry in the future.

Pollutant Emission Control

We endeavor to minimize any adverse impact on the environment resulting from our business activities. The major emissions produced in our business activities include greenhouse gas ("**GHG**"), mainly during the process of producing clinker and cement. With reference to the GHG Protocol, which contains the world's most widely used greenhouse gas accounting standards, we have categorized our GHG emissions into three scope levels. Our scope 1 direct GHG emissions include the decomposition of carbonate in raw materials, fossil fuel consumption from cement production, and on-site power generation. Our scope 2 indirect GHG emissions resulting from electricity, heat and steam to support our business operations and activities. Our scope 3 indirect GHG emissions include other emissions resulting mainly from refining and producing manufacturing materials and fuel, vehicle transportation and employees commuting. For the year ended December 31, 2020, our GHG emission from clinker production was approximately 853.63 $kgCO_2$/t.cl, which comprised approximately 826.52 $kgCO_2$/t.cl of scope 1 direct GHG emissions and approximately 27.11 $kgCO_2$/t.cl of scope 2 indirect GHG emissions. For the year ended December 31, 2020, our GHG emission from cement production was approximately 695 $kgCO_2$ per cement unit, which comprised approximately 652 $kgCO_2$ per cement unit of scope 1 direct GHG emissions and approximately 43 $kgCO_2$ per cement unit of scope 2 indirect GHG emissions. For the year ended December 31, 2020, our GHG emission from concrete production was approximately 196 $kgCO_2$ per concrete unit (all scope 1). We will make continuous efforts to work towards the target of reducing the level of our GHG emissions in the future.

We have established certain measures to reduce our GHG emissions with a goal that by 2030, our CO_2 emission per unit product value will reduce more than 70% comparing with that in 2005, and consumption of alternative fuel energy will take more than 25% of primary energy consumption. Specifically, by 2030, we aim to reduce our GHG emission from cement production to 475 $kgCO_2$ per cement unit (scope 1), and reduce our GHG emission from concrete production to 124 $kgCO_2$ per concrete unit (scope 1).

We are committed to taking measures to reduce our GHG emissions and mitigate their impacts as well as to reach our goal of GHG emission reduction by 2030. Our specific measures include: (i) further enhance our "Huaxin Technology and Application of Effective and Ecological Co-processing of Solid Wastes in Cement Kiln" and use the cement kiln to carry out co-processing of the production waste and realize the high efficient use of energy; (ii) actively search for alternative raw materials and energy supplies to replace the consumption of natural resources; (iii) extensively apply our "Cement Kiln Pure Low-Temperature Residual Heat Power Generation Technology" and ultra-fine grinding technology to enhance the utilization rate of clinker and reduce clinker consumption; (iv) develop new technology of hydrothermal diagenetic reaction of waste heat steam to produce high-performance products by mine waste slag; (v) produce low-carbon concrete by application of "separately grinding" technology to reduce clinker consumption; (vi) apply carbon capture, utilisation and storage ("**CCUS**") technologies as a bottom line for testing the carbon reduction effect of cement; and (vii) optimize our transportation networks and improve logistics conditions by using low-carbon transportation mode and procurement methods.

Furthermore, we have adopted and will continue to adopt new technologies, system optimization and other measures to reduce consumption of ammonia water used per ton of clinker and enable continuous and stable emission of NOx, to keep emission of SO2 below the level of 50mg/Nm^3, and to reduce fugitive emission of particulate matter at the boundary of our plants.

Internal Measures on Environmental Compliance

Our sustainable development department oversees matters in relation to environmental protection management. To improve our environmental performance, our CIP process and production department and the design and engineering team of the environmental protection business department provide professional technical support on control of gaseous waste, particulate matters and noise pollution, and control of wastewater and solid wastes, respectively.

We have formed a comprehensive three-tier environmental protection management network of "Headquarters–Business Division–Production Plant". Within such management network, the headquarters is responsible for supervision, internal environmental protection compliance audits, technical support and early warning of non-compliance issues, while the business divisions regularly inspect and supervise the production plants with respect to their improvement in environmental protection measures. Under the leadership of the headquarters and the business divisions, production plants have established their respective environmental protection departments and engaged full-time environmental protection administrators to manage environmental protection-related matters, carry out self-examination of environmental protection facilities, pollution control measures and monitor continuing compliance with various rules and regulations. The production department, the maintenance and repair service department and other departments provide comprehensive and full support to our environmental protection management works.

Based on our self-review and to the best of our knowledge, during the Track Record Period, we have strictly followed the pollutant emission standards imposed by national and local environmental protection laws and regulations. In addition, we have followed certain best practice recommended by GHG protocol in setting organizational boundaries, setting operational boundaries, identifying and calculating GHG emissions, and setting GHG targets where possible, and have applied those principles as part of the basis for our White Paper on Low-carbon Development. Although we have not fully adopted the GHG Protocols, we have been in strict compliance with the Greenhouse Gas Emission Accounting Methodology and Reporting Guidelines for Cement Producers in China (for Trial Implementation) (《中國水泥生產企業溫室氣體排放核算方法與報告指南(試行)》) issued by the NDRC in reporting our greenhouse gas emission. In addition, the provincial ecological and environmental authorities constantly review and verify our emission levels. To the best of our knowledge, we have not been informed of any deviation from our targets and therefore no relevant investigation has been conducted.

As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or penalties arising from violation of environmental protection laws and had not been ordered to suspend our production for rectification. Nevertheless, we will continue to monitor our production and operation from an environmental protection perspective in order to ensure compliance with the relevant environmental protection laws and regulations.

Environmental Protection Costs

Our environmental protection costs were approximately RMB270.6 million, RMB314.1 million, RMB446.3 million, RMB273.1 million and RMB273.7 million in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. We incurred these expenses primarily through purchasing and installing environmental protection equipment and facilities, monitoring our environmental impact and clearing garbage. As PRC regulations relating to environmental protection continue to evolve, we may be required to incur significant expenses to upgrade our production facilities in order to comply with environmental regulations that may be adopted or imposed in the future.

REGULATORY AND LEGAL PROCEEDINGS

Non-compliance Incidents in the PRC

As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, we had complied with laws and regulations in the PRC that are relevant to our PRC business in all material respects.

However, we and our subsidiaries have, from time to time, been involved in incidents of regulatory non-compliance. We set out below the details of certain regulatory non-compliance incidents during the Track Record Period and up to the Latest Practicable Date which we believe were immaterial but would like to voluntarily disclose.

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Current Status
(1) Production with expired permit		
On May 22, 2021, the Work Safety Permit of Huaxin Cement (Diqing) Co., Ltd. Huaxin Cement (Diqing) Shang Jiang Mu Gao Quarry (華新水泥(迪慶)有限公司華新水泥(迪慶)上江木高石廠) (the "**Quarry**") (the "**Permit**") expired. We made an application for a new Permit upon its expiry while continuing our production on the Quarry before we could obtain an approval for the application. This incident was mainly due to the fact that additional application procedures are required for the Permit as we are under the process of expanding the scale of the Quarry including rectifying certain design of our expansion plan of the Quarry at the request of the competent authority raised during our application.	According to relevant PRC laws and implementation measures, penalties for production without the Work Safety Permits include (i) suspension of production, (ii) forfeiture of illegal operations incomes, (iii) a fine ranging from RMB100,000 to RMB500,000 and (iv) criminal liabilities if any major safety incidents or other significant consequences occurred. As advised by our PRC legal advisors, the estimated maximum penalties are RMB10,818,418. Given that no major safety incidents or other significant consequences occurred in the Quarry, there is no criminal liabilities. As of the Latest Practicable Date, we had not received any regulatory notice requiring suspension of production on the Quarry. We conducted a self-inspection regarding safety conditions of the Quarry in December 2021, and were not aware of any material safety issue. According to a confirmation letter issued by the Emergency Management Bureau of Shangri-La, the competent authority supervising safety production on the Quarry and reviewing our application for the Permit, on July 22,2021, no serious injuries occurred during our production on the Quarry from January 1, 2018 to July 22, 2021. According to a video interview with the deputy director of Emergency Management Bureau of Shangri-La, the deputy director confirmed that we had not committed serious violations of laws and regulations related to safe production and had not received any punishment from the Emergency Management Bureau of Shangri-La since January 1, 2018.	For the year ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021, our operating income generated from the Quarry was approximately RMB338.1 million, RMB464.7 million, RMB415.8 million and RMB284.7 million, respectively, accounting for approximately 1.2%, 1.5%, 1.4% and 1.3% of our total operating income for the same periods, respectively. For the same periods, our net profit of the Quarry was approximately RMB59.0 million, RMB124.9 million, RMB98.7 million, and RMB43.3 million, respectively, accounting for approximately 1.0%, 1.8%, 1.6% and 1.1% of our total net profit for the same periods, respectively. As of the Latest Practicable Date, we were still in the process of applying for a new Permit.

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Current Status
	On September 27, 2021, as confirmed through an interview with the Emergency Management Bureau of Shangri-La, we are allowed to continue to mine the Quarry during the period of time when we are still under the process of applying for a new Permit. We are not allowed to mine the Quarry under the expanded scale prior to obtaining the new Permit. The original construction period for our expansion is from July 14, 2021 to January 13, 2022, and we had been granted an extension to June 2022. As confirmed by the Emergency Management Bureau of Shangri-La, it is expected that we will obtain the new Permit in a week after we undertake rectifying measures as requested, including acquiring certain formalities with regards to a parcel of woodland, as well as revising design and construction. As advised by our PRC legal advisors, if we complete all rectification required by the government authorities, there is no legal impediment for us to obtain the new Permit. Besides the woodland formalities, for which we are currently undergoing the administrative procedures, there is no legal impediment for us to complete all rectifications required by the government authorities. We expect to complete the woodland formalities in April, 2022. As advised by our PRC legal advisors, this incident does not have any material adverse impact on our operations as a going concern. Our PRC legal advisors have also advised us that the likelihood of the Quarry being subject to the legal penalties for production without the Work Safety Permits is low.	

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Current Status
(2) Production without obtaining the requisite qualification certificate		
Our subsidiary, Huaxin Concrete (Yangxin) New Materials Co., Ltd. (“**Yangxin Company**”) was established in September 2018 and commenced concrete production business since then without obtaining the requisite qualification certificate for concrete production. This incident was mainly due to our misunderstanding of relevant laws and regulations. Yangxin Company received a letter of communication between the Department of Housing and Urban-Rural Development of Hubei and the Ministry of Housing and Urban-Rural Development of the PRC in October 2015 regarding certain legal compliance issues of cement business. The letter confirmed that a branch is not required to obtain relevant qualification certification for concrete production as it is not a legal entity. While the relevant personnel at Yangxin Company did not notice the difference between a branch and a subsidiary, and in turn misunderstood relevant regulation compliance requirements. We have now been advised by our PRC legal advisors on the correct interpretation and application of the relevant laws and regulations.	According to relevant PRC laws and regulations, penalties for commencement of construction activities without the requisite qualification certificate include: (i) closing down, (ii) forfeiture of illegal operations incomes, and (iii) a fine amounts to 2% to 4% of the production contract price. As advised by our PRC legal advisors, our illegal operations incomes since the establishment of Yangxin Company and up to the Latest Practicable Date were approximately RMB39,305,353 (operating incomes less operating costs for raw materials), and the estimated maximum fine is RMB4,930,138.12. As advised by our PRC legal advisors, this incident does not have any material adverse impact on our operations as a going concern. Given that Yangxin Company had minimum contribution to our operating incomes during the Track Record Period and is not material to our business , we believe that this incident has not caused or will not cause any material and adverse financial or operational impact on us.	For the year ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021, our operating income generated from Yangxin Company was approximately RMB6.2 million, RMB57.1 million, RMB43.0 million and RMB31.3 million, respectively, accounting for approximately 0.02%, 0.2%, 0.2% and 0.1% of our total operating income for the same periods, respectively. For the same periods, our net profit of Yangxin Company was approximately RMB0.7 million, RMB7.1 million, RMB5.5 million, and RMB3.2 million, respectively, accounting for approximately 0.01%, 0.1%, 0.1% and 0.1% of our total net profit for the same periods, respectively.

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Current Status
		On September 27, 2021, we entered into a lease agreement with a concrete manufacturer holding the requisite qualification certificate for concrete production and leased out the concrete batching plant owned by Yangxin Company. Yangxin Company has suspended its production of concrete on its own and will not resume concrete production business until it obtains the requisite qualification certificate.

Overseas Regulatory Compliance

After consultation with our legal advisors in the relevant jurisdictions, we confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant laws and regulations in all material respects in those foreign jurisdictions in which we have significant presence, namely Tajikistan, Tanzania, Cambodia, Kyrgyzstan, Uzbekistan and Nepal.

Incident Relating to a Former Senior Management Member

On September 10, 2021, our Company received an investigation notice and a detainment notice dated September 9, 2021 issued by the Supervision and Inspection Commission of Xisaishan District of Huangshi City of Hubei Province (黄石市西塞山區監察委員會, the "**Huangshi S&I Commission**"), according to which Huangshi S&I Commission initiated an investigation against Mr. Chen Bing (陳兵) ("**Mr. Chen**") for his suspected duty misconduct and therefore, detained Mr. Chen on September 9, 2021 (the "**Incident**"). As of the Latest Practicable Date, we had neither received any further notice from Huangshi S&I Commission nor were we aware of the basis or details of the investigation. Considering that Mr. Chen's only prior formal employment has been with the Group, our Company understands that his alleged duty misconduct is suspected to be in relation to his former position with our Group during the course of his employment, even though our Company was unable to verify such understanding due to the confidential nature of the investigation concerning the Incident. Mr. Chen resigned from his position as a vice president of our Company on September 10, 2021. During the Track

Record Period until his resignation, Mr. Chen was one of our 11 vice presidents, and he was mainly responsible for the general management of our Group's regional business operations under the guidance of management from the headquarters, which included overall business strategy formulation, budget planning and fund allocation, establishment of internal business communication channels and leading the daily business operations[1]. During the period from approximately January 2016 to January 2021, Mr. Chen was the general manager of the Hubei East Division of our Group, overseeing the Group's subsidiaries in the Hubei province, including those located in the following cities: Huangshi, Huanggang, Xianning and Xiantao. Between the period from approximately February 2021 to September 2021, Mr. Chen served as the general manager of our Group's western region, overseeing our Group's subsidiaries in the Guizhou, Yunnan and Tibet provinces and regions in the PRC.

Based on the information currently available to our Company and having considered, among other things, the following matters, our Directors (i) understand that the Incident only concerned Mr. Chen's individual act, and neither our Company nor any of our Directors, Supervisors or other senior management was part of such possible act and (ii) are of the view that the Incident will not have any material adverse effect on our business, financial conditions and results of operations:

(i) on September 22, 2021, Huangshi S&I Commission issued a confirmation stating that (a) the investigation into the Incident has only been directed at Mr. Chen, and none of the Company, its current Directors, Supervisors or senior management members are currently persons subject to its investigation, and (b) in the course of its investigation into the Incident, it will strictly comply with relevant laws and regulations and minimize any impact, further enhance the operating environment and ensure the normal production and operation of our Company, which, to the best of our knowledge and as understood by the PRC Legal Advisers, meant that Huangshi S&I Commission will, during the course of its investigation on Mr. Chen, keep any disturbances to the Group's business and operations to the minimal so as to ensure the normal operations of the Group;

(ii) as of the Latest Practicable Date and to the best knowledge of our Company, neither our Company nor any of our Directors, Supervisors or other senior management received any notification from judicial or enforcement authorities or was otherwise aware that it/he/she was being investigated or prosecuted by any judicial or enforcement authorities, or was imposed any penalty by any regulatory authorities in connection with the Incident;

(iii) our PRC legal advisors are of the view that as Mr. Chen has resigned from our Company since September 10, 2021 and does not currently hold any position in our Group, the Incident will not cause any material adverse effect on the business and operations of the Group;

1 During the Track Record Period, Mr. Chen was one of our senior management and directly reported to the chief executive officer of our Company who was in-charge of overall strategic and direction planning, business development and management of our Group. Mr. Chen's main duties were to execute the management decisions and business strategies formulated by the Board following the instruction of the chief executive officer of the Company. Mr. Chen has never been a member of our Board.

(iv) our Group has a systematic authorization system, which only grants our senior management appropriate authority with reasonable limitation under the general supervision of our Board, to minimize the impact of any individual duties violation on our Company's stable business operation and sustainable development; and

(v) our Company has designated Mr. Yuan Dezu, our current vice president, to take up the responsibility previously held by Mr. Chen.

After receiving the notification of the Incident, our Company issued two announcements on the Shanghai Stock Exchange on September 10, 2021 informing our shareholders and investors of our securities of, among others, the resignation of Mr. Chen from his positions within our Group and that we will monitor the development of the investigation of the Incident on a continuous basis, making disclosures in a timely manner and complying with applicable disclosure requirements. As confirmed by our Directors, as of the Latest Practicable Date, our Company is not in possession of any material information concerning the Incident that is required to be disclosed under the Shanghai Listing Rules.

Our Company has also conducted an internal investigation on the Incident with a focus on the following areas:

(i) sales discounts approved by Mr. Chen for certain sales transactions;

(ii) procurements approved by Mr. Chen for certain procurement transactions;

(iii) certain previous internal audit findings related to the departments in which Mr. Chen had worked as a senior manager;

(iv) possible related party transactions – identifying companies which are associated with close family relatives of Mr. Chen and checking against the customer and supplier lists of our Group, and the nature and amount of the transactions between such companies and our Group; and

(v) internal report records – reviewing the previous findings of certain previous complaints received for which the Commission for Discipline Inspection of Huangshi City (湖北省黃石市紀委) requested for assistance in conducting inquiry, and confirming that no irregularity was identified in reaching the previous findings that such complaints were unfounded.

Based on the internal review, our Company has not identified any breach of authority by Mr. Chen in his performance of management duties, any major deficiency in internal control system of our Group, nor any matter that may have a material adverse impact on the business operation or financial position of our Group, or otherwise affect the Company's suitability for Listing. Accordingly, based on the results of the Internal Review, the Company reasonably understands that:

(i) the Investigation relates to the personal conduct of Mr. Chen, and nothing surrounding the matters in which Mr. Chen was involved in the course of his performance of management duties has come to the awareness of our Company that points to the suspicion that any other individual(s) within the Group might have been involved in any misconduct or illegal conduct together with Mr. Chen;

(ii) nothing surrounding the matters in which Mr. Chen was involved in the course of his performance of management duties has come to the awareness of our Company that raises the suspicion that our Group has suffered any material loss or damage relating to such matters or that might have any material adverse impact on the business, operation results and financial position of our Group; and

(iii) nothing surrounding the matters in which Mr. Chen was involved in the course of his performance of management duties has come to the awareness of the Company that our Group has any material internal control deficiency or inadequacy.

Since being made aware of the Incident, our Company has reviewed and implemented measures to improve our anti-corruption mechanism, risk management and internal controls. In particular, (i) we have strengthened our education on professional ethics and regulatory compliance, and we require our senior management and employees to attend compulsory anti-corruption training sessions, such as seminars and educational movie screenings; (ii) we have strengthened our human resource management, including enhancing business training and the management of operational procedures, and strengthening the rotation of positions and inspections on employees' daily conduct; (iii) we have, before being made aware of the Incident, engaged an independent external internal control consultant to conduct a comprehensive review on our internal control mechanism upon agreed period, scope, work procedures and selected samples and adopted the recommendations as suggested by the internal control consultant, who has completed the review procedures on our internal control system and has not identified any material deficiencies in our anti-corruption and anti-bribery internal control system; and (iv) we have strengthened our internal rules and regulations in relation to anti-corruption mechanism, risk management and internal controls. We have been continuously reinforcing our regulatory compliance education and enhancing our risk management and internal control system in order to strictly control operational risks and moral hazards and to prevent the recurrence of similar incidents.

Based on the due diligence performed and taking into account (i) the written confirmation from Huangshi S&I Commission that the investigation has so far been only directed at Mr. Chen individually, and none of our Company, current Directors, Supervisors or senior management members are persons currently subject to its investigation, (ii) the internal review conducted by our Company which confirmed that there has been no material adverse impact on our Group's operation results and financial conditions due to the Incident, and nothing surrounding the matters in which Mr. Chen was involved in the course of his performance of management duties has come to the awareness of our Company that points to the suspicion that any other individual(s) within the Group might have been involved in any misconduct or illegal conduct together with Mr. Chen, (iii) the view of the PRC Legal Advisors that the Incident will not cause any material adverse effect on the business and operation of the Group, and (iv) the fact that our Company has designated Mr. Yuan Dezu, a vice president of our Company, to take up the responsibility of Mr. Chen who resigned from his positions with the Group on September 10, 2021, nothing has come to the Sole Sponsor's attention which would reasonably cause it to believe that the Incident has any material adverse impact on the business operation or financial position of our Group, or otherwise affect our Company's suitability for the Listing.

Legal Proceedings

During the Track Record Period, we were involved, from time to time, in legal proceedings arising in the ordinary course of our business, including contract disputes with our customers. As of the Latest Practicable Date, we had the following material disputes raised by our counterparties against us that were pending.

Dispute regarding an EPC Contract

On July 19, 2013, we entered into an EPC contract with Moncement Building Materials ("**Moncement**") for construction of its cement production lines (the "**EPC Contract**"). On September 20, 2017, both Moncement and our Group signed a "Provisional Acceptance Letter" which certifies that *"the Plant and/or the whole of the Works has been accepted"* and *"all equipment supplied and work done, under the contract, is as per the terms and conditions of the contract meeting the standards specified originally in the contract or variations agreed"*, and the project was completed upon examination and acceptance.

In January 2018, a consulting company hired by Moncement issued a technical opinion, alleging that we made mistakes in three aspects in this project, namely design, materials, and construction (the "**Alleged Mistakes**"). In particular, Moncement claimed that (i) the grade of steel we used for this project did not meet the environmental and climatic conditions, and the building codes applicable under the EPC Contract; (ii) we used a base wind velocity and wind load that were far lower than the required under the EPC Contract in our design of the preheater tower and limestone storage dome; (iii) several joints of the preheater tower failed to conform with the applicable building codes and other requirements of the EPC Contract. Moncement then issued a "Notice of Defects" to us. We actively responded to Moncement's Notice of Defects, provided Moncement with our explanation and relevant supporting materials regarding the Alleged Mistakes, and requested it to pay the final installment of the EPC Contract of USD3,855,612.65 (representing approximately 5% of the contract amount which was USD77,449,193). However, Moncement did not respond.

In July 2020, Moncement filed an application for arbitration with the International Chamber of Commerce ("**ICC**"), claiming that we breached our quality guarantee and repair obligations in the EPC Contract and its supplemental agreements between 2013 and 2017. Moncement requested us to fully indemnify its loss provisionally estimated at approximately USD35.7 million resulting from the breaches of its warranties and undertakings and all relevant arbitration fees, as well as interest on such amounts.

On October 21, 2020, we submitted our response and counter-request for payment of the final installment of the EPC Contract to ICC, arguing that (i) the technical opinion issued by the consulting company hired by Moncement lacks credibility, and was based on the Eurocodes and the Mongolian and Russian building codes which do not apply to the EPC Contract as it explicitly stipulated that the PRC standards and specifications listed in the EPC Contract shall apply; (ii) the grade of steel we used was in compliance with the PRC building codes required under the EPC Contract; (iii) the wind load data we used in our design was provided by Moncement which met the requirements as stipulated in the EPC Contract; and (iv) Moncement did not provide any evidence regarding the alleged defects of several joints of the preheater tower. On November 19, 2020, the arbitration panel of ICC confirmed that this dispute will be heard in the week of June 6, 2022. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our outstanding gross account receivables from Moncement was approximately RMB24.4 million, RMB24.8 million, RMB10.4 million and RMB10.3 million, respectively, and our outstanding net account receivables from Moncement was approximately RMB11.6 million, RMB12.0 million, RMB(0.7) million and RMB(0.8) million, respectively. The decreases in our outstanding gross and net account receivables were mainly attributable to the amounts of insurance claims we received from the insurance company in relation to the EPC Contract.

The following table sets forth the movement of the outstanding gross and net accounts receivable from Moncement as of the dates indicated during the Track Record Period:

	As of December 31,			As of September 30,
	2018	**2019**	**2020**	**2021**
				(Unaudited)
		(RMB in millions)		
Gross account receivables	**24.4**	**24.8**	**10.4**	**10.4**
Bad debts	12.8	12.8	11.2	11.2
Net account receivables	**11.6**	**12.0**	**(0.7)**	**(0.8)**
Movement		0.4	(12.7)	–
– Exchange gains or losses		*0.4*	*(0.7)*	–
– Amounts of insurance claims received		–	*(13.7)*	–
– Bad debt reversal		–	*1.7*	–

As of the Latest Practicable Date, we did not make any provision regarding this arbitration because it was not aligned with the situation that is likely to result in an outflow of economic benefits, and did not meet the criteria for recognition of provision under relevant accounting policies.

Dispute regarding a Household Waste Treatment Contract

In August 2012, we entered into a household waste treatment contract for a term of 30 years with the People's Government of Fengjie, Chongqing ("**Fengjie Government**") for household waste treatment in Fengjie (the "**Household Waste Treatment Contract**"). According to the Household Waste Treatment Contract, we agreed to build a household waste treatment plant to process household waste from Fengjie, and Fengjie Government agreed to pay us household waste treatment fees. In March 2014, our household waste treatment plant in Fengjie was put into operation. We produced refuse derived fuel (RDF) from processing the household waste in Fengjie and transported RDF to our plant in Zigui for sale.

In 2017, a permit is required to transport RDF from one city to other cities as stipulated in a notice issued by the Ministry of Housing and Urban-Rural Development of the PRC. However, despite our multiple attempts, the provincial environment protection authority of Hubei did not provide us with the approval for transporting RDF to Zigui and did not explain the underlying reasons, which could not be foreseen by both Fengjie Government and us at the time of entering into the Household Waste Treatment Contract. Therefore, our plant in Fengjie was unable to store anymore RDF, and we were unable to collect anymore household waste in Fengjie. From September 2018, Fengjie Government ceased paying us treatment fees for the household waste we had collected and treated as stipulated in the Household Waste Treatment Contract, and transferred more than 130,000 tons of RDF that had been pre-treated by us to other companies for further treatment.

In July 2020, we filed a claim with the Primary People's Court of Tieshan District of Huangshi, for payment of the household waste treatment fee of RMB12,273,372.75 owed to us by Fengjie Government under the Household Waste Treatment Contract during September 2018 and July 2020, interest on such amount and litigation expenses (the "**First Proceeding**").

In October 2020, Fengjie Government filed a claim with the Second Intermediate People's Court of Chongqing for compensation of a loss amounting to RMB59,455,841.66 resulting from our rejection of household waste treatment from September 2018 and litigation expenses (the "**Second Proceeding**"). Fengjie Government's claim was dismissed in February 2022.

On November 12, 2021, regarding the First Proceeding, the Primary People's Court of Tieshan District of Huangshi made a judgment in our favor and required Fengjie Government to pay us the household waste treatment fee of RMB12,184,659.75 and loss of interest of RMB283,042.83.

As of the Latest Practicable Date, we did not make any provision regarding the First Proceeding or the Second Proceeding because it was not aligned with the situation that is likely to result in an outflow of economic benefits, and did not meet the criteria for recognition of provision under relevant accounting policies. We have followed relevant accounting policies and our internal financial policies to recognize operating income and our creditor's rights, urged relevant parties to make payment in accordance with our Customer Credit Management Policy, traced contract performance and taken appropriate measures in time according to our Contract Management Policy. Our internal legal and compliance team also guided us to negotiate for the disputes or follow our internal policies regarding disputes.

Dispute regarding a Borrowing Agreement

We are required by relevant laws and regulations to build our cement grinding plants and concrete batching plants at least 300 meters from residential areas (the "**Health Protection Zone**"). In June 2007, we entered into a borrowing agreement with Wuhan Qingshan State-owned Capital Investment and Operation Holding Group Limited (武漢市青山國有資本投資運營控股集團有限公司) ("**Qingshan Holding**") under which Qingshan Holding paid RMB26 million on our behalf to arrange relocation of local residents living within the Health Protection Zone for our construction of cement grinding plants and concrete batching plants in Qingshan District, Wuhan (the "**Borrowing**") (the "**Borrowing Agreement**"). As stipulated in the Borrowing Agreement, given that we were expected to receive VAT refunds and incentive funds from local government once such plants were put into operation, we would use the VAT refunds to repay the Borrowing, supplemented by the incentive funds, for a term of three years. It is also stipulated in the Borrowing Agreement that we would repay RMB6 million by December 31, 2008, RMB10 million by December 31, 2009 and RMB10 million by December 31, 2010. We would also make up the difference if the VAT refunds and incentive funds we received were insufficient to repay the amounts due. The VAT refunds and incentive funds would be transferred to Qingshan Holding directly by relevant government authorities. If we delay our payments, we were required to pay Qingshan Holding liquidated damages at 2.1‱ of the amounts due.

However, Qingshan Holding failed to relocate the local residents living within the Health Protection Zone properly, and therefore, certain local residents living within the Health Protection Zone raised objections to relevant government authorities during the process of environment protection examination of our cement grinding plants and concrete batching plants. In February 2009, we gave a written notice to Qingshan Holding that we were not able to start production and operation as we did not pass environmental protection examination, which was because Qingshan Holding did not relocate local residents properly. In June 2021, Qingshan Holding filed an application for arbitration with Wuhan Arbitration Commission, requesting us to repay the principal of the Borrowing of RMB26 million, liquidated damages for overdue payment of RMB22,456,140 (calculated as of June 1, 2021), legal fees of RMB160,000, and also all other expenses relating to the arbitration.

On October 27, 2021, Wuhan Arbitration Commission decided to suspend the arbitration proceeding of this dispute as we initiated a legal proceeding with the Intermediate People's Court of Wuhan against Qingshan Holding, arguing that the Borrowing Agreement is an administrative contract, any dispute from which shall not be resolved through arbitration according to relevant laws and regulations, and therefore, the arbitration clause in the Borrowing Agreement is invalid. And according to relevant laws and regulations, whether the arbitration proceeding will be resumed depends on the judgment made by the Intermediate People's Court of Wuhan.

As of the Latest Practicable Date, this arbitration was suspended and the legal proceeding with the Intermediate People's Court of Wuhan was under the first trial.

As of the Latest Practicable Date, we did not make any provision regarding this arbitration because it was not aligned with the situation that is likely to result in an outflow of economic benefits, and did not meet the criteria for recognition of provision under relevant accounting policies. We have strictly implemented our internal Contract Management Policy, and our internal legal and compliance team have participated in due diligence, negotiation, plan selection, and contract drafting of investment, mergers and acquisitions, new construction projects, asset leasing and other business development projects, and reviewed, approved and signed contracts in accordance with such policy. All legal documents involving our major responsibilities and interests must be reviewed in accordance with our Legal Affair Management Policy before being issued. We have tracked contract performance in accordance with our Contract Management Policy and taken appropriate measures in a timely manner. Our internal legal and compliance team also guided us to negotiate for the disputes or follow our internal policies regarding disputes. In order to strengthen contract risk management and control, we have optimized and revised contract management methods. In 2011, we established an internal control department and clarified internal control responsibilities, regularly carried out annual contract inspections, and held contract management training to further prevent similar disputes from occurring.

Internal control review in respect of disputes

Our Directors are of the view that the internal control system of our Group related to disputes is adequate and effective. In the aftermath of the disputes regarding the EPC Contract, Household Waste Treatment Contract and the Borrowing Agreement, our internal control consultant followed-up with a review of our Group's internal control process related to these disputes, including, but not limited to, (i) measures on contract management (合同管理辦法); (ii) measures on the management of legal affairs (法律事務管理辦法); (iii) measures on the management of plaintiff cases (起訴案件管理辦法); and (iv) measures on the management of defendant cases (應訴案件管理辦法), and have put forward specific suggestions for improvements and further amendments on the internal control policies. We have accepted these suggestions and have strengthened the design of the internal control process. Our internal control consultant further reviewed the design effectiveness of the internal control process after our rectification, and no other material deficiencies were identified in the design of the internal control process. Based on the above, and taking into account (a) the fact that the aforementioned disputes did not have any material legal and financial impact on our Group, (b) precautionary measures implemented by the Group and (c) the results of the follow-up review conducted by the internal control consultant, nothing has come to the Sole Sponsor's attention which would reasonably cause it to believe that there are any material deficiencies to such internal control measures of our Group.

INFORMATION TECHNOLOGY

Our information technology systems are important to the operations of our business departments. Our information technology systems also support our key operation processes, including OA, project management, procurement, sales, after-sales customer service, marketing, tenders of invitation and bidding. We utilize our information technology systems to improve the efficiency and quality of our services and strengthen our risk management. In order to ensure security of network connection and access, we have set up a unified customer environment for end-customers and conducted network access and online behavior audits. As early as 2008, we successfully implemented a company-wide ERP management system and strengthened control in our enterprise resource management.

Moreover, we restructured our enterprise processes to further optimize our enterprise and supply chain resources, hence improving our management, technical innovation and market competitiveness. At the same time, our OA office automation system allowed central management of various corporate data and further digitalization to integrate business operations, thus significantly increasing our work efficiency. We also continuously leverage our IT system in many production-related aspects such as energy efficiency improvements, automatic control system optimization, as well as real time monitoring.

From time to time, we procure new or upgrade existing information systems based on our business needs. In September 2019, we further implemented our innovation-driven strategy of "digitalization of traditional industry" (「傳統工業+數字化」的創新戰略) via cooperation with Huawei Cloud. By migrating core systems such as ERP, Customer Relationship Management system, Supplier Relationship Management system, and our logistics and shipment system to Huawei Cloud, the synergies between our customers, as well as suppliers and us, and the synergies between our headquarters and various business divisions, have been greatly improved.

We have continuously made improvements in industrial intelligent applications. We have independently developed our automated advanced logistics and delivery system, intelligent driving system, and intelligent quality control management system, to further develop our information technology capabilities.

During the Track Record Period, we did not suffer any major information technology system failures or related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations rely. See "Risk Factors — Risks Relating to Our Business and Industry — We may experience failures in our information technology systems" for more information.

RISK MANAGEMENT AND INTERNAL CONTROL

We have a sound corporate governance structure, with an Audit Committee established by the Board to oversee our accounting policies, internal audits, external audits, financial condition, significant investments and trading activities, and to evaluate the effectiveness of our internal controls, and a Governance and Compliance Committee to assist the Board in adopting the most appropriate governance standards throughout the Group and to help the Board fulfill its oversight responsibilities with respect to our compliance operations and our occupational health and safety practices.

Our internal audit and control department, working under the guidance and supervision of the Audit Committee, has been carrying out systematic risk management and internal control throughout the Group since 2011 to fully assess the external and internal risks faced by our business development. The department formulated a series of key control activities in accordance with the basic norms and supporting guidelines for enterprise internal control issued by the Ministry of Finance in conjunction with other relevant departments of the State Council, as well as industry best practices, and assigned a specific responsible person for each key control activity, who is responsible for the effective implementation of the control activity in the Group.

We organize an annual business review to evaluate strategy, operations and external and other risks arising from changes in the internal and external environments. For those evaluated and identified as key risks, specific action plans are formulated, and responsible persons are designated. The action plans will be followed up by relevant functional departments at our headquarters with timely supervision.

Our internal audit and control department draws up annual work plans based on risks and submits them to the Audit Committee for approval, then carries out internal control effectiveness audits on each production and operation unit every three years, special process audits on high-risk areas such as procurement, sales, human resources, energy management and engineering projects every five years, and organizes annual internal control self-evaluations for each production and operation unit. The department also cooperates with external auditors to conduct audits our annual financial statements and internal control. With respect to various internal control deficiencies found in the aforementioned internal and external audits, the internal audit and control department conducts internal control publicity and training for relevant responsible persons, making suggestions for rectification and urging them to rectify the deficiencies on schedule. The department further promotes self-examination and self-correction by means of intranet notifications and special meetings.

Our legal and compliance department is responsible for building, developing and improving our compliance management system. The department conducts annual compliance training for target groups as planned, and identifies, assesses, monitors and reports compliance risks in a timely manner. The department works with the Governance and Compliance Committee to monitor and evaluate the effectiveness of our compliance function and structure to ensure that we comply with the applicable laws and regulations.

We have also adopted a series internal control measures over our assets overseas. Our plants overseas are required to maintain property and machinery damage insurance and other insurances for our property and equipment, conduct regular checks of inventories and fixed assets, monitor our overseas bank accounts and funds, monitor the risks relating to foreign exchange rate and interest rate, and conduct businesses in accordance with our authorization policies. In addition, relevant departments from our headquarters conduct business audits and special inspections on our overseas plants, and our overseas plants hire independent auditors as well as organize internal business cross-checks. Our overseas plants manage their contracts in accordance with our Group's contract management measures. We have also established a legal consulting and supporting team for our operations in overseas jurisdictions. Our Group's anti-bribery and anti-corruption policies, trainings and supervision models are also applicable to all of our overseas plants.

In particular, we have adopted:

- risk assessment, prevention and control measures at the stages of overseas investment due diligence and negotiation, including making reference to internal development indicators such as Corruption Perceptions Index and Do Business, and engaging international law firms to evaluate the legal environment of the proposed investment countries or regions and issue corresponding evaluation reports and recommendations on countermeasures. During negotiation, our Board strictly follows the approval procedures for non-binding or binding offers and other matters according to the President's Work Rules (總裁工作細則). The conditions of titles, license and insurance of the targets' main assets are of the high priority of our due diligence, and if any defects are found, we require the sellers to solve such issues before closing and put it as a condition precedent in investment agreements. In addition, we strictly adhere to anti-corruption and anti-bribery regulations, assess the condition of legal compliance of the targets' financial data during at least the past three years. We also conduct special investigations in relation to usually large amounts and consecutive sequential funds and assess the risks on operations in the future. We have anti-corruption and anti-bribery clauses in share purchase agreements that are binding to both parties;

- legal compliance measures in relation to our self-built overseas projects, including actively communicating with local administrative authorities in accordance with relevant local laws and regulations, and hiring local legal or public affairs consultants when necessary to assist in and ensure obtaining all permits and licenses necessary for the operations of the main assets;

- operations risks management and control measures in relation to the enforcement of our entitlements and rights over our principal assets overseas, including increasing the costs of non-performance or breach by our counterparties through taking deposits and prepayments from our major customers, and preparing import-and-export licenses and advance sale permits in advance;

- recruitment management measures to enhance recruitment from local labor markets and international management to lower risks in relation to labor quota and visa restrictions;

- financial management measures, including preferentially cooperating with financial institutions with international presence and good and compliant operations. Transactions are required to be based on real business contracts and subject to strict approval procedures. We also have external legal advisors to provide legal supports while we promote our unified internal control procedures to our overseas operations; and

- in addition to our anti-corruption and anti-bribery policies applied to overseas plants, delegation of authorization policies which clearly stipulates matters such as "donations and sponsorships" and "entertainment expenses". We require all of our employees to strictly follow such policies for the approvals for expenses reimbursement. If any employees are suspected of such violations, we will make them accountable in accordance with our regulations as well as relevant local or PRC laws and regulations.

Our Directors are of the view that our internal control measures on the protection of our Group's overseas assets and operations are adequate and sufficient. Our internal control consultant reviewed our anti-corruption and anti-bribery policies and has additionally put forward specific suggestions for improvements and further amendments on the internal control policies related to our assets and operations overseas, including (i) conducting annual research and training on local developments of laws and regulations through the assistance of external legal advisors, and making dynamic management strategies based on compliance requirements; (ii) hiring local legal advisors or compliance consultants to conduct regular compliance inspections; (iii) setting up local internal audit departments to conduct internal control and internal audit work, supervise and inspect daily operations, and investigate and report to the headquarters the reports from local employees, and reviewing and guiding on the investigation results and processes by the headquarters; (iv) making the subsidiaries in "high-risk areas" our key audit targets, and determining audit focuses of our overseas subsidiaries in annual audit plans; and (v) signing separate anti-corruption and anti-bribery agreements or including anti-corruption and anti-bribery clauses in the agreements signed by our overseas subsidiaries. We have accepted these suggestions and are gradually strengthening the design of the internal control process to safeguard our Group's rights and entitlement in respect of our principal assets and operations overseas. Based on the above and taking into account the facts that our Group has accepted the enhanced measures based on the internal control consultant's suggestions in this respect, nothing has come to the Sole Sponsor's attention which would reasonably cause it to believe that our Group's internal controls have material deficiencies in safeguarding the rights and entitlement in respect of our principle assets and operations in the overseas countries which our Group operates in.

LICENSE AND PERMITS

As advised by our PRC Legal Advisors, except the new Work Safety Permit, we obtained all material certificates, licenses and permits from relevant regulatory authorities as of the Latest Practicable Date.

As of the Latest Practicable Date, we were under the process of applying for a new Work Safety Permit. We do not expect any difficulties in obtaining the approval for such application so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in relevant laws and regulations. See "— Regulatory and Legal Proceedings — Non-compliance Incidents in the PRC." We are also required to renew the material certificates, licenses and permits from time to time, and we are in the process of applying for the renewal of Work Safety Permits for two of our subsidiaries. As of the Latest Practicable Date, we did not have any other material certificates, licenses and permits that were being renewed. Our PRC Legal Advisors have advised that there is no legal impediment for such renewal.

*The following discussion and analysis should be read in conjunction with our consolidated financial statements, together with the accompanying notes, set out in the Consolidated Financial Information for the years ended December 31, 2018, 2019 and 2020 in Appendices II, III and IV, respectively, and the Unaudited Consolidated Financial Information for the nine months ended September 30, 2021 in Appendix V to this listing document. Our consolidated financial statements have been prepared in accordance with the China Accounting Standards for Business Enterprises ("**CASBE**"). This Consolidated Financial Information also complies with the disclosure requirements of "Regulation on the Preparation of Information Disclosure of Companies Issuing Public Shares, No. 15 – General Requirements for Financial Reports" as revised by the CSRC in 2014.*

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those described in the section headed "Risk Factors" in this listing document.

OVERVIEW

We are a comprehensive building material enterprise engaged in the production and sale of cement, clinker, concrete and aggregate, and operating businesses of environmental protection, equipment manufacturing, EPC engineering and cement-based new building materials. Since the founding of our predecessor Huaxin Cement Plant in 1907, we have established our nationwide renowned manufacturing brand with more than a century's history in the PRC. According to the China Cement Association, we ranked fifth among all leading Chinese cement manufacturers in terms of operating income of cement in 2020 with a market share of 2.6%.

We currently produce and sell a variety of cement products mainly under the trademarks "華新堡壘" (Huaxin Castle) and "華新師傅" (Huaxin Master). Operating income generated from our cement and clinker, concrete and aggregate businesses represented approximately 95.4% of our total operating income in 2020. We also operate other ancillary businesses, mainly including the environmental protection business, the cement-based new building materials business, the equipment manufacturing business and EPC engineering business, the operating income from which represented approximately 3.9% of our total operating income in 2020.

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our operating income was approximately RMB27,466.0 million, RMB31,439.2 million, RMB29,356.5 million, RMB20,411.7 million and RMB22,453.9 million, respectively, and our net profit was approximately RMB5,705.5 million, RMB7,020.8 million, RMB6,173.6 million, RMB4,430.6 million and RMB3,894.4 million, respectively.

BASIS OF PREPARATION

We implement the CASBE and relevant regulations issued by the Ministry of Finance. In addition, we disclose relevant financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting (revised in 2014). The consolidated financial statements have been prepared on a going concern basis. See Note II to the Consolidated Financial Information for the years ended December 31, 2018, 2019 and 2020 in Appendices II, III and IV and Note II to the Unaudited Consolidated Financial Information for the nine months ended September 30, 2021 in Appendix V to this listing document for details.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects. The following should be read in conjunction with the section headed "Risk Factors" in this listing document.

Growth of the Construction Industry in China

We generated most of our operating income from our sales in China. We sell our products mainly in Hubei, Yunnan, Hunan, Chongqing and Sichuan. Economic trends in China, particularly in the regions in which we operate, have a significant impact on many aspects of our operations, including, but not limited to, the demand for and pricing of our products, the availability and costs of raw materials, costs of coal and electricity, labor costs and other operating expenses. Demand for our products is sensitive to the level of construction activity in the markets where we operate. According to CIC, Hubei, Yunnan, Hunan, Chongqing and Sichuan have experienced significant economic growth and increasing fixed asset investments in recent years, which have led to increasing demand for construction materials, including cement, clinker, concrete and aggregate. The rapid growth of investment in infrastructure construction and the stable investment in real estate development collectively provided a strong demand support for construction materials which will further promote the construction material industry throughout China. As a result, we believe the growth of the construction industry in China will continue to have a direct impact on our results of operations.

PRC Government Policies

The PRC Government has implemented, and may in the future implement, new policies in the cement and construction industries, which may affect our business. According to CIC, the PRC Government in the past has adopted policies that are designed to accelerate the consolidation of the cement industry, promote modernization and improve energy-efficiency and environmental friendliness. We believe that this has led to the closure of a number of vertical kiln facilities, which used old technologies and were not able to comply with new quality and environmental standards. In addition, we have benefited from government incentive programs which promote more efficient production and the use of environmentally friendly technologies. We received government incentives of RMB257.0 million in 2018, RMB241.5 million in 2019, RMB239.4 million in 2020 and RMB145.0 million in the nine months ended September 30, 2021.

The PRC government has proposed the "Belt and Road Initiative," and the related infrastructure construction projects are expected to further promote the economic development in Western China. It proposed that Western China should accelerate the construction of internal and external interconnection channels and regional hubs, improve infrastructures, and significantly improve the conditions for external transportation in developing and remote areas. The continuous development of Western China is expected to be one of the driving forces for economic development in the PRC. Therefore, we believe that we will benefit from the Belt and Road Initiative.

Production Capacity

Our results of operations depend on our ability to fulfill customer orders, which partly depends on our production capacity. A higher capacity utilization rate will result in lower marginal cost of each unit of products produced and will consequently result in higher profit margins. As of September 30, 2021, we had more than 250 subsidiaries or branches across 14 provinces and cities in China and six foreign countries, including 43 integrated cement production plants with 52 clinker production lines, 13 independent cement grinding plants, 63 concrete batching plants and 23 aggregate production plants in China. As of September 30, 2021, we operated nine production plants in five countries outside China, namely Tajikistan, Tanzania, Cambodia, Kyrgyzstan and Uzbekistan, consisting of six integrated cement production plants which were equipped with six clinker production lines in total, as well as one independent cement grinding plant, one cement packaging bag manufacturing plant and one concrete batching plant. As of September 30, 2021, we had an overall BDP capacity for clinker of approximately 73.9 million tons per year, capacity for cement grinding of approximately 114.8 million tons per year (including the capacities of trial operation), production capacity for concrete of approximately 35.5 million cubic meters per year, and production capacity for aggregate of approximately 76.3 million tons per year.

During the Track Record Period, we expanded our cement production capacity from 105.2 million tons as of December 31, 2018 to 114.8 million tons as of September 30, 2021. Our clinker BDP capacity increased from 62.4 million tons as of December 31, 2018 to 73.9 million tons as of September 30, 2021. Our aggregate designed production capacity increased from 25.0 million tons as of December 31, 2018 to 76.3 million tons as of September 30, 2021, and our concrete designed production capacity increased from 19.2 million cubic meters as of December 31, 2018 to 33.6 million cubic meters as of September 30, 2021. See "Business — Production Facilities" for details. We also intend to expand our production facilities and capacities in the future. We believe increases in our production capacity as well as our capacity utilization will drive our growth in the future.

Costs of Coal and Electricity

The results of our operations are significantly affected by the costs of coal and electricity. The cost of coal is one of the principal components of our operating cost. Our operating cost and results of operations are particularly affected by the price of coal. Our cost of coal was RMB5,383.0 million, RMB5,836.7 million, RMB5,534.3 million, RMB3,857.5 million and RMB4,936.0 million in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively, and as a percentage of operating cost for our principal activities was 32.6%, 31.4%, 31.9%, 31.7% and 34.6% in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. Our operations also require a significant amount of electricity. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, we incurred electricity costs of approximately RMB2,567.2 million, RMB2,813.9 million, RMB2,743.0 million, RMB1,948.8 million and RMB1,974.9 million, respectively, representing 15.6%, 15.2%, 15.8%, 16.0% and 13.9% of our operating cost for our principal activities, respectively.

Cost and Availability of Production Raw Materials

Our results of operations are also affected by the costs of production raw materials we source from third parties, which primarily consist of limestone, sandstone, gypsum, clay, fly ash and mineral slag. The following table sets out the breakdown of the cost of our major raw materials for our cement, clinker and concrete products for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in millions)				
				(unaudited)	
Cement					
Limestone	323.3	472.5	433.7	298.5	327.9
Sandstone	194.9	240.0	245.4	171.1	153.5
Iron raw material	190.8	221.6	225.1	159.7	136.2
Gypsum	333.1	382.7	359.3	254.2	225.3
Fly ash	86.4	98.7	83.3	59.2	57.9
Cement admixture	255.1	315.9	299.8	207.0	232.6
Slag	229.4	282.8	264.1	174.3	166.9
Purchased clinker	323.9	436.1	247.8	188.5	202.8
Total	1,937.0	2,450.3	2,158.5	1,512.5	1,503.1
Clinker					
Limestone	16.8	22.8	36.1	24.8	34.3
Sandstone	10.0	10.9	20.2	14.1	16.2
Iron raw material	11.1	12.1	23.8	16.7	19.9
Total	37.9	45.8	80.1	55.6	70.4
Concrete					
Cement	386.4	467.4	434.6	280.3	394.7
Sand	198.0	345.1	365.5	239.3	404.6
Stone	218.8	297.8	292.3	190.8	340.7
Fly ash	36.1	48.3	51.5	31.6	52.3
Mineral powder	56.9	72.3	69.9	45.2	66.2
Others	46.4	55.8	41.5	41.5	46.4
Total	942.6	1,286.7	1,255.3	823.8	1,301.8

Our cost of production raw materials as a percentage of operating costs was 21.2%, 23.0%, 21.3%, 20.6% and 20.8% in 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively. If the costs of our production raw materials increase, or if we are unable to retain access to a sufficient amount of limestone, our operating cost may increase and, in turn, our profitability would be adversely affected.

Our production volumes are also affected by the availability of materials used in our production process. Since limestone is one of the primary production raw materials used in producing cement, our ability to produce cement depends on the availability of limestone. To meet our production demand, we source the majority of our limestone supplies from the quarries that we are licensed to excavate. We also purchase limestone from local suppliers for certain clinker and cement production lines where there are no easily reachable quarries. As to production raw materials other than limestone, we generally purchase them from independent third-party suppliers. We typically produce clinker to meet our cement requirements. In the past, we purchased clinker from external sources.

Pricing

The following table sets out the breakdown of the average selling prices of our major products for the periods indicated.

	Year ended December 31,			Year ended December 31,			Nine months ended September 30,		
Average selling price per ton/cubic meters(1)	2018	2019	2018–19 change	2019	2020	2019-20 change	2020	2021	2020–21 change
	RMB	*RMB*	%	*RMB*	*RMB*	%	*RMB*	*RMB*	%
Cement	340.0	356.8	5.0	356.8	331.1	(7.2)	333.9	317.9	(4.8)
Clinker	282.9	287.1	1.5	287.1	282.9	(1.5)	276.4	297.2	7.5
Concrete	380.8	427.8	12.4	427.8	407.9	(4.6)	426.0	341.5	(19.8)
Aggregate	57.0	58.7	3.0	58.7	51.3	(12.6)	52.8	57.7	9.4

Note:

(1) Average selling price is the result of the operating income from principal activities of each product divided by the sales volume for the respective periods.

The prices of our major products are primarily affected by the supply of and demand for cement and concrete in the regions where we operate. The average selling prices of our cement were RMB340.0 per ton, RMB356.8 per ton, RMB331.1 per ton, RMB333.9 per ton and RMB317.9 per ton in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. From 2018 to 2019, the prices of our cement products increased, primarily due to the decrease of the total production capacity of the cement industry in China driven by the PRC governmental policy requiring the closure of a number of vertical kiln facilities that used old technologies and were unable to comply with new quality and environmental standards. The average selling price of our cement decreased to RMB331.1 per ton in 2020, primarily due to the decrease in overall economic activity and market demand caused by the COVID-19 pandemic. The average selling price of our cement further decreased to RMB317.9 per ton in the nine months ended September 30, 2021, primarily due to decreased market demand for cement in construction industry, which was impacted mainly by the surge of steel prices in 2021. In September 2021, the steel price index had a year-on-year growth of 48%, according to CIC. As the cost of steel accounts for approximately 40% of the raw material costs, or 20% of the total operating cost in the construction industry, such increase of price had adversely impacted the industry and in turn led to decreased market demand for and average selling prices of cement. We review our pricing strategy regularly and make adjustments based on various factors including levels of sales, expected profit margins on individual products, our competitors' prices and expected demand from customers.

Competition

Our sales and results of operations are also affected by competition in the markets where we operate. The PRC cement, clinker, concrete and aggregate industry is fragmented and competitive. In recent years, the number of competitors has decreased due to intensifying industry consolidation promoted by PRC Government regulations. We believe that these regulations have led to the closure of a number of cement manufacturers. We intend to leverage our leading market position and capitalize on the consolidation trend to expand our customer base and increase our market share. However, we may be required to reduce our prices in response to our competitors' pricing policies. Our ability to maintain or further increase our profitability will primarily depend on our ability to compete by leveraging our leading market position, brand recognition, product quality and experienced management. See "Industry Overview" for details.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out in detail in Note III to the Consolidated Financial Information for the years ended December 31, 2018, 2019 and 2020 contained in Appendices II, III and IV and Note III to the Unaudited Consolidated Financial Information for the nine months ended September 30, 2021 in Appendix V to this listing document.

Since January 1, 2019, we adopted the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" and "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments" revised by the Ministry of Finance in 2017. Since January 1, 2020, we adopted the new revenue standard revised by the Ministry of Finance in 2017. Since January 2021, we adopted the "Accounting Standards for Business Enterprises No. 21 – Leasing" revised by the Ministry of Finance in 2018.

For details on the impacts of the adoption of new accounting policies, see the Consolidated Financial Information for the years ended December 31, 2019 and 2020 and the Unaudited Consolidated Financial Information for the nine months ended September 30, 2021 contained in Appendices III, IV and V to this listing document.

Operating income and other income (effective for 2018 and 2019)

The amount of operating income is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of our activities. Revenue is presented net of sales discounts and returns.

Operating income is recognized when the economic benefits associated with the transaction flow to us, the relevant income can be reliably measured and specific revenue recognition criteria have been met for each of our activities as described below:

(1) Sales of goods

We are engaged in the manufacturing and sale of cement. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the clients, we retain neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration have been received, and related costs can be measured reliably.

(2) Income from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the contract costs attributable to the contract can be clearly identified and measured reliably; and (iv) the completion stage of contracts and costs to be incurred to complete the contracts can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract income is recognized only to the extent of contract costs incurred that are likely to be recovered, and the contract cost is recognized as an expense in the period in which it is incurred. When the contract costs incurred are not recoverable, the contract cost is recognized as an expense immediately. The contract income and contract cost are recognized over the period of the contract by reference to the stage of completion when uncertainties on stage of completion ceased.

(3) Service income

Service income is recognized on an accrual basis when the related service is rendered to clients.

(4) Revenue from public infrastructure construction using the Build-Operate-Transfer ("BOT") model

Pursuant to Accounting Standards for Business Enterprises Interpretation No. 2, since we subcontracted the construction of infrastructure to other parties, instead of providing construction services by ourselves, no revenue from construction service shall be recognized. An intangible asset of concession right shall be recognized at the actual construction cost incurred, considering that we have a right to charge a fee from a party using the infrastructure during a certain operation period but the amount chargeable is uncertain. The concession right is amortized in accordance with a straight-line basis over the operation phase of the concession periods.

When the construction of the public infrastructure is completed, we recognize revenue and expenses associated with subsequent operations and services in accordance with China Accounting Standard for Business Enterprises No. 14 – Revenue.

(5) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Operating income and other income (effective from January 1, 2020)

Our operating income is mainly from sales of building materials mainly including cement, concrete, clinker and aggregate.

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

It is a performance obligation satisfied during a period of time if one of the following conditions is met, we will recognize revenue during a period of time based on the progress of performance: (i) the customer obtains and consumes economic benefits at the same time of our performance; (ii) the customer is able to control goods in progress during our performance; (iii) goods generated during our performance have irreplaceable utilization, and we are entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, we will recognize revenue at the point in time when the customer obtains control over relative goods or services. When judging whether the customer has obtained control over the goods or services, we consider the following indications: (i) we have a present right of receivables for the good or services; (ii) we have transferred the physical goods to the customer; (iii) we have transferred the legal title or the significant risks and rewards of ownership of the good to the customer; and (iv) the customer has accepted the good or services.

Government grants

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

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

(1) Determining basis and accounting treatment for government grants related to assets

Government grants related to assets refer to government grants obtained by us for purchase or construction or forming the long-term assets. Government grants related to assets are recognized as deferred income, and systematically amortized to profit or loss within the useful life of the related asset. We adopt the same presentation method for the same category of government grants.

(2) Determining basis and accounting treatment for government grants related to income

Government grants related to income refer to all government grants except those related to assets.

For government grants related to income, where the grants are a compensation for related expenses or losses to be incurred by us in the subsequent periods, the grants are recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grants are compensation for related expenses or losses already incurred by us, the grants are recognized immediately in profit or loss in the current period.

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

Finance discounts received by us are deducted in borrowing expenses.

Cash and cash equivalents

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

Translation of transactions and financial statements denominated in foreign currencies

(1) Transactions denominated in foreign currencies

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

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

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

(2) Translation of financial statements denominated in foreign currencies

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

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

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

Financial instruments (effective for 2018)

Financial assets and financial liabilities are recognized when we become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

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

Financial instruments (effective from January 1, 2019)

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

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

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initially recognized amounts. When we initially recognize accounts receivable without significant financing components or without considering significant financing components in the contract of no more than one year in accordance with the ASBEs No.14 – Revenue, the accounts receivable are initially measured at the transaction price defined in the revenue standard.

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

Level 3 of Fair Value Measurement

In respect of the valuation of level 3 fair value measurement financial assets and financial liability, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 (the "**Guidance**") applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets and financial liability without readily determinable fair value; and (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to discount rate and discount for marketability. Our Directors are of the view that the valuation analysis is fair and reasonable and our financial statements are properly prepared.

In forming the opinion on the previously published consolidated financial statements ("**Historical Financial Statements**") of the Group for the year ended December 31, 2018, 2019 and 2020 as a whole respectively, the Reporting Accountants performed an audit of Historical Financial Statements in accordance with China Standards on Auditing issued by the Ministry of Finance of the PRC. The audit procedures designed and performed, which are responsive to the risks of material misstatements of Historical Financial Statements and for the purpose of obtaining audit evidence that is sufficient and appropriate to provide a basis for the opinion, include but not limited to the appropriateness of the accounting estimates made by the management of the Group in the fair value measurement and the use of significant unobservable inputs. The Reporting Accountants, as the auditor of the Company as well, have issued unqualified opinions on the Historical Financial Statements of the Group for the year ended 31 December 2018, 2019 and 2020 as a whole respectively.

The following table sets forth the determination of the fair values of financial assets and financial liabilities, including the valuation techniques and inputs used.

Finanical assets

Items	Closing balance of financial assets	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Available-for-sale financial Assets — Available-for-sale debt instruments	RMB19.1 million as of December 31, 2018	Discount cash flow method	Discount rate	10% – 18% as of December 31, 2018(1)
Financial assets at fair value through other comprehensive income — Other equity instrument investments	RMB38.2 million, RMB33.8 million and RMB49.14 million as of December 31, 2019 and 2020, and September 30, 2021 respectively	Comparative method of listed companies	Discount for marketability	0.8, 0.8, 0.8 as of December 31, 2019 and 2020, and September 30, 2021 respectively(2)
Financial assets at fair value through other comprehensive income — Financing with receivables	RMB1,308.8 million, RMB1,020.3 million and RMB526.4 million as of December 31, 2019 and 2020, and September 30, 2021 respectively	Discount cash flow method	Discount rate	1.5%, 1.5%, 1.5% as of December 31, 2019 and 2020, and September 30, 2021 respectively(3)

Items	Closing balance of financial assets	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Financial liability				
Bonds payable — preferred share	RMB131.9 million as of September 30, 2021	Binomial option pricing model	Risk-free rate Expected volatility Adjusted price per ordinary share	0.965%(4) 47.49%(5) 1.0534(6)

Notes:

(1) A 10% increase/decrease in the discount rate while holding all other variables constant would decrease the fair value measurement of the available-for-sale debt instruments by RMB1.7 million or increase the fair value measurement of the available-for-sale debt instruments by RMB2.1 million as of December 31, 2018.

(2) A 10% increase/decrease in the discount for marketability while holding all other variables constant would increase/decrease the fair value measurement of other equity instrument investments by RMB3.8 million, RMB3.4 million and RMB4.9 million as of December 31, 2019 and 2020, and September 30, 2021 respectively.

(3) A 10% increase/decrease in discount rate while holding all other variables constant would decrease the fair value measurement of other equity instrument investments by RMB0.7 million, RMB0.7 million and RMB0.3 million or increase the fair value measurement of other equity instrument investments by RMB0.7 million, RMB0.7 million and RMB0.3 million as of December 31, 2019 and 2020, and September 30, 2021 respectively.

(4) A 5% increase/decrease in the risk-free rate while holding all other variables constant would decrease/increase the fair value measurement of bonds payable — preferred share by RMB0.2 million.

(5) A 5% increase/decrease in the expected volatility while holding all other variables constant would increase/decrease the fair value measurement of bonds payable — preferred share by RMB0.07 million.

(6) A 5% increase/decrease in the adjusted price per ordinary share while holding all other variables constant would increase/decrease the fair value measurement of bonds payable — preferred share by RMB6.6 million.

In connection to the Group's financial assets and financial liability measured within level 3 of fair value measurement, the Sole Sponsor has conducted the following due diligence work, including, but not limited to, (i) reviewed the relevant notes to the financial statements as contained in Appendix II, III, IV and V to the Listing Document; (ii) discussed with the Reporting Accountants in respect of the audit or review work conducted in relation to the financial assets and liabilities to understand, among others, the qualification of the Reporting Accountants to conduct the relevant work, and the details of the procedures and work scope carried out by the Reporting Accountants including, but not limited to, the relevant factors involved in valuation of level 3 fair value measurement and rationale for adopting the binominal option pricing model, and learnt that the Reporting Accountants agreed with the Company's determination of fair value as regards the preferred shares; (iii) discussed with the Company and reviewed the internal policies of the Company in relation to investment in financial assets and liabilities, in particular, the method for the pricing of the preferred shares; and (iv) discussed with the Company to understand the Company's internal policies in valuation methodologies, techniques, assumptions, models and procedures for assessing the fair value of financial assets and liabilities, and that they were in agreement with the Reporting Accountants in this regard. Having considered the work done by the Directors and the Reporting Accountants, and the aforesaid due diligence work performed by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the Directors.

Inventories

(1) Categories of inventories

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

(2) Valuation method of inventories upon delivery

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

(3) Basis for determining net realizable value of inventories

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

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

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

(4) Inventory count system

The perpetual inventory system is maintained for stock system.

(5) Amortization method for spare parts, auxiliary materials and turnover materials

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

Financing with receivables

As an A-Share listed company, we initially applied the revised China Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (the "**revised CASBE No.22**") since January 1, 2019 in accordance to the Notice of Issuance of Revised Accounting Standards for Business Enterprises No. 22 — "Recognition and Measurement of Financial Instruments (Finance and Accounting [2017] No. 7) issued by the Ministry of Finance of the People's Republic of China on 31 March 2017.

In terms of the classification and measurement of financial assets, in accordance with the revised CASBE No.22, an entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to collect contractual cash flows, such asset is classified as subsequently measured at amortized cost. Meanwhile, financial assets that meet the following conditions are classified as at fair value through other comprehensive income: 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 and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

Long-term prepaid expenses

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

Provisions

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

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

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

According to China Accounting Standard for Business Enterprises No.13 Contingency No.4, a provision of liability is recognized when an obligation arises from an entity's action meet the following standards: (i) The obligation is a present obligation; (ii) settlement of the obligation is expected to result in an outflow of economic benefits; and (iii) the amount can be reliably measured.

Intangible assets

(1) Mining rights and mine restoration fees

According to China Accounting Standard for Business Enterprises No.6 – Intangible Assets (the "**CASBE No.6**"), an identifiable non-monetary asset without physical substance owned or controlled by an enterprise which arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the enterprise or from other rights and obligations shall be recognized as an intangible asset. The mining right without physical substance owned by us, which is a right allowed us to perform mining activities limited to specific area and period, arises from the contractual rights specified in the mining rights agreements ("採礦權出讓合同"), which meets the criteria to recognize intangible assets in accordance with CASBE No.6 mentioned above. In addition, mine restoration fee arising from obligations assumed by us for environmental protection and ecological restoration in compliance with relevant laws and regulations for specific countries and regions which is legally compulsory prerequisites for us to acquire certain mining rights. Thus, according to CASBE No.6, mine restoration fee as directly attributable expenditures of preparing the asset for its intended use, we shall determine the amount to be initially recognized with the purchase price and related taxes of mining rights as intangible assets, and the corresponding provision based on present value calculations made in accordance with China Accounting Standard for Business Enterprises No.13 – Contingencies.

(2) The net value of intangible assets by category

The net value of each category of intangible assets as at December 31, 2018, 2019 and 2020, and September 30, 2021 as below respectively:

	As at December 31,			As at September 30,
Category	**2018**	**2019**	**2020**	**2021**
	(RMB in million)			
				(unaudited)
Land use rights	2,267	2,311	2,301	2,445
Concession rights	229	149	134	123
Mining rights and mine restoration fees	852	1,390	1,819	2,799
Computer software and others	56	20	13	4
Total	3,404	3,870	4,267	5,371

(3) Estimated useful life

The estimated useful life of each category of intangible assets and the basis of certain estimation are set out as below respectively:

Category	**Estimated useful life**	**Basis of estimation**
Land use rights	40–50 years	The period of each of respective land use rights which is specified in the land use right certificate.
Concession rights	10–20 years	The period of each of respective concession rights which is specified in service concession agreement.
Mining rights and mine restoration fees	5–50 years	The period of each of respective mining rights which is specified in the mining right certificate.
Computer software and others	5–10 years	The period over which the specific assets is expected to be used by us.

(4) Impairment of Goodwill

Our goodwill arose from the business combination. The carrying amount of our goodwill as of December 31, 2018, 2019, 2020 and September 30, 2021 were RMB447.5 million (net of accumulated impairment loss of RMB69.6 million), RMB476.1 million (net of accumulated impairment loss of RMB91.0 million), RMB476.1 million (net of accumulated impairment loss of RMB91.0 million) and RMB611.1 million (net of accumulated impairment loss of RMB91.0 million), respectively. Pursuant to applicable accounting standards, we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, we allocate goodwill to related assets (or asset groups). We compare the recoverable amount of related asset (or assets groups) to its carrying amount. The recoverable amount of related assets (or asset groups), to which goodwill has been allocated, was determined by us based on the calculation of present value of expected future cash flows. The calculation requires our Directors to estimate the expected future cash flows arising from the corresponding assets (or asset groups) and a suitable discount rate in order to calculate present value. The estimated recoverable amount of each of material asset groups was determined to be higher than its carrying amount by the amount set forth as below respectively.

	Surplus (shortage) of recoverable amount of corresponding asset group over its carrying amount		
	As of December 31,		
Acquired subsidiaries	**2018**	**2019**	**2020**
	(RMB in millions)		
Huaxin Cement (Daye) Co., Ltd.	476	123	119
Cambodian Cement Chakrey Ting Factory Co., Ltd.	187	98	85
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	233	238	147
Huaxin Cement (E'zhou) Co., Ltd.	166	(63) (Fully impaired)	N/A (Fully impaired in 2019)
Netnix Limited and its subsidiaries	N/A (Acquired in 2019)	151	92

For the nine months ended September 30, 2021, our Directors did not identify any indicators related to the impairment of goodwill arising from events or changes in circumstances, thus, we did not perform goodwill impairment testing for the nine months ended September 30, 2021.

Except for the goodwill allocated to the asset groups of Huaxin Cement (E'zhou) Co., Ltd. which has been fully impaired in 2019, our Directors consider that there is no impairment of corresponding assets (or asset groups) during the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 accordingly.

The methodology key assumptions and data used in the goodwill impairment test for each of corresponding assets (or asset groups), to which goodwill has been allocated are set out as below:

(i) The asset group of Huaxin Cement (Daye) Co., Ltd.

The goodwill arose from the acquisition of Huaxin Cement (Daye) Co., Ltd. in 2013. The recoverable amount of the asset group of Huaxin Cement (Daye) Co., Ltd. has been determined based on the calculation of present value of expected future cash flows. The cash flow forecast is based on the five-year budget approved by the management, and pre-tax discount rate of 16%, 16% and 16% as of each of December 31, 2018, 2019 and 2020. Other key assumptions for the calculation of future cash flows are set out in below tables. In the opinion of our Directors, any reasonably possible change in any of these assumptions will not cause the carrying value of the asset group to which the goodwill has been allocated to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Huaxin Cement (Daye) Co., Ltd as of December 31, 2018, 2019 and 2020 respectively. The table below sets forth (i) the key assumptions that are used in the calculation of present value of expected future cash flows of the asset group of Huaxin Cement (Daye) Co., Ltd. as of December 31, 2018, 2019 and 2020 respectively; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of present value of expected future cash flows of corresponding asset group mentioned above:

As of December 31, 2018

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years(1)	–2% to 1%	Decrease by 1%	430
		Decrease by 2%	384
Gross margin rate	32% to 36%	Decrease by 1%	425
		Decrease by 2%	375
Pre-tax discount rate	16%	Increase by 1%	415
		Increase by 2%	363

Note:

(1) Based on the past performance, existing capacity and management's expectation of market development of Huaxin Cement (Daye) Co., Ltd., we estimated that the sales of Huaxin Cement (Daye) Co., Ltd. would rise to a peak in the next two to three years and then gradually fall back to normal level, and keep a stable period after five years with a 0% growth rate of sales.

As of December 31, 2019

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years[1]	–27% to 0%	Decrease by 1%	115
		Decrease by 2%	106
Gross margin rate	28% to 33%	Decrease by 1%	86
		Decrease by 2%	48
Pre-tax discount rate	16%	Increase by 1%	85
		Increase by 2%	51

Note:

(1) We planned a capacity replacement program and determined to terminate a production line of Huaxin Cement (Daye) Co., Ltd. in 2020, resulting in significant declines in sales by 12% and 27% in 2020 and 2021 respectively, with subsequent annual sales growth remaining unchanged at 0%.

As of December 31, 2020

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years	–11% to 0%	Decrease by 1%	107
		Decrease by 2%	100
Gross margin rate	28% to 33%	Decrease by 1%	78
		Decrease by 2%	37
Pre-tax discount rate	16%	Increase by 1%	79
		Increase by 2%	43

(ii) The asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd.

The goodwill arose from the acquisition of Cambodian Cement Chakrey Ting Factory Co., Ltd. in 2015. The recoverable amount of the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd. has been determined based on the calculation of present value of expected future cash flows. The cash flow forecast is based on the five-year budget approved by the management, and pre-tax discount rate of 16%, 18% and 18% as of each of December 31, 2018, 2019 and 2020. Other key assumptions for the calculation of future cash flows are set out in below tables. In the opinion of our Directors, any reasonably possible change in any of these assumptions will not cause the carrying value of the asset group to which the goodwill has been allocated to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd. as of December 31, 2018, 2019 and 2020 respectively. The table below sets forth (i) the key assumptions that are used in the calculation of present value of expected future cash flows of the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd. as of December 31, 2018, 2019 and 2020 respectively; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of present value of expected future cash flows of corresponding asset group mentioned above:

As of December 31, 2018

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years[1]	–2% to 5%	Decrease by 1%	153
		Decrease by 2%	119
Gross margin rate	37% to 38%	Decrease by 1%	148
		Decrease by 2%	108
Pre-tax discount rate	16%	Increase by 1%	134
		Increase by 2%	88

Note:

(1) Based on the past performance, existing capacity and management's expectation of market development of Cambodian Cement Chakrey Ting Factory Co., Ltd., we estimated that the sales. would rise to a peak in the next two to three years and then gradually fall back to normal level, and keep a stable period after five years with a 0% growth rate of sales.

As of December 31, 2019

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years	–6% to 1%	Decrease by 1%	91
		Decrease by 2%	84
Gross margin rate	33% to 36%	Decrease by 1%	60
		Decrease by 2%	22
Pre-tax discount rate	18%	Increase by 1%	57
		Increase by 2%	19

As of December 31, 2020

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years	–5% to 10%	Decrease by 1%	60
		Decrease by 2%	53
Gross margin rate	34% to 37%	Decrease by 1%	52
		Decrease by 2%	19
Pre-tax discount rate	18%	Increase by 1%	48
		Increase by 2%	15

(iii) The asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd.

The goodwill arose from the acquisition of Huaxin Jinlong Cement (Yunxian) Co., Ltd. in 2011. The recoverable amount of the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. has been determined based on the calculation of present value of expected future cash flows. The cash flow forecast is based on the five-year budget approved by the management, and pre-tax discount rate of 16%, 16% and 16% as of each of December 31, 2018, 2019 and 2020. Other key assumptions for the calculation of future cash are set out in below tables. In the opinion of our Directors, any reasonably possible change in any of these assumptions will not cause the carrying value of the asset group to which the goodwill has been allocated to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. as of December 31, 2018, 2019 and 2020 respectively. The table below sets forth (i) the key assumptions that are used in the calculation of present value of expected future cash flows of the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. as of December 31, 2018, 2019 and 2020 respectively; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of present value of expected future cash flows of corresponding asset group mentioned above:

As of December 31, 2018

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years[1]	–2% to 1%	Decrease by 1%	203
		Decrease by 2%	174
Gross margin rate	34% to 38%	Decrease by 1%	199
		Decrease by 2%	166
Pre-tax discount rate	16%	Increase by 1%	198
		Increase by 2%	167

Note:

(1) Based on the past performance, existing capacity and management's expectation of market development of Huaxin Jinlong Cement (Yunxian) Co., Ltd., we estimated that the sales would rise to a peak in the next two to three years and then gradually fall back to normal level, and keep a stable period after five years with on a 0% growth rate of sales.

As of December 31, 2019

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years	–2% to 0%	Decrease by 1%	232
		Decrease by 2%	223
Gross margin rate	34% to 38%	Decrease by 1%	202
		Decrease by 2%	166
Pre-tax discount rate	16%	Increase by 1%	222
		Increase by 2%	206

As of December 31, 2020

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years	–12% to 4%	Decrease by 1%	140
		Decrease by 2%	135
Gross margin rate	34% to 40%	Decrease by 1%	118
		Decrease by 2%	88
Pre-tax discount rate	16%	Increase by 1%	123
		Increase by 2%	101

(iv) The asset group of Huaxin Cement (E'zhou) Co., Ltd.

The goodwill arose from the acquisition of Huaxin Cement (E'zhou) Co., Ltd. in 2013 and then the goodwill was fully impaired in 2019. The recoverable amount of the asset group of Huaxin Cement (E'zhou) Co., Ltd. has been determined based on the calculation of present value of expected future cash flows. The cash flow forecast is based on the five-year budget approved by the management, and pre-tax discount rate of 16% as of December 31, 2018. Other key assumptions for the calculation of future cash flows are set out in below table. In the opinion of our Directors, any reasonably possible change in any of these assumptions will not cause the carrying value of the asset group to which the goodwill has been allocated to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Huaxin Cement (E'zhou) Co., Ltd. as of December 31, 2018. The table below sets forth (i) the key assumptions that are used in the calculation of present value of expected future cash flows of the asset group of Huaxin Cement (E'zhou) Co., Ltd. as of December 31, 2018; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of present value of expected future cash flows of corresponding asset group mentioned above:

As of December 31, 2018

Key assumptions	**Base case**	**Change in key assumptions**	**Surplus of recoverable amount of corresponding asset group over its carrying amount**
			(RMB in millions)
Sales growth rate for first five years(1)	–1% to 3%	Decrease by 1%	130
		Decrease by 2%	94
Gross margin rate	19% to 20%	Decrease by 1%	139
		Decrease by 2%	112
Pre-tax discount rate	16%	Increase by 1%	156
		Increase by 2%	146

Note:

(1) Based on the past performance, existing capacity and management's expectation of market development of Huaxin Cement (E'zhou) Co., Ltd., we estimated that the sales would rise to a peak in the next two years and then gradually fall back to normal level and keep a stable period after five years with a 0% growth rate of sales.

As of December 31, 2019

Key assumptions	Base case
Sales growth rate for first five years	–4% to 1%
Gross margin rate	9% to 13%
Pre-tax discount rate	16%

(v) *The asset group of Netnix Limited and its subsidiaries*

The goodwill arose from the acquisition of Netnix Limited and its subsidiaries in 2019. The recoverable amount of the asset group of Netnix Limited and its subsidiaries has been determined based on the calculation of present value of expected future cash flows. The cash flow forecast is based on the five-year budget approved by the management, and pre-tax discount rate of 18% and 18% as of each of December 31, 2019 and 2020. Other key assumptions for the calculation of future cash flows are set out in below tables. In the opinion of our Directors, any reasonably possible change in any of these assumptions will not cause the carrying value of the asset group to which the goodwill has been allocated to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Netnix Limited and its subsidiaries as of December 31, 2019 and 2020 respectively. The table below sets forth (i) the key assumptions that are used in the calculation of present value of expected future cash flows of the asset group of Netnix Limited and its subsidiaries as of December 31, 2019 and 2020 respectively; and (ii) the effect of the reasonably possible change in each of the key assumptions as determined by the Directors (with all other variables remained constant) on the calculation of present value of expected future cash flows of corresponding asset group mentioned above:

As of December 31, 2019

Key assumptions	Base case	Change in key assumptions	Surplus of recoverable amount of corresponding asset group over its carrying amount
			(RMB in millions)
Sales growth rate for first five years	0% to 10%	Decrease by 1%	141
		Decrease by 2%	131
Gross margin rate	46% to 52%	Decrease by 1%	131
		Decrease by 2%	110
Pre-tax discount rate	18%	Increase by 1%	111
		Increase by 2%	75

As of December 31, 2020

Key assumptions	Base case	Change in key assumptions	Surplus of recoverable amount of corresponding asset group over its carrying amount
			(RMB in millions)
Sales growth rate for first five years(1)	1% to 66%	Decrease by 1%	77
		Decrease by 2%	68
Gross margin rate	40% to 53%	Decrease by 1%	69
		Decrease by 2%	52
Pre-tax discount rate	18%	Increase by 1%	59
		Increase by 2%	35

Note:

(1) Since the production machinery of Netnix Limited broken in 2020 and could not be maintained because of the impact of the epidemic, which resulted in the sales of 2020 much lower than the expectation. With the gradual recovery from the epidemic and the completion of machinery maintenance, we estimated that the sales of Netnix Limited would increase by 66% and reach normal values in 2021 and 1% in 2022 respectively, with sales growth remaining unchanged at 0% in subsequent years.

For details concerning other significant accounting policies and estimates, please see Note III to the Consolidated Financial Information for the years ended December 31, 2018, 2019 and 2020 in Appendices II, III and IV and Note III to the Unaudited Consolidated Financial Information for the nine months ended September 30, 2021 in Appendix V to this listing document.

IMPACTS OF THE COVID-19 PANDEMIC

Since the end of December 2019, the outbreak of the COVID-19 has materially and adversely affected the global economy. In response, the PRC government imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. These measures have caused a decline in business activities, which in turn has had a negative impact on the demand for our products and our results of operations in 2020.

During the COVID-19 pandemic, particularly in the first quarter of 2020, our business was mainly affected by the following aspects: (i) the operations of ten of our production plants halted for an average of 31.1 days during February and March of 2020. Despite that we faced difficulties with access to raw materials due to restrictions on mobility and logistics imposed by the PRC government shortly after the outbreak of COVID-19, we proactively cooperated with logistics service providers available in the market and prudently increased the inventory level of key production raw materials, to ensure our stable production and operation. As a result, such temporary difficulty in obtaining raw materials did not have an adverse impact on our business and results of operation; and (ii) the halting of a large number of construction projects in the market negatively affected the production and sales of our construction materials, resulting in decreased selling prices and sales volumes. For example, the volume of cement sold decreased by 3.8%, from 74.2 million tons in 2019 to 71.4 million tons in 2020, and the ASP of our cement products decreased from RMB356.8 per ton in 2019 to RMB331.1 per ton in 2020. The ASP of our aggregate products decreased from RMB58.7 per ton in 2019 to RMB51.3 per ton in 2020, leading to a decrease in the gross profit margin of our aggregate segment from 64.8% in 2019 to 62.6% in 2020.

We have been actively adopting countermeasures to mitigate the impact of the COVID-19 outbreak on our operations, including but not limited to flexible work-from-home practices and procurement of supplies for pandemic prevention and control for our employees. Since late July 2021, the delta variant of COVID-19 has recurred in several provinces across China. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, work and production. Since late July 2021, due to the resurgence of COVID-19, one of our cement production facilities suspended production for approximately 22 days and one of our concrete batching plants suspended production for approximately 23 days; and construction of our aggregate project in Wuxue was delayed for approximately two months. The recurrence did not impose any material impact on our business operations and financial performance. Going forward, there remain significant uncertainties associated with the COVID-19 pandemic. See "Risk factors — The outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects."

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of Operating income	Amount	% of Operating income	Amount	% of Operating income	Amount	% of Operating income	Amount	% of Operating income
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
							(unaudited)			
Operating income	27,466.0	100.0	31,439.2	100.0	29,356.5	100.0	20,411.7	100.0	22,453.9	100.0
Less: Operating costs	16,575.2	60.3	18,625.3	59.2	17,440.2	59.4	12,180.1	59.7	14,260.6	63.5
Gross Profit	10,890.8	39.7	12,813.9	40.8	11,916.3	40.6	8,231.6	40.3	8,193.3	36.5
Less: Taxes and levies	500.2	1.8	530.0	1.7	510.4	1.7	333.8	1.6	438.8	2.0
Selling and distribution expenses	1,701.8	6.2	2,048.5	6.5	2,022.7	6.9	1,384.0	6.8	1,602.7	7.1
General and administrative expenses	1,336.8	4.9	1,558.5	5.0	1,587.2	5.4	1,073.4	5.3	1,141.5	5.0
Listing expense	–	–	–	–	17.5	0.1	3.6	0.1	2.0	0.1
Research and development expenses	10.8	0.0	37.3	0.1	56.0	0.2	16.4	0.1	29.1	0.1
Financial expenses	465.6	1.7	208.2	0.7	305.7	1.0	145.9	0.7	119.1	0.5
Including: Interest expenses	451.2	1.6	246.1	0.8	200.6	0.7	139.8	0.7	191.4	0.9
Interest income	37.9	0.1	62.4	0.2	63.8	0.2	46.4	0.2	98.9	0.4
Add: Other income	257.0	0.9	241.5	0.8	239.4	0.8	171.5	0.8	145.0	0.6
Investment income	83.5	0.3	108.5	0.3	118.6	0.4	113.5	0.6	32.5	0.1
Including: Income from investments in associates and joint ventures	71.7	0.3	107.9	0.3	77.0	0.3	71.2	0.3	14.4	0.1
Gains/(losses) on changes in fair value	3.6	0.0	5.3	0.0	2.4	0.0	(6.4)	(0.0)	(22.0)	(0.1)
Impairment losses on credit	–	–	(21.3)	(0.1)	(14.0)	(0.0)	(26.2)	(0.1)	(23.9)	(0.1)
Impairment losses on assets	(67.1)	(0.2)	(210.4)	(0.7)	(78.2)	(0.3)	(12.5)	(0.1)	(23.7)	(0.1)
Gains/(losses) on disposal of assets	17.6	0.1	188.9	0.6	14.0	0.0	10.1	0.0	(1.8)	(0.0)
Operating profit	7,170.2	26.1	8,744.0	27.8	7,698.9	26.2	5,524.5	27.1	4,966.1	22.1
Add: Non-operating income	20.7	0.1	76.0	0.2	65.3	0.2	20.2	0.1	24.0	0.1
Less: Non-operating expenses	59.8	0.2	103.8	0.3	100.6	0.3	59.1	0.3	50.3	0.2
Profit before tax	7,131.1	26.0	8,716.1	27.7	7,663.6	26.1	5,485.6	26.9	4,939.8	22.0
Less: Income tax expenses	1,425.6	5.2	1,695.3	5.4	1,490.1	5.1	1,055.0	5.2	1,045.4	4.7
Net Profit	5,705.5	20.8	7,020.8	22.3	6,173.6	21.0	4,430.6	21.7	3,894.4	17.3
Attributable to:										
Shareholders of the Company	5,181.4	18.9	6,342.3	20.2	5,630.6	19.2	4,024.5	19.7	3,563.3	15.9
Non-controlling interests	524.0	1.9	678.5	2.2	543.0	1.8	406.2	2.0	331.1	1.5

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Operating Income

Our operating income consists of operating income from our principal activities and operating income from our non-principal activities. The following table sets out a breakdown of our operating income by sources for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
				(unaudited)	
Principal activities	27,322.9	31,253.6	29,151.5	20,289.3	22,304.5
Non-principal activities	143.2	185.6	205.0	122.4	149.4
Total	27,466.0	31,439.2	29,356.5	20,411.7	22,453.9

Our operating income from principal activities primarily consists of income generated from our core business segments, namely: (i) cement; (ii) clinker; (iii) concrete; (iv) aggregate; and (v) other ancillary businesses mainly including the environmental protection business, the cement-based new building materials business, the equipment manufacturing business and EPC engineering business. Operating income from non-principal activities mainly represents operating income from sales of materials, rental income and others. During each period of the Track Record Period, revenue from our non-principal activities represented an immaterial portion of our total revenue, accounting for 0.5%, 0.6%, 0.7%, 0.6% and 0.7% in 2018, 2019, 2020, and the nine months ended 2020 and 2021, respectively.

Our operating income increased from RMB27,466.0 million in 2018 to RMB31,439.2 million in 2019, primarily due to the increased sales volume of our cement products as well as the ASP of our cement products. Our operating income decreased from RMB31,439.2 million in 2019 to RMB29,356.5 million in 2020, primarily due to the decrease in the sales volume and the ASP of our cement products. Our operating income increased from RMB20,411.7 million in the nine months ended September 30, 2020 to RMB22,453.9 million in the nine months ended September 30, 2021, primarily due to increased income from our clinker, concrete and aggregate business.

The following table sets out a breakdown of our operating income from our principal activities by business segment for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of Operating income from principal activities	Amount	% of Operating income from principal activities	Amount	% of Operating income from principal activities	Amount	% of Operating income from principal activities	Amount	% of Operating income from principal activities
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)* (unaudited)	*(%)*	*(RMB in millions)* (unaudited)	*(%)*
Cement	23,106.7	84.6	26,472.2	84.7	23,632.1	81.1	16,518.9	81.4	16,694.3	74.8
Clinker	777.6	2.8	787.2	2.5	1,312.8	4.5	909.1	4.5	1,206.4	5.4
Concrete	1,354.7	5.0	1,810.7	5.8	1,879.6	6.4	1,226.9	6.0	1,975.1	8.9
Aggregate	827.0	3.0	1,033.2	3.3	1,183.1	4.1	793.5	3.9	1,470.1	6.6
Others	1,257.0	4.6	1,150.4	3.7	1,143.9	3.9	840.9	4.2	958.6	4.3
Total	27,322.9	100.0	31,253.6	100.0	29,151.5	100.0	20,289.3	100.0	22,304.5	100.0

The majority of our operating income from our principal activities is contributed by the sales of products of cement, clinker, concrete and aggregate, which together accounted for approximately 95.4%, 96.3%, 96.1% and 95.7% of our total operating income from principal activities for the year ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

The table below sets forth the breakdown of our sales volume and ASP of cement, clinker, concrete and aggregates during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Sales volume (million tons/cubic meter)	*ASP (RMB per ton/cubic meter)*	*Sales volume (million tons/cubic meter)*	*ASP (RMB per ton/cubic meter)*	*Sales volume (million tons/cubic meter)*	*ASP (RMB per ton/cubic meter)*	*Sales volume (million tons/cubic meter)*	*ASP (RMB per ton/cubic meter)*	*Sales volume (million tons/cubic meter)*	*ASP (RMB per ton/cubic meter)*
Cement	68.0	340.0	74.2	356.8	71.4	331.1	49.5	333.9	52.5	317.9
Clinker	2.7	282.9	2.7	287.1	4.6	282.9	3.3	276.4	4.1	297.2
Concrete	3.6	380.8	4.2	427.8	4.6	407.9	2.9	426.0	5.8	341.5
Aggregate	14.8	57.0	17.6	58.7	23.1	51.3	15.0	52.8	25.5	57.7

Operating Costs

Our operating costs consist of operating costs for principal activities and operating costs for non-principal activities. The following table sets out a breakdown of our operating costs by sources for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
			(RMB in millions)		
				(unaudited)	
Principal activities	16,503.9	18,564.5	17,358.5	12,142.3	14,199.6
Non-principal activities	71.3	60.8	81.8	37.8	61.0
Total	16,575.2	18,625.3	17,440.2	12,180.1	14,260.6

In 2018, 2019, 2020 and the nine months ended September 30, 2021, our operating costs were RMB16,575.2 million, RMB18,625.3 million, RMB17,440.2 million and RMB14,260.6 million, representing approximately 60.3%, 59.2%, 59.4% and 63.5% of our operating income, respectively.

Our operating costs for principal activities comprise production raw materials, coal and electricity, depreciation, and labor and other costs. Our production raw material costs as a percentage of operating costs for principal activities were 21.3%, 23.0%, 21.4%, 20.6% and 20.8% in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. Our coal costs as a percentage of operating costs for principal activities were 32.6%, 31.4%, 31.9%, 31.7% and 34.6% in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. Our electricity costs as a percentage of operating costs for principal activities were 15.6%, 15.2%, 15.8%, 16.0% and 13.8% in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. We expect that our fuel, energy and production raw material costs will continue to account for a substantial portion of our operating costs.

The following table sets out a breakdown of our operating costs by nature for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in millions)				
				(unaudited)	
Production raw materials	3,509.6	4,274.8	3,722.2	2,506.1	2,961.6
Fuel and energy	7,950.2	8,650.7	8,277.3	5,806.3	6,910.9
– Coal	5,383.0	5,836.7	5,534.3	3,857.5	4,936.0
– Electricity	2,567.2	2,814.0	2,743.0	1,948.8	1,974.9
Depreciation	1,422.9	1,579.6	1,567.6	1,194.8	1,413.9
Labor and others	3,692.5	4,120.2	3,873.1	2,672.9	2,974.2
Total	16,575.2	18,625.3	17,440.2	12,180.1	14,260.6

Fuel and energy is the largest component of our operating costs. The decrease of the cost of fuel and energy from 2019 to 2020 was primarily due to production being temporarily suspended during the COVID-19 pandemic, as well as the decrease of the average purchase price of coal. Our cost of fuel and energy increased by 19.0% from RMB5,806.3 million in the nine months ended September 30, 2020 to RMB6,910.9 million in the same period in 2021, primarily as a result of the increase in sales volume and increased average purchase price of coal.

Our results of operations are also affected by the costs of production raw materials we source from third parties, which primarily consist of limestone, sandstone, gypsum, clay, fly ash and mineral slag. The following table sets out the breakdown of the cost of our major raw materials for our cement, clinker and concrete products for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
				(unaudited)	
Cement					
Limestone	323.3	472.5	433.7	298.5	327.9
Sandstone	194.9	240.0	245.4	171.1	153.5
Iron raw material	190.8	221.6	225.1	159.7	136.2
Gypsum	333.1	382.7	359.3	254.2	225.3
Fly ash	86.4	98.7	83.3	59.2	57.9
Cement admixture	255.1	315.9	299.8	207.0	232.6
Slag	229.4	282.8	264.1	174.3	166.9
Purchased clinker	323.9	436.1	247.8	188.5	202.8
Total	1,937.0	2,450.3	2,158.5	1,512.5	1,503.1
Clinker					
Limestone	16.8	22.8	36.1	24.8	34.3
Sandstone	10.0	10.9	20.2	14.1	16.2
Iron raw material	11.1	12.1	23.8	16.7	19.9
Total	37.9	45.8	80.1	55.6	70.4
Concrete					
Cement	386.4	467.4	434.6	280.3	394.7
Sand	198.0	345.1	365.5	239.3	404.6
Stone	218.8	297.8	292.3	190.8	340.7
Fly ash	36.1	48.3	51.5	31.6	52.3
Mineral powder	56.9	72.3	69.9	45.2	66.2
Others	46.4	55.8	41.5	41.5	46.4
Total	942.6	1,286.7	1,255.3	823.8	1,301.8

As production raw materials, fuel and energy are the main component of our cost of sales, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of production raw materials, fuel and energy on our profit before tax during the Track Record Period. Fluctuations in our cost of production raw materials, fuel and energy are assumed to be 5%.

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
Fluctuation in cost (+/-5%)					
Coal	269.2	291.8	276.7	192.9	246.8
Electricity	128.4	140.7	137.2	97.4	98.7

In response to the uncertainty of coal prices, we have implemented a comprehensive policy, including (i) centralized procurement to obtain preferential prices; (ii) closely tracking coal market prices and formulating short-term procurement strategies within the Group; (iii) maintaining good communication with suppliers and negotiating spot prices and long-term agreement prices; (iv) importing from the international coal market when appropriate; and (v) expanding alternative resources to reduce the use of coal.

In light of fluctuating electricity prices, we have adjusted our production schedule to stagger production during peak periods and produce during off-peak periods when prices are generally lower. In addition, we generate electricity through waste heat recovery to reduce the use of purchased power.

The following table sets out a breakdown of our operating costs for principal activities by business segments for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
				(unaudited)	
Cement	13,677.3	15,459.1	14,012.7	9,843.6	10,866.9
Clinker	542.9	551.2	902.6	630.9	920.8
Concrete	1,035.8	1,388.3	1,352.6	885.6	1,415.7
Aggregate	299.1	364.1	442.6	284.1	514.9
Others	949.0	801.8	648.0	498.1	481.3
Total	16,503.9	18,564.5	17,358.5	12,142.3	14,199.6

Gross Profit and Gross Profit Margin

Our gross profit is our operating income minus operating costs. Our gross profit margin is gross profit divided by operating income. The following table sets out the gross profit and the gross profit margin of our business segments of principal activities for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Cement	9,429.4	40.8	11,013.0	41.6	9,619.4	40.7	6,675.2	40.4	5,827.4	34.9
Clinker	234.7	30.2	236.0	30.0	410.2	31.2	278.2	30.6	285.6	23.7
Concrete	318.9	23.5	422.3	23.3	527.0	28.0	341.3	27.8	559.4	28.3
Aggregate	527.9	63.8	669.1	64.8	740.6	62.6	509.4	64.2	954.7	64.9
Others	308.0	24.5	348.6	30.3	495.9	43.4	342.8	40.8	477.3	49.8
Total/ Average annual margin	10,819.0	39.6	12,689.1	40.6	11,793.0	40.5	8,146.9	40.2	8,105.1	36.3

Taxes and Levies

Our taxes and levies primarily consist of (i) resource tax; (ii) city maintenance and construction tax; (iii) environmental protection tax; (iv) educational surcharge; (v) land use tax; (vi) property tax; and (vii) others. The following table sets out the breakdowns of taxes and levies for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in millions)				
				(unaudited)	
Resource tax	129.2	138.2	189.8	115.7	198.0
City maintenance and construction tax	96.7	89.7	75.5	52.4	45.3
Environmental protection tax	78.7	87.8	81.4	55.0	60.2
Educational surcharge	55.9	52.8	42.9	29.5	25.9
Land use tax	51.3	47.4	40.7	27.6	43.1
Property tax	32.4	37.4	28.5	19.1	28.6
Others	56.0	76.7	51.6	34.5	37.6
Total	500.2	530.0	510.4	333.8	438.8

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of: (i) transportation, carriage and outsourced labor expenses; (ii) packaging material costs; (iii) staff costs; (iv) electricity charge; (v) depreciation and amortization expenses; (vi) entertainment expenses; (vii) traveling expenses; (viii) rental expenses; (ix) repair expenses; and (x) other expenses. The following table sets out a breakdown of selling and distribution expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
				(unaudited)	
Transportation, carriage and outsourced labor expenses	482.4	586.3	595.0	468.6	617.8
Packaging material costs	478.2	603.7	641.8	394.7	366.9
Staff costs	366.0	440.1	375.0	251.3	318.3
Electricity charge	72.2	80.1	81.4	58.8	59.9
Depreciation and amortization expenses	69.2	69.7	77.3	56.8	65.3
Entertainment expenses	46.5	44.9	39.3	23.4	30.5
Traveling expenses	44.8	40.4	34.1	21.3	25.2
Rental expenses	15.1	17.4	10.5	7.7	10.2
Repair expenses	42.8	65.5	40.6	23.5	21.9
Others	84.6	100.3	127.6	77.9	86.7
Total	1,701.8	2,048.5	2,022.7	1,384.0	1,602.7

General and Administrative Expenses

Our general and administrative expenses primarily consist of: (i) staff costs; (ii) depreciation and amortization expense; (iii) entertainment expenses; (iv) traveling expenses; (v) office and meeting expenses; (vi) outsourced labor expenses; (vii) consulting and audit expenses; (viii) rental expenses; (ix) utilities expenses; (x) property insurance expenses; (xi) environmental protection costs; (xii) communication expenses; and (xiii) others.

The following table sets out a breakdown of general and administrative expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
			(RMB in millions)		
				(unaudited)	
Staff costs	731.2	911.4	909.6	617.0	656.7
Depreciation and amortization expenses	111.7	122.1	167.7	134.4	137.0
Entertainment expenses	58.4	62.8	60.7	33.3	43.4
Traveling expenses	43.6	50.1	40.9	25.4	30.0
Office and meeting expenses	43.3	48.5	43.4	29.8	26.1
Outsourced labor expenses	37.2	36.9	39.7	29.7	30.4
Consulting and audit expenses	36.9	59.9	79.3	53.0	35.6
Rental expenses	30.6	31.4	32.4	–	–
Utilities expenses	19.2	18.4	18.9	15.1	12.4
Property insurance expenses	14.8	12.7	13.6	8.6	11.8
Environmental protection costs	12.7	23.4	16.5	5.2	16.1
Communication expenses	7.1	6.2	6.9	8.7	8.2
Others	190.1	174.7	157.7	113.3	134.0
Total	1,336.8	1,558.5	1,587.2	1,073.4	1,141.5

In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our general and administrative expenses were RMB1,336.8 million, RMB1,558.5 million, RMB1,587.2 million, RMB1,073.4 million and RMB1,141.5 million, respectively.

During the Track Record Period, we incurred consulting and audit expenses of RMB36.9 million, RMB59.9 million, RMB79.3 million, RMB53.0 million and RMB35.6 million, in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. The following table sets out a breakdown of consulting and audit expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in millions)				
Comprehensive service fees	6.4	6.4	6.4	4.8	4.8
Technical service fees	7.8	8.5	–	–	–
Audit fees	7.5	6.0	7.9	5.2	4.2
Tax consulting fees	1.0	3.2	5.0	4.8	1.7
Financing advisors' fees	–	–	9.7	8.8	1.2
Due diligence fees	–	14.4	5.6	4.6	9.5
Legal service fees	0.4	0.5	0.5	0.2	2.0
IT service fees	3.9	6.9	9.6	4.5	4.9
Engineering fees	3.2	2.2	8.7	3.1	4.3
Human resources service fees	2.6	4.6	4.2	2.2	0.8
Certification fees	3.8	5.5	6.7	4.3	2.1
Others	0.3	1.7	15.0	10.5	0.1
Total	36.9	59.9	79.3	53.0	35.6

During the Track Record Period, we incurred comprehensive service fees, primarily paid to Huaxin Group for integrated management services in relation to our corporate public relations and community management. See "Connected Transactions — Fully Exempt Continuing Connected Transaction" for details.

In addition, we incurred fees for technical service, primarily consulting services for management, production technologies and construction materials industry knowledge. Our technical service fees increased from RMB7.8 million in 2018 to RMB8.5 million, mainly due to change in exchange rate. Our technical service fees further decreased to nil in 2020 and the nine months ended September 30, 2021, as we ceased our procurement of such services.

Listing expense

Our listing expense mainly comprise of professional fees and other fees. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our listing expenses were nil, nil, RMB17.5 million, RMB3.6 million and RMB2.0 million, respectively.

Research and Development Expenses

Our research and development expenses primarily consist of the labor costs of our research and development personnel, and investment in research and development of new materials and other production technologies. In 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, our research and development expenses were RMB10.8 million, RMB37.3 million, RMB56.0 million, RMB16.4 million and RMB29.1 million, respectively.

Financial Expenses

Our financial expenses primarily consist of interest expenses and foreign exchange losses. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our financial expenses were RMB465.6 million, RMB208.2 million, RMB305.7 million and RMB119.1 million, respectively.

Other Income

Other income primarily consists of comprehensive utilization of resources tax refund, amortization of deferred income and government grants. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our other income was RMB257.0 million, RMB241.5 million, RMB239.4 million and RMB145.0 million, respectively.

Investment Income

Investment income primarily consists of income from long-term equity investments under the cost and equity method, investment income from disposals of subsidiaries, investment income from disposals of financial assets at fair value through profit or loss, investment income of available-for-sale and held-for-trading financial assets during the hold period, dividend income of other non-current financial assets during the hold period, and other income. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our investment income was RMB83.5 million, RMB108.5 million, RMB118.6 million and RMB32.5 million, respectively.

Impairment Losses on Credit

Impairment losses on credit mainly include the impairment loss of trade receivables and the impairment loss of other receivables. Our impairment losses on credit were RMB21.3 million, RMB14.0 million and RMB23.9 million in 2019, 2020 and the nine months ended September 30, 2021, respectively. We did not record an impairment loss or gain on credit in 2018 because the impairment loss of trade receivables and the impairment loss of other receivables were recognized in impairment losses on assets in 2018. After we applied the new accounting standards, the impairment loss of trade receivables and the impairment loss of other receivables were recognized under impairment losses on credit.

Impairment Losses on Assets

Impairment losses on assets primarily include losses on bad debts, losses on decline in value of inventories, available-for-sale financial assets losses, fixed asset losses, impairment of construction in progress, impairment of intangible assets, impairment of goodwill and others. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our impairment losses on assets were RMB67.1 million, RMB210.4 million, RMB78.2 million and RMB23.7 million, respectively.

Gains/(Losses) on Asset Retirement

Gains/(losses) on asset retirement primarily represent gains or losses from disposal of fixed assets and intangible assets. We recorded asset disposal gains of RMB17.6 million, RMB188.9 million and RMB14.0 million in 2018, 2019 and 2020, respectively, and an asset disposal loss of RMB1.8 million in the nine months ended September 30, 2021.

Non-operating Income

Non-operating income primarily represents total gains primarily from disposal of non-current assets and government grants. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our non-operating income was RMB20.7 million, RMB76.0 million, RMB65.3 million and RMB24.0 million, respectively.

Non-operating Expenses

Non-operating expenses primarily represent total non-current asset disposal losses and donations. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our non-operating expenses were RMB59.8 million, RMB103.8 million, RMB100.6 million and RMB50.2 million, respectively.

Income Tax Expenses

Our income tax expenses were RMB1,425.6 million, RMB1,695.3 million, RMB1,490.1 million and RMB1,045.4 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Our effective tax rates were 20.0%, 19.5%, 19.4% and 21.2% in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Our effective tax rates fluctuated during the Track Record Period due to changes in the levels of taxable income combined with certain tax effects resulting from the various tax rates of our subsidiaries. The PRC EIT Law has consolidated the two previous tax regimes which applied to foreign and domestic enterprises in China. The PRC EIT Law imposes a uniform enterprise income tax rate of 25% on both foreign and domestic enterprises. Under the PRC EIT Law, some of our subsidiaries that are certified as High and New Technology Enterprises in China were entitled to a discounted income tax rate of 15%. Some of our subsidiaries, being production enterprises located in the western developing area in China, were eligible for an income tax rate of 15% from 2011 to 2020 and entitled to enjoy the income tax rate of 15% from 2021 to 2030. At the same time, some of our overseas subsidiaries are eligible for discounted tax rates according to applicable local regulations and policies.

RESULTS OF OPERATION

Nine Months Ended September 30, 2021 compared with Nine Months Ended September 30, 2020

Operating income

Our operating income was RMB22,453.9 million in the nine months ended September 30, 2021, representing an increase of RMB2,042.2 million, or approximately 10.0%, from RMB20,411.7 million in the nine months ended September 30, 2020. The increase was mainly due to the increase in the operating income of our clinker, concrete and aggregate segments.

Operating income from cement business

Operating income from our cement business was RMB16,694.3 million in the nine months ended September 30, 2021, representing a slight increase of RMB175.4 million, or approximately 1.1%, from RMB16,518.9 million in the nine months ended September 30, 2020, primarily reflecting the relatively low comparison base of 2020 resulting from the COVID-19 pandemic, partially offset by declined cement ASP due to slow market recovery.

Operating income from clinker business

Operating income from our clinker business was RMB1,206.4 million in the nine months ended September 30, 2021, representing an increase of RMB297.3 million, or approximately 32.7%, from RMB909.1 million in the nine months ended September 30, 2020. The increase was mainly due to the increase in the sales volume of clinker from 3.3 million tons in the nine months ended September 30, 2020 to 4.1 million tons in the nine months ended September 30, 2021, primarily because our production capacity increased with the commissioning of new production facilities for clinker.

Operating income from concrete business

Operating income from our concrete business was RMB1,975.1 million in the nine months ended September 30, 2021, representing an increase of RMB748.2 million, or approximately 61.0%, from RMB1,226.9 million in the nine months ended September 30, 2020. The increase was mainly due to the increase in the sales volume of concrete from 2.9 million cubic meters in the nine months ended September 30, 2020 to 5.8 million cubic meters in the nine months ended September 30, 2021, primarily because we improved our production process to lower operating costs, strategically expanded the production capacity, and adjusted our pricing policies for our concrete business.

Operating income from aggregate business

Operating income from our aggregate business was RMB1,470.1 million in the nine months ended September 30, 2021, representing an increase of RMB676.6 million, or approximately 85.3%, from RMB793.5 million in the nine months ended September 30, 2020. The increase was mainly due to the increase in the sales volume and the ASP of our aggregate products. The sales volume of aggregate products increased from 15.0 million tons in the nine months ended September 30, 2020 to 25.5 million tons in the nine months ended September 30, 2021, primarily attributable to our expanded production capacity. The ASP of our aggregate products increased from RMB52.8 per ton in the nine months ended September 30, 2020 to RMB57.7 per ton in the nine months ended September 30, 2021. Such increase was primarily attributable to the short supply in the aggregate market, as manufacturers were affected by the strengthened environmental protection policies lately implemented.

Operating income from other businesses

Operating income from other businesses was RMB958.6 million in the nine months ended September 30, 2021, representing an increase of RMB117.7 million, or approximately 14.0%, from RMB840.9 million in the nine months ended September 30, 2020, primarily due to the expansion of our environmental protection and equipment manufacturing businesses.

Operating costs

Our operating costs were RMB14,260.6 million in the nine months ended September 30, 2021, representing an increase of RMB2,080.5 million, or approximately 17.1%, from RMB12,180.1 million in the nine months ended September 30, 2020. The increase was mainly due to (i) the increase in sales volume of our major products, and (ii) the increase in the price of coal.

Gross profit and Gross profit margin

As a result of the foregoing, our gross profit remained relatively stable in the nine months ended September 30, 2020 and 2021, being RMB8,146.9 million and RMB8,105.1 million, respectively. Our gross profit margin slightly decreased from 40.3% to 36.5% in the same periods, primarily due to a decrease in the gross profit margin of cement and clinker, partially offset by an increase in the gross profit margin of our other businesses.

Gross profit of our cement segment was RMB5,827.4 million in the nine months ended September 30, 2021, which was relatively stable compared with RMB6,675.2 million in the nine months ended September 30, 2020. The gross profit margin of our cement segment decreased from 40.4% in the nine months ended September 30, 2020 to 34.9% in the nine months ended September 30, 2021, primarily due to growing unit cost of production attributed to coal price increase.

Gross profit of our clinker segment increased by 2.7% from RMB278.2 million in the nine months ended September 30, 2020 to RMB285.6 million in the nine months ended September 30, 2021, primarily due to the increase of sales volume and ASP of clinker. The gross profit margin of our clinker segment decreased from 30.6% in the nine months ended September 30, 2020 to 23.7% in the nine months ended September 30, 2021 primarily due to an increase in the unit costs of production.

Gross profit of our concrete segment increased by 63.9% from RMB341.3 million in the nine months ended September 30, 2020 to RMB559.4 million in the nine months ended September 30, 2021, primarily due to an increase in the sales volume of our concrete business. The gross profit margin of our concrete segment was 28.3% in the nine months ended September 30, 2021, which was relatively stable compared with 27.8% in the nine months ended September 30, 2020, as we improved our production process to lower operating costs, and adjusted our pricing policies for our concrete business, partially offset by the rising cost of production.

Gross profit of our aggregate segment increased by 87.5% from RMB509.4 million in the nine months ended September 30, 2020 to RMB955.2 million in the nine months ended September 30, 2021, primarily due to increase in the increase in the sales volume of aggregate. The gross profit margin of our aggregate segment remained stable in the same periods, being 64.2% and 65.0%, respectively.

Gross profit of our other businesses significantly increased by 39.2%, from RMB342.8 million in the nine months ended September 30, 2020 to RMB477.3 million for the nine months ended September 30, 2021, primarily due to an increase in the operating income of our environmental protection business. The gross profit margin of our other businesses increased from 40.8% to 49.8% in the same periods, mainly due to an increased service fee rate under our environmental protection business.

Taxes and levies

Our taxes and levies were RMB438.8 million in the nine months ended September 30, 2021, representing an increase of RMB105.0 million, or approximately 31.5%, from RMB333.8 million for the nine months ended September 30, 2020, mainly attributable to resource tax, which was in line with our business growth.

Selling and distribution expenses

Our selling and distribution expenses were RMB1,602.7 million in the nine months ended September 30, 2021, representing an increase of RMB218.7 million, or approximately 15.8%, from RMB1,384.0 million in the nine months ended September 30, 2020, which was mainly attributable to (i) an increase in transportation and carriage expenses as a result of our growing sales amount of our major products, particularly in concrete product; and (ii) increased salaries.

General and administrative expenses

Our general and administrative expenses were RMB1,141.5 million in the nine months ended September 30, 2021, representing an increase of RMB68.1 million, or approximately 6.3%, from RMB1,073.4 million in the nine months ended September 30, 2020, which was mainly attributable to the increase in our staff costs and entertainment costs, which were incurred from resumed business activities and travels, as most restriction measures in response to the COVID-19 pandemic were lifted.

Research and development expenses

Our research and development expenses were RMB29.1 million in the nine months ended September 30, 2021, representing an increase of RMB12.7 million, or approximately 77.4%, from RMB16.4 million in the nine months ended September 30, 2020, as we expanded our R&D team.

Financial expenses

Our financial expenses were RMB119.1 million in the nine months ended September 30, 2021, representing a decrease of RMB26.8 million, or approximately 18.4%, from RMB145.9 million in the nine months ended September 30, 2020, which was mainly attributable to the increase in interest income and decrease in exchange losses.

Other income

Our other income was RMB145.0 million in the nine months ended September 30, 2021, representing a decrease of RMB26.5 million, or approximately 15.5%, from RMB171.5 million in the nine months ended September 30, 2020, which was mainly attributable to a decrease in the tax refund we received in western regions of China.

Investment income

Our investment income was RMB32.5 million in the nine months ended September 30, 2021, representing a decrease of RMB81.0 million, or approximately 71.4%, from RMB113.5 million in the nine months ended September 30, 2020, which was mainly attributable to a decrease in gross profit of our associate in Rikaze, Tibet.

Impairment losses on credit

Our impairment loss on credit was RMB23.9 million in the nine months ended September 30, 2021, which was relatively stable compared with RMB26.2 million in the nine months ended September 30, 2020.

Impairment losses on assets

Our impairment loss on assets was RMB23.7 million in the nine months ended September 30, 2021, representing an increase of RMB11.2 million, or approximately 89.6%, from RMB12.5 million in the nine months ended September 30, 2020, which was mainly attributable to impairment losses in a grinding plant.

Gains/(Losses) on asset retirement

Our loss from asset retirement was RMB1.8 million in the nine months ended September 30, 2021, as compared with a gain from asset retirement of RMB10.1 million in the nine months ended September 30, 2020, which was mainly attributable to a one-off disposal of large equipment in 2020.

Non-operating income

Our non-operating income was RMB24.0 million in the nine months ended September 30, 2021, representing an increase of RMB3.8 million, or approximately 18.8%, from RMB20.2 million in the nine months ended September 30, 2020, which was mainly attributable to our gains on disposal of fixed assets.

Non-operating expenses

Our non-operating expenses were RMB50.2 million in the nine months ended September 30, 2021, representing a decrease of RMB9.0 million, or approximately 15.2%, from RMB59.2 million in the nine months ended September 30, 2020, primarily due to a decrease in donations and the procurement of masks and sanitizers in relation to COVID-19 pandemic.

Profit before income tax

As a result of the foregoing, our profit before tax was RMB4,939.8 million in the nine months ended September 30, 2021, representing a decrease of RMB545.8 million, or approximately 9.9%, from RMB5,485.6 million in the nine months ended September 30, 2020.

Income tax expenses

Our income tax expenses remained relatively stable in the nine months ended September 30, 2020 and 2021, being RMB1,055.0 million and RMB1,045.4 million, respectively, which was in line with our gross profit.

Net profit for the period

As a result of the foregoing, our net profit for the period was RMB3,894.4 million in the nine months ended September 30, 2021, representing a decrease of RMB536.2 million, or approximately 12.1%, from RMB4,430.6 million in the nine months ended September 30, 2020.

Year Ended December 31, 2020 compared with the Year Ended December 31, 2019

Operating income

Our operating income was RMB29,356.5 million in 2020, representing a decrease of RMB2,082.7 million, or approximately 6.6%, from RMB31,439.2 million in 2019. This was mainly due to the decrease in the operating income of our cement segment, whilst we recorded an increase in the operating income of our concrete, clinker and aggregate businesses.

Operating income from cement business

Operating income from our cement business was RMB23,632.1 million in 2020, representing a decrease of RMB2,840.1 million, or approximately 10.7%, from RMB26,472.2 million in 2019. The decrease was mainly due to the decrease in both the sales volume and the ASP of our cement products. The volume of cement sold decreased by 3.8%, from 74.2 million tons in 2019 to 71.4 million tons in 2020, and the ASP of our cement products decreased from RMB356.8 per ton in 2019 to RMB331.1 per ton in 2020, primarily due to decreased social and economic activities under the impact of COVID-19 pandemic, including the halting of most construction projects.

Operating income from clinker business

Operating income from our clinker business was RMB1,312.8 million in 2020, representing an increase of RMB525.6 million, or approximately 66.8%, from RMB787.2 million in 2019. Our sales volume of clinker increased from 2.7 million tons in 2019 to 4.6 million tons in 2020, primarily because (i) our production capacity increased as we started operation of the new production facilities, and (ii) we sold a larger portion of the clinker we produced in response to the market price change.

Operating income from concrete business

Operating income from our concrete business slightly increased from RMB1,810.7 million in 2019 to RMB1,879.6 million in 2020 due to increased sales.

Operating income from aggregate business

Operating income from our aggregate business was RMB1,183.1 million in 2020, representing an increase of RMB150.0 million, or approximately 14.5%, from RMB1,033.2 million in 2019. The increase was mainly attributable to increased sales volume of aggregate by 31.0% from 17.6 million tons in 2019 to 23.1 million tons in 2020, primarily because we strategically expanded our aggregate production capacity.

Operating income from other businesses

Operating income from other businesses was RMB1,143.9 million in 2020, which was relatively stable compared with RMB1,150.4 million in 2019.

Operating cost

Our operating costs were RMB17,440.2 million in 2020, representing a decrease of RMB1,185.1 million, or approximately 6.4%, from RMB18,625.3 million in 2019. This was generally in line with the decrease in our operating income. Our operating costs for concrete slightly decreased from RMB1,388.3 million in 2019 to RMB1,352.6 million in 2020, while the sales volume of concrete increased from 4.2 million cubic meters in 2019 to 4.6 million cubic meters in 2020, primarily because we adopted the strategy of integrated concrete production, under which we used the aggregate and cement produced by ourselves as raw materials for our own concrete production.

Gross profit and Gross profit margin

Our gross profit was RMB11,916.3 million in 2020, representing a decrease of RMB897.6 million, or approximately 7.0%, from RMB12,813.9 million in 2019, which was mainly attributable to the decrease in the operating income of our cement business. Our gross profit margin was 40.6% in 2020, which was relatively stable compared with 40.8% in 2019.

Gross profit of our cement segment decreased by 12.7% from RMB11,013.0 million in 2019 to RMB9,619.4 million in 2020, primarily due to the decrease in the operating income of our cement business as a result of the decrease in both sales volume and ASP of our cement product. The gross profit margin of our cement segment remained relatively stable being 41.6% in 2019 and 40.7% in 2020.

Gross profit of our clinker segment increased by 73.8% from RMB236.0 million in 2019 to RMB410.2 million in 2020, primarily driven by the increase of sales volume of clinker. The gross profit margin of our clinker segment was 31.2% in 2020, which was relatively stable compared with 30.0% in 2019.

Gross profit of our concrete segment increased by 24.8% from RMB422.3 million in 2019 to RMB527.0 million in 2020, primarily due to an increase in the operating income of our concrete business. The gross profit margin of our concrete segment increased from 23.3% in 2019 to 28.0% in 2020, mainly due to the decrease in price of the cement product as the major materials of our concrete business.

Gross profit of our aggregate segment increased by 10.7% from RMB669.1 million in 2019 to RMB740.6 million in 2020, primarily due to the increase in operating income of our aggregate business driven by the increase in sales volume of aggregate. The gross profit margin of our aggregate segment decreased from 64.8% in 2019 to 62.6% in 2020, mainly due to the decrease of ASP of our aggregate product as a result of the COVID-19 pandemic.

Gross profit of our other businesses increased by 42.3% from RMB348.6 million in 2019 to RMB495.9 million in 2020. The gross profit margin of our other businesses increased from 30.3% in 2019 to 43.4% in 2020, primarily attributable to the decrease in operating costs from the sales of mineral slag and our EPC engineering business.

Taxes and levies

Our taxes and levies were RMB510.4 million in 2020, representing a decrease of RMB19.6 million, or approximately 3.7%, from RMB530.0 million in 2019, which was mainly attributable to the decrease of operating income and tax preferential treatment in relation to the real property and land appreciation tax, as well as the deduction in payment of taxes and levies as a result of supportive regulatory policies issued by local governments in response to the COVID-19 pandemic.

Selling and distribution expenses

Our selling and distribution expenses were RMB2,022.7 million in 2020, which was stable compared with RMB2,048.5 million in 2019.

General and administrative expenses

Our general and administrative expenses were RMB1,587.2 million in 2020, which was stable compared with RMB1,558.5 million in 2019. Our consulting and audit expenses increased from RMB59.9 million in 2019 to RMB79.3 million in 2020, mainly consisting of consulting fees incurred for issuance of foreign debt and overseas merger and acquisition.

Research and development expenses

Our research and development expenses were RMB56.0 million in 2020, representing an increase of RMB18.7 million, or approximately 50.0%, from RMB37.3 million in 2019, which was mainly attributable to our expansion of research and development personnel and increased salaries.

Financial expenses

Our financial expenses were RMB305.7 million in 2020, representing an increase of RMB97.6 million, or approximately 46.9%, from RMB208.2 million in 2019, which was mainly attributable to increased exchange losses.

Other income

Our other income was RMB239.4 million in 2020, which was relatively stable compared with RMB241.5 million in 2019.

Investment income

Our investment income was RMB118.6 million in 2020, which was relatively stable compared with RMB108.5 million in 2019.

Impairment losses on credit

Our impairment loss on credit was RMB14.0 million in 2020, representing a decrease of RMB7.3 million, or approximately 34.3%, from RMB21.3 million in 2019, which was mainly attributable to decreased impairment loss of trade receivables and other receivables, amounting to RMB5.9 million and RMB1.4 million, respectively.

Impairment losses on assets

Our impairment losses on assets was RMB78.2 million in 2020, representing a decrease of RMB132.2 million, or approximately 62.8%, from RMB210.4 million in 2019, which was mainly attributable to the decrease in impairment loss of our fixed assets.

Gains on asset retirement

Our gains on asset retirement were RMB14.0 million in 2020, representing a decrease of RMB174.8 million, or approximately 92.6%, from RMB188.9 million in 2019, which was mainly attributable to the disposal of assets in our subsidiary in Nantong in 2019.

Non-operating income

Our non-operating income was RMB65.3 million in 2020, representing a decrease of RMB10.7 million, or approximately 14.1%, from RMB76.0 million in 2019, due to a higher gain from the disposal of outdated cement production equipment in 2019.

Non-operating expenses

Our non-operating expenses were RMB100.6 million in 2020, which was relatively stable compared with RMB103.8 million in 2019.

Profit before income tax

As a result of the foregoing, our profit before tax was RMB7,663.6 million in 2020, representing a decrease of RMB1,052.5 million, or approximately 12.1%, from RMB8,716.1 million in 2019.

Income tax expenses

Our income tax expenses were RMB1,490.1 million in 2020, representing a decrease of RMB205.2 million, or approximately 12.1%, from RMB1,695.3 million in 2019, primarily due to the decrease in our operating income.

Net profit for the period

As a result of the foregoing, our net profit for the period was RMB6,173.6 million in 2020, representing a decrease of RMB847.2 million, or approximately 12.1%, from RMB7,020.8 million in 2019.

Year Ended December 31, 2019 compared with the Year Ended December 31, 2018

Operating income

Our operating income increased by 14.5% to RMB31,439.2 million in 2019 from RMB27,466.0 million in 2018 as a result of our operating income growth in each of our cement, concrete, clinker, aggregate and other businesses segments.

Operating income from cement business

Operating income from our cement business was RMB26,472.2 million in 2019, representing an increase of RMB3,365.5 million, or approximately 14.6%, from RMB23,106.7 million in 2018. The increase in the operating income from the cement business was mainly due to the increase in the sales volume and the ASP of our cement product. The volume of cement sold increased by 9.2%, from 68.0 million tons in 2018 to 74.2 million tons in 2019, mainly due to the commencement of new cement production facilities in 2019. The ASP of our cement product increased from RMB340.0 per ton in 2018 to RMB356.8 per ton in 2019, primarily attributable to the implementation of tightened regulations on environmental protection and supply-side reforms of the cement industry by the PRC government.

Operating income from clinker business

Operating income from our clinker business was RMB787.2 million in 2019, representing an increase of RMB9.6 million, or approximately 1.2%, from RMB777.6 million in 2018, mainly due to the increase in the ASP of clinker from RMB282.9 per ton in 2018 to RMB287.1 per ton in 2019.

Operating income from concrete business

Operating income from our concrete business was RMB1,810.7 million in 2019, representing an increase of RMB456.0 million, or approximately 33.7%, from RMB1,354.7 million in 2018. The operating income from our concrete business increased mainly due to the increase in the sales volume and the ASP of our concrete product. The volume of concrete sold increased by 16.7%, from 3.6 million cubic meters in 2018 to 4.2 million cubic meters in 2019, primarily attributable to the sales volume contributed by the concrete batching plants previously not in operation. The ASP of our concrete product increased from RMB380.8 per cubic meter in 2018 to RMB427.8 per cubic meter in 2019, primarily attributable to the increase in the ASP of cement which is one of the major materials for the production of concrete.

Operating income from aggregate business

Operating income from our aggregate business was RMB1,033.2 million in 2019, representing an increase of RMB206.3 million, or approximately 24.9%, from RMB827.0 million in 2018. The increase was mainly due to the increases in sales volume and the ASP of our aggregate product. The volume of aggregate sold increased by 18.9%, from 14.8 million tons in 2018 to 17.6 million tons in 2019 driven by the increase in production capacity as we commenced operation of new production facilities. The ASP of our aggregate product increased slightly, from RMB57.0 per ton in 2018 to RMB58.7 per ton in 2019, driven by the suspension and closure of small scale aggregate manufacturers as a result of the tighter regulation of the aggregate industry by the regulatory authorities in China.

Operating income from other businesses

Operating income from our other businesses was RMB1,150.4 million in 2019, representing a decrease of RMB106.6 million, or approximately 8.5%, from RMB1,257.0 million in 2018, mainly due to the decrease in the sales of our EPC engineering business in 2019.

Operating costs

Our operating costs were RMB18,625.3 million in 2019, representing an increase of RMB2,050.1 million, or approximately 12.4%, from RMB16,575.2 million in 2018. This increase was in line with our business growth.

Gross profit and gross profit margin

Our gross profit increased by 17.7% from RMB10,890.8 million in 2018 to RMB12,813.9 million in 2019. The increase in our gross profit was primarily due to increases in the sales volume and ASP of cement, concrete and aggregate. Our overall gross profit margin was 40.8% in 2019, which was relatively stable compared with 39.7% in 2018.

- Gross profit of our cement segment increased by 16.8% from RMB9,429.4 million for the year ended December 31, 2018 to RMB11,013.0 million for the year ended December 31, 2019. The gross profit margin of our cement segment remained stable at 40.8% in 2018 compared with 41.6% in 2019.

- Gross profit of our clinker segment increased by 0.6% from RMB234.7 million for the year ended December 31, 2018 to RMB236.0 million for the year ended December 31, 2019. The gross profit margin of our clinker segment remained relatively stable at 30.0% in 2019 compared with 30.2% in 2018.

- Gross profit of our concrete segment increased by 32.4% from RMB318.9 million for the year ended December 31, 2018 to RMB422.3 million for the year ended December 31, 2019. The gross profit margin of our concrete segment remained relatively stable at 23.3% in 2019 compared with 23.5% in 2018.

- Gross profit of our aggregate segment increased by 26.8% from RMB527.9 million for the year ended December 31, 2018 to RMB669.1 million for the year ended December 31, 2019. The gross profit margin of our aggregate segment remained relatively stable at 64.8% in 2019 compared with 63.8% in 2018.

Taxes and levies

Our taxes and levies were RMB530.0 million in 2019, representing an increase of RMB29.8 million, or approximately 6.0%, from RMB500.2 million in 2018. This increase was primarily attributable to the increase in our real property tax, environment protection fee and other tax, which was in line with our business growth.

Selling and distribution expenses

Our selling and distribution expenses were RMB2,048.5 million in 2019, representing an increase of RMB346.7 million, or approximately 20.4%, from RMB1,701.8 million in 2018. This increase was mainly attributable to the increases in packaging materials costs, staff costs of performance pay and transportation expenses as a result of our business growth.

General and administrative expenses

Our general and administrative expenses were RMB1,558.5 million in 2019, representing an increase of approximately 16.6%, from RMB1,336.8 million in 2018. This increase was primarily due to increases in the staff costs of performance pay which was in line with our business growth. Our consulting and audit expenses increased from RMB36.9 million in 2018 to RMB59.9 million in 2019, mainly representing the increase in consulting fees related to issuance of foreign debt.

Research and development expenses

Our research and development expenses were RMB37.3 million in 2019, representing an increase of RMB26.5 million, or approximately 245.4%, from RMB10.8 million in 2018, which was mainly attributable to our investment in research and development with respect to the new materials, production technology and odor prevention technology.

Financial expenses

Our financial expenses were RMB208.2 million in 2019, representing a decrease of RMB257.4 million, or approximately 55.3%, from RMB465.6 million in 2018. This was primarily due to the decrease in interest expense as a result of the decrease in our bank borrowings, as well as the decrease in exchange losses.

Other income

Our other income was RMB241.5 million in 2019, representing a decrease of RMB15.5 million, or approximately 6.0%, from RMB257.0 million in 2018, which was mainly attributable to a decrease of VAT refund for comprehensive utilization of resources under the relevant tax preferential treatment regulations for environmental protection. This decrease in such tax refund was mainly due to the decrease in the usage of industry waste for production of cement product, which was entitled to the VAT refund in 2019.

Investment income

Our investment income was RMB108.5 million in 2019, representing an increase of RMB25.0 million, or approximately 29.9%, from RMB83.5 million in 2018, which was mainly attributable to the increase in income from long-term equity investments under the equity method in relation to our associate in Rikaze, Tibet.

Impairment losses on credit

Our impairment loss on credit was RMB21.3 million in 2019, mainly attributable to the impairment loss of trade receivables of RMB17.0 million and the impairment loss of other receivables RMB4.3 million based on our evaluation of the risks and solvency of the relevant customers when such receivables were due. We did not record a credit impairment loss in 2018 because the impairment loss of trade receivables of RMB23.0 million and the impairment loss of other receivables of RMB2.8 million were recognized in impairment losses on assets in 2018. After we applied the new accounting standards in 2019, the impairment loss of trade receivables and the impairment loss of other receivables were recognized under credit impairment loss.

Impairment losses on assets

Our impairment loss on assets was RMB210.4 million in 2019, representing an increase of RMB143.3 million, or approximately 213.5%, from RMB67.1 million in 2018, which was mainly attributable to increases in our fixed asset impairment loss as a result of the asset impairment of certain facilities which ceased operation, intangible asset impairment loss due to the impairment of mining rights because the underlying mines suspended production, goodwill impairment loss as well as the inventory impairment loss.

Gains on disposal of assets

Our gains on disposal of assets were RMB188.9 million in 2019, representing an increase of RMB171.2 million, or approximately 971.6%, from RMB17.6 million in 2018, which was mainly attributable to an increase in gains from the disposal of fixed assets.

Non-operating income

Our non-operating income was RMB76.0 million in 2019, representing an increase of RMB55.3 million, or approximately 267.6%, from RMB20.7 million in 2018. This increase was primarily due to gains on the disposal of non-current assets in relation to our subsidiary in Nantong, Jiangsu.

Non-operating expenses

Our non-operating expenses were RMB103.8 million in 2019, representing an increase of RMB44.0 million, or approximately 73.6%, from RMB59.8 million in 2018, primarily due to (i) the payment of RMB15.9 million made in relation to an isolated contract dispute in 2012 and (ii) charity donations of RMB16.7 million, mainly consisting of our donations of cement, materials and funds to neighboring communities and institutions, of which RMB13.2 million was on a one-off basis.

Profit before income tax

As a result of the foregoing, our profit before tax was RMB8,716.1 million in 2019, representing an increase of RMB1,585.1 million, or approximately 22.2%, from RMB7,131.1 million in 2018.

Income tax expenses

Our income tax expenses were RMB1,695.3 million in 2019, representing an increase of RMB269.8 million, or approximately 18.9%, from RMB1,425.6 million in 2018, primarily due to the increase in our taxable income.

Net profit for the year

As a result of the foregoing, our net profit for the year was RMB7,020.8 million in 2019, representing an increase of RMB1,315.3 million, or approximately 23.1%, from RMB5,705.5 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our working capital primarily from cash generated from our business operations, bank and other borrowings, corporate bonds, and equity contributions from our shareholders.

As of July 31, 2021, we had aggregate cash and cash equivalents of RMB6,840.5 million.

The Directors are of the opinion that, taking into account the financial resources available to us including internally generated funds and the available banking facilities, the working capital available to us is sufficient for our present requirements and for at least the next 12 months from the date of this document.

Our Directors confirm that we had no material defaults in payment of trade and non-accounts payables and bank borrowings, or any breach of financial covenants during the Track Record Period.

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows, current assets and current liabilities, and indebtedness.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
			(RMB in millions)		
				(unaudited)	
Net cash flow from operating activities	7,899.6	9,679.2	8,405.5	5,652.1	3,567.1
Net cash flow from investing activities	(1,828.9)	(4,486.7)	(5,008.0)	(3,396.4)	(2,926.3)
Net cash flow from financing activities	(4,383.9)	(5,506.9)	187.7	(1,658.3)	(1,471.2)
Effect of foreign exchange rate changes on cash and cash equivalents	17.1	(3.5)	(83.2)	(32.9)	(2.5)
Net (decrease)/increase in cash and cash equivalents	1,703.9	(317.9)	3,501.9	564.5	(832.9)
Opening balance of cash and cash equivalents	3,532.3	5,236.2	4,918.3	4,918.3	8,420.2
Closing balance of cash and cash equivalents	5,236.2	4,918.3	8,420.2	5,482.8	7,587.3

Net cash flow from operating activities

Our cash flows generated from operating activities consist primarily of operating income from our businesses. Cash flows from operating activities reflect (i) profit before taxation adjusted for non-cash and non-operating items (such as depreciation, amortization and financial expenses); (ii) the effects of movements in working capital (such as increases or decreases in inventories, increases or decreases in accounts receivables, increases or decreases in prepayments and other receivables, and increases or decreases in accounts payables); and (iii) other cash items (such as income tax paid).

In the nine months ended September 30, 2021, our net cash generated from operating activities was RMB3,567.1 million. This net cash from operating activities was mainly attributable to (i) cash received from the sale of goods and rendering of services of RMB21,240.6 million, (ii) cash received relating to other operating activities of RMB261.7 million, and (iii) refund of taxes of RMB70.9 million, partially offset by (i) cash paid for goods and services of RMB12,961.0 million, (ii) cash paid for all types of taxes of RMB2,394.3 million, (iii) cash paid to and for employees of RMB2,192.6 million and (iv) cash paid relating to other operating activities of RMB458.2 million.

In 2020, we had net cash generated from operating activities of RMB8,405.5 million. This net cash from operating activities was mainly attributable to (i) cash received from the sale of goods and rendering of services of RMB30,838.5 million, (ii) refund of taxes of RMB166.5 million, and (iii) cash received relating to other operating activities of RMB219.4 million, partially offset by (i) cash paid for goods and services of RMB16,116.1 million, (ii) cash paid to and for employees of RMB2,480.4 million, (iii) cash paid for all types of taxes of RMB3,372.1 million and (iv) cash paid relating to other operating activities of RMB840.3 million as well as (v) cash paid for listing fees of RMB10.0 million.

In 2019, our net cash generated from operating activities was RMB9,679.2 million. This net cash from operating activities was mainly attributable to (i) cash received from the sale of goods and rendering of services of RMB35,151.7 million, (ii) refund of taxes of RMB170.4 million, and (iii) cash received relating to other operating activities of RMB360.3 million, partially offset by (i) cash paid for goods and services of RMB18,289.1 million, (ii) cash paid to and for employees of RMB2,735.2 million, (iii) cash paid for all types of taxes of RMB4,068.3 million and (iv) cash paid relating to other operating activities of RMB910.7 million.

In 2018, our net cash generated from operating activities was RMB7,899.6 million. This net cash from operating activities was mainly attributable to (i) cash received from the sale of goods and rendering of services of RMB30,517.8 million, (ii) refund of taxes of RMB183.9 million, and (iii) cash received relating to other operating activities of RMB158.1 million, partially offset by (i) cash paid for goods and services of RMB16,418.3 million, (ii) cash paid to and for employees of RMB2,238.3 million, (iii) cash paid for all types of taxes of RMB3,574.3 million and (iv) cash paid relating to other operating activities of RMB729.4 million.

Net cash flow from investing activities

Our net cash used in investing activities consists primarily of payment for the purchase of properties and intangible assets, acquisition of subsidiaries and association, net of cash acquired, and payment for the purchase of other financial assets. Our cash inflows from investing activities consist primarily of proceeds from the disposal of other financial assets, properties and other assets.

In the nine months ended September 30, 2021, our net cash used in investing activities was RMB2,926.3 million. This net cash used in investing activities was mainly attributable to (i) cash paid for the acquisition of fixed assets, intangible assets and other long-term assets of RMB3,343.4 million, (ii) cash paid for investments of RMB1,000.0 million, and (iii) net cash payments for acquisition of subsidiaries and other business units of RMB328.5 million, partially offset by (i) cash receipts from disposal and recovery of investment of RMB1,700.0 million, (ii) net cash received from the disposal of fixed assets, intangible assets and other long-term assets of RMB23.9 million, (iii) cash received from investments income of RMB16.1 million, and (iv) other cash receipts relating to investing activities of RMB5.6 million.

In 2020, our net cash used in investing activities was RMB5,008.0 million. This net cash used in investing activities was mainly attributable to (i) cash paid for the acquisition of fixed assets, intangible assets and other long-term assets of RMB3,589.7 million, (ii) cash paid for investments of RMB1,650.0 million and (iii) cash payment for acquisition of subsidiaries of RMB684.7 million, partially offset by (i) cash received from investments of RMB650.1 million, (ii) cash received from investment income of RMB5.5 million, (iii) net cash received from the disposal of fixed assets, intangible assets and other long-term assets of RMB52.5 million, (iv) net cash received from the disposal of subsidiaries and other associations of RMB171.9 million and (v) other cash receipts relating to investing activities of RMB36.4 million.

In 2019, our net cash used in investing activities was RMB4,486.7 million. This net cash used in investing activities was mainly attributable to (i) cash paid for the acquisition of fixed assets, intangible assets and other long-term assets of RMB4,122.1 million, (ii) cash paid for investments of RMB1,921.4 million, and (iii) the net cash paid by subsidiaries and other associations of RMB628.5 million, partially offset by (i) cash received from investments of RMB1,901.1 million, (ii) cash received from investment income of RMB181.5 million, (iii) net cash received from the disposal of fixed assets, intangible assets and other long-term assets of RMB101.1 million, and (ii) net cash received from disposal of subsidiaries and other associations of RMB1.5 million.

In 2018, our net cash used in investing activities was RMB1,828.9 million. This net cash used in investing activities was mainly attributable to (i) cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB2,215.9 million, (ii) cash paid for investments of RMB2,750.0 million, (iii) net cash paid by subsidiaries and other associations of RMB173.7 million, and (iv) cash paid for other related investments of RMB5.7 million, partially offset by (i) cash received from investments of RMB3,000.0 million, (ii) cash received from investment income of RMB14.8 million, (iii) net cash received from the disposal of fixed assets, intangible assets and other long-term assets of RMB300.2 million, and (iv) net cash received from disposal of subsidiaries and other associations of RMB1.5 million.

Net cash flow from financing activities

Financing activities primarily include capital injections, loans and borrowings, repayments of bank loans and related parties' loans, payment of interest expense and payment for other financing activities.

In the nine months ended September 30, 2021, our net cash used in financing activities was RMB1,471.2 million. The net cash used in financing activities was mainly attributable to (i) cash paid for dividends, profit distributions or interest of RMB2,507.3 million, (ii) cash repayments of borrowings of RMB2,100.4 million, and (iii) cash paid for other activities related to financing of RMB52.4 million, partially offset by (i) cash received from borrowings of RMB1,613.5 million, (ii) cash received from bond issuance of RMB1,297.5 million, (iii) cash receipts from capital contributions of RMB153.3 million, and (iv) other cash recepits relating to financing activities of RMB124.5 million.

In 2020, our net cash generated from financing activities was RMB187.7 million. The net cash used in financing activities was mainly attributable to (i) cash repayments of borrowings of RMB1,115.3 million, (ii) cash paid for dividends, profit distributions or interest of RMB2,975.9 million, and (iii) cash paid for other activities related to financing of RMB707.0 million, partially offset by (i) funds from the absorption of investment of RMB112.3 million, (ii) cash received from borrowings of RMB2,914.3 million, and (iii) cash received from the issuance of bonds of RMB1,959.3 million.

In 2019, our net cash used in financing activities was RMB5,506.9 million. The net cash used in financing activities was mainly attributable to (i) cash repayments of borrowings of RMB3,990.6 million, (ii) cash paid for dividends, profit distributions or interest of RMB2,480.3 million, and (iii) cash paid for other activities related to financing of RMB203.8 million, partially offset by (i) funds from the absorption of investment of RMB36.4 million, (ii) cash received from borrowings of RMB993.5 million and (iii) cash received relating to other financing activities of RMB137.9 million.

In 2018, our net cash used in financing activities was RMB4,383.9 million. The net cash used in financing activities was mainly attributable to (i) cash repayments of borrowings of RMB4,378.4 million, (ii) cash paid for dividends, profit distributions or interest of RMB1,084.7 million, and (iii) cash paid for other activities related to financing of RMB181.4 million, partially offset by (i) funds from the absorption of investment of RMB10.5 million, (ii) cash received from borrowings of RMB1,232.0 million and (iii) cash received relating to other financing activities of RMB18.2 million.

Working Capital

Our liquidity requirements primarily relate to working capital needs, capital expenditures, debt services and business acquisitions. We have historically met our working capital and other liquidity requirements. Our principal sources of liquidity are cash generated from our operations, various short-term and long-term bank borrowings and lines of credit, and corporate bonds. We also from time to time generate cash from various investment activities, including dividends from our investments and proceeds from the disposal of properties and investments.

For information about our banking facilities, see "— Indebtedness."

SELECTED STATEMENT OF BALANCE SHEET ITEMS

Net Current Assets

Details of our current assets and current liabilities for the Track Record Period are as follows:

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
			(RMB in millions)		
				(unaudited)	
Current assets					
Cash and bank balances	5,326.8	5,107.5	8,641.6	7,833.9	6,466.4
Held-for-trading financial assets	—	—	1,004.6	300.0	1,212.0
Financial assets measured at fair value through profit/loss	207.1	—	—	—	—
Notes receivable	1,548.9	97.7	79.9	556.3	—
Accounts receivable	524.5	561.9	653.2	1,397.7	1,099.7
Financing with receivables	—	1,308.8	1,020.3	526.4	445.7
Prepayments	323.7	258.8	378.6	540.4	538.7
Other receivables	375.4	486.0	375.3	369.6	545.8
Inventories	2,078.6	1,997.0	2,349.2	2,864.0	3,253.0
Other current assets(1)	165.4	330.7	631.9	608.8	671.1
Total current assets	10,550.5	10,148.5	15,134.6	14,997.1	14,232.4

Note:

(1) Other current assets mainly include retained input, prepaid income tax, other taxes prepaid, and payments related to equity merger and acquisition.

During the Track Record Period, our other current assets increased from RMB165.4 million as of December 31, 2018 to RMB330.7 million as of December 31, 2019, primarily due to an increase in prepaid value added tax. Our other current assets further increased to RMB631.9 million as of December 31, 2020, primarily due to an increase in retained input VAT as well as deposits related to our acquisition in Tanzania. Our other current assets remained relatively stable, being RMB608.8 million as of September 30, 2021 and RMB671.1 million as of January 31, 2022.

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
			(RMB in millions)		
				(unaudited)	
Current liabilities					
Short-term borrowings	621.0	197.0	625.0	522.0	547.0
Held-for-trading financial liabilities	—	—	—	3.6	—
Notes payable	—	191.5	472.7	337.0	622.0
Accounts payable	3,789.3	5,120.9	5,297.6	6,563.2	5,832.0
Advances from customers	638.7	616.1	—	—	—
Contract liabilities	—	—	830.5	859.8	944.2
Employee benefits payable	392.2	484.5	529.9	288.8	371.1
Taxes payable	935.7	965.6	1,186.2	955.6	900.9
Other payables	897.7	679.4	786.2	952.3	895.3
Of which: Interest payable	70.5	21.8	30.0	—	51.0
Dividend payable	160.6	34.3	63.8	—	56.8
Non-current liabilities due within one year	2,877.2	769.7	1,874.5	948.5	1,116.3
Total current liabilities	10,151.8	9,024.7	11,602.6	11,430.8	11,228.8
Net current assets	398.6	1,123.8	3,532.0	3,566.3	3,003.6

Our net current assets increased to RMB3,566.3 million as of September 30, 2021 from RMB3,532.0 million as of December 31, 2020, primarily due to a decrease in our current liabilities, partially offset by a decrease in our current assets. The slight decrease in our current assets was primarily due to (i) a decrease of RMB807.7 million in cash and bank balances, (ii) a decrease of RMB704.6 million in held-for-trading financial assets and (iii) a decrease of RMB493.9 million in financing with receivables. The decrease in our current liabilities was primarily due to (i) a decrease of RMB926.0 million in non-current liabilities due within one year, (ii) a decrease of RMB241.1 million in employee benefits payable, and (iii) a decrease of RMB230.6 million in taxes payables.

Our net current assets increased to RMB3,532.0 million as of December 31, 2020 from RMB1,123.8 million as of December 31, 2019, primarily because the increase in our current assets was greater than the increase in our current liabilities. The increase in our current assets was primarily attributable to (i) an increase of RMB3,534.1 million in cash and bank balances, (ii) an increase of RMB91.3 million in our accounts receivables and (iii) an increase of RMB352.2 million in our inventories. The increase in our current liabilities was primarily due to an increase of RMB1,104.8 million in our non-current liabilities due within one year.

Our net current assets increased significantly by 181.9% to RMB1,123.8 million as of December 31, 2019 from RMB398.7 million as of December 31, 2018, primarily due to an increase in our cash generated from operating activities in 2019 with which we repaid our bonds.

Non-current Assets

Details of our non-current assets and non-current liabilities for the Track Record Period are as follows:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
				(unaudited)
Non-current assets				
Non-current assets debt investments	N/A	7.5	7.5	7.5
Available-for-sale financial assets	60.5	N/A	N/A	N/A
Long-term receivables	29.3	29.1	29.1	33.4
Long-term equity investments	512.5	414.0	512.3	527.4
Other equity instrument investments	N/A	38.2	33.8	49.1
Other non-current financial assets	N/A	35.0	32.8	26.1
Fixed assets	16,118.9	16,718.1	19,185.6	19,878.6
Construction in progress	1,323.0	4,113.1	3,104.4	4,593.9
Right of use assets	N/A	N/A	N/A	163.1
Intangible assets	3,403.6	3,869.6	4,267.0	5,371.1
Development expenditure	–	0.4	2.0	8.9
Goodwill	447.5	476.0	476.0	611.1
Long-term prepaid expenses	376.2	328.6	363.7	516.4
Deferred tax assets	283.3	338.8	437.8	405.5
Other non-current assets	56.4	128.0	341.6	424.0
Total Non-current Assets	**22,611.0**	**26,496.9**	**28,793.9**	**32,616.1**
Non-current liabilities				
Long-term borrowings	2,444.2	2,039.5	3,504.3	4,127.9
Bonds payable	1,196.8	1,198.0	1,943.8	3,363.5
Lease liabilities	N/A	N/A	N/A	136.9
Long-term payables	261.7	82.0	191.0	334.9
Long-term employee benefits payable	124.2	124.6	127.2	57.3
Provisions	238.8	192.1	233.4	230.8
Deferred income	262.4	317.1	301.4	284.9
Deferred tax liabilities	162.2	299.7	284.9	287.5
Total Non-current Liabilities	**4,690.3**	**4,253.0**	**6,586.0**	**8,823.6**

Inventories

Our inventories include finished goods, raw materials, work in progress and spare parts.

The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
				(unaudited)
Raw materials	562.4	693.0	872.4	1,082.6
Work in progress	374.2	323.3	587.1	716.6
Finished goods	789.0	616.4	495.7	590.5
Spare parts	353.0	364.4	394.0	474.3
Total	2,078.6	1,997.0	2,349.2	2,864.0

Our inventories remained relatively stable at RMB1,997.0 million as of December 31, 2019 compared with RMB2,078.6 million as of December 31, 2018. Our inventories increased from RMB1,997.0 million as of December 31, 2019 to RMB2,349.2 million as of December 31, 2020, primarily due to the increase in the inventory of our cement products as well as the increase of our cement production capacity and operating costs. Our inventories increased from RMB2,349.2 million as of December 31, 2020 to RMB2,864.0 million as of September 30, 2021, primarily due to (i) an increase in the value of our semi-finished and finished goods resulting from rising unit costs of production, and (ii) increased level of inventory as the overall market demand decreased.

The following is an aging analysis of our inventories:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
Raw material and consumables				
Within one year	1,935.7	1,857.0	2,254.5	2,663.8
One to two years	108.1	86.3	91.9	177.2
Two to three years	20.4	68.2	53.5	29.3
Above three years	67.6	65.4	38.1	84.7
Account balance	2,131.8	2,076.9	2,438.0	2,954.9
Provision for decline in value of inventories	(53.2)	(79.9)	(88.8)	(90.9)
Total carrying amount	2078.6	1,997.0	2,349.2	2,864.0

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Inventory turnover days(1)	40.7	39.9	42.6	49.4

Note:

(1) Calculated as the average of the beginning and ending inventories for the year/period divided by operating costs for that year/period and multiplied by 365 days for a full-year period or 270 days for a nine-month period.

Our inventory turnover days remained stable at 40.7 days and 39.9 days for the years ended December 31, 2018 and 2019, respectively. Our inventory turnover days increased to 42.6 days in 2020, primarily due to the increase in the inventory of our cement product and raw materials driven by the lower sales volume as a result of the COVID-19 pandemic. Our inventory turnover days increased from 42.6 days in 2020 to 49.4 days in the nine months ended September 30, 2021, primarily representing an increase in the inventory of raw materials.

As of January 31, 2022, we had used or sold RMB2,742.6 million, or 92.8% of our balance of inventories as of September 30, 2021.

Accounts receivables

Our accounts receivables represent amounts in connection with the sales of our products due from our customers. Our accounts receivables increased from RMB524.5 million as of December 31, 2018 to RMB561.9 million as of December 31, 2019, and further increased to RMB653.2 million as of December 31, 2020, primarily as a result of an increase in sales of our concrete products. Our accounts receivables increased from RMB653.2 million as of December 31, 2020 to RMB1,397.7 million as of September 30, 2021, primarily due to increased accounts receivables from cement and concrete customers. The balance of account receivable with related parties are all trade in nature.

The following is an aging analysis of our accounts receivables:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
Within six months	329.1	406.1	545.2	1,129.9
Six to 12 months	46.1	59.1	38.6	169.9
One to two years	73.3	66.3	40.3	62.0
Two to three years	44.6	13.3	18.9	10.3
Above three years	31.4	17.1	10.2	25.6
Total	524.5	561.9	653.2	1,397.7

As of January 31, 2022, RMB1,070.6 million, or 76.6% of our accounts receivables as of September 30, 2021 had been settled. The following table sets forth the subsequent settlement as of December 31, 2021 for our accounts receivables aged within and above six months, respectively, as of September 30, 2021:

	Balance as of September 30, 2021	Subsequent settlement as of January 31, 2022	Percentage of subsequent settlement as of January 31, 2022
	(RMB in millions)		%
Within six months	1,129.9	939.1	83.1%
Above six months	267.8	131.5	49.1%
Total	1,397.7	1,070.6	76.6%

Depending on the credit history of our customers and their transaction amounts with us, we typically allow flexibility by offering a credit period of up to 60 days to our cement, clinker and concrete customers. As of September 30, 2021, RMB163.9 million of accounts receivables was considered impaired, primarily due to the amounts expected to be recoverable in the near future based on consideration of the solvency of the relevant customers. The following table sets forth our accounts receivables turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Accounts receivables turnover days[(1)]	7.8	6.3	7.6	12.3

Note:

(1) Calculated as the average of the beginning and ending accounts receivables for the year/period divided by operating income for that year/period and multiplied by 365 days for a full-year period or 270 days for a nine-month period.

Our accounts receivables turnover days decreased from 7.8 days in 2018 to 6.3 days in 2019, because we accelerated our trade receivable collection. Our accounts receivables turnover days increased from 6.3 days in 2019 to 7.6 days in 2020, primarily due to our slower collection of trade receivables in 2020, affected by the COVID-19 pandemic. Our accounts receivables turnover days further increased to 12.3 days in the nine months ended September 30, 2021, primarily due to increase in the receivables for cement and concrete, which are primarily collected at the end of June and December.

To strengthen the recovering outstanding receivables, we have established effective customer credit policies, implemented strengthened credit term review and approval procedures and strengthened the receivables management performance review with respect to the relevant sales personnel. To manage risk arising from trade receivables, we have policies in place to ensure that credit terms are made to customers with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. We assign the responsible person for accounts receivable collection for each credit sales transaction. The responsible sales team should notify the customer verbally at least one week prior to the expiration of the payment term. If the customer is overdue and cannot make immediate payment, the sales team will contact the customer and implement a payment plan to ensure the recoverability of the receivables. For claims that are more than six months overdue and claims with significant risks, such as refusal to pay, breach of contract, or abnormal customer operation, the sales team shall submit a report and, after approval by the senior management in charge, the case will be transferred to the legal department. Our legal department will handle disputes and initiate legal proceedings for collection if necessary. We have assessed the recoverability of the relevant outstanding trade receivables. Specifically, we monitor long-aging trade receivables closely, update the collection status on a regular basis, and perform an impairment analysis at the end of each period within the Track Record period. We have also taken more active steps to mitigate risk exposure to customers with trade receivables aged over six months by enhance the collection efforts twice a year, at the end of June and December, respectively.

During the Track Record Period, the accounts receivables were mainly due from large construction companies, which were historically settled timely. As of September 30, 2021, we had account receivables aged over six months of RMB267.8 million, accounting for 1.2% of our operating income in the nine months ended September 30, 2021. We had settled RMB131.5 million, or 49.1%, of such receivables as of January 31, 2022. We have assessed the recoverability of the relevant outstanding trade receivables, and have maintained frequent communications with our customers to ensure effective credit control. We believe that the risk of not being able to recover the relevant account receivables is relatively low primarily because (i) we have evaluated the customers' historical credit standings, and (ii) we have not had material collection issues with these customers in the past.

Our management performed below procedures on ECL assessment of account receivables to ensure the provision of ECL subjected to accounts receivables is sufficient: (a) assessing the reliability of related accounting policies and historical judgements adopted in ECL by reviewing the actual write-offs or losses of receivables during the historical period; (b) timely communicating with customers to confirm the balances of receivables; (c) assessing the collectability of accounts receivables by making regular aging analyses and taking into consideration of both current and future economic situations including the historical recoverabilities of the accounts receivables; (d) assessing these accounts receivables based on the financial and non-financial conditions of the customers and other external evidence and considerations; and (e) evaluating forward-looking macroeconomic data used in ECL model of accounts receivables. The provision for ECL is supported by the procedures mentioned above, and all ECL information has been fully disclosed on Appendix I-a of this prospectus. In light of the above, we believe that there is no recoverability issue of account receivables aged over six months as of September 30, 2021, and that sufficient provision has been made.

Prepayments

Our prepayments mainly consist of prepayments to our suppliers for purchases of coal, construction project deposits and other prepayments. During the Track Record Period, the prepayments were mainly for the purchase of coal.

The following is an aging analysis of our prepayments based on the invoice date:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
				(unaudited)
		(RMB in millions)		
Within one year	296.3	224.5	356.5	518.6
One to two years	23.8	18.7	14.0	8.6
Two to three years	2.8	14.3	1.7	6.1
Above three years	0.8	1.4	6.5	7.1
Total	323.7	258.8	378.6	540.4

Our prepayments fluctuated during the Track Record Period, being RMB323.7 million, RMB258.8 million, RMB378.6 million and RMB540.4 million as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. Such fluctuation was mainly due to the adjustment of the amount of coal we purchased from time to time, taking into account the current and expected market demand and prices.

Notes receivable

Our notes receivable are bank acceptance bills, which we typically accept from customers of our cement products.

As of December 31, 2019, the balance of our notes receivable was RMB97.7 million, representing a decrease of RMB1,451.2 million, or approximately 93.7%, from RMB1,548.9 million as of December 31, 2018. The decrease was mainly attributable to a decrease in the balance of bank acceptance bills as we classified RMB1,308.8 million of notes receivable as of December 31, 2019 as financing with receivables, while in 2018, such type of amount was classified as notes receivable. The balance of our notes receivable further decreased to RMB79.9 million as of December 31, 2020, primarily due to the decrease in our operating income. The balance of our notes receivable further increased to RMB79.9 million as of December 31, 2020 to RMB556.3 million as of September 30, 2021, primarily because we adjusted the risk levels of certain notes and reclassified the relevant receivables from financing with receivables to notes receivables.

The following table sets forth our notes receivables turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Notes receivables turnover days(1)	21.7	9.6	1.1	3.8

Note:

(1) Calculated as the average of the beginning and ending notes receivables for the year/period divided by operating income for that year/period and multiplied by 365 days for a full-year period or 270 days for a nine-month period.

Our notes receivables turnover days significantly decreased from 21.7 days in 2018 to 9.6 days in 2019, and further to 1.1 days in 2020, as we reclassified a portion of the notes receivables as financing with receivables as of January 1, 2019 under the revised CASBE No.22, see " — Financing with receivables" for details. Our notes receivables turnover days increased to at 3.8 days in the nine months ended September 30, 2021 in line with the increase of our notes receivables.

As of January 31, 2022, RMB487.3 million, or 87.6% of our notes receivables as of September 30, 2021 had been settled.

Financing with receivables

Our financing with receivables represents amounts of our notes receivables issued by the PRC banks with high credit rating, which mainly represent state-owned banks and certain national-wide commercial banks. The contractual terms of all the note receivables held by us give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. However, in the process of liquidity management, we will transfer certain note receivables before the due date. Specifically, we endorse certain notes receivable accepted by banks in the PRC to certain of our suppliers, in order to settle the trade payables due to such suppliers. Subsequent to the endorsement, we do not retain any rights on the use of the endorsed notes, including sale, transfer or pledge of the endorsed notes to any other third parties. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the endorsed notes have a right of recourse against us in one of the following cases: (i) the acceptance of the note is refused by the PRC bank in circumstances where (a) the debtors and the holders have direct debtor-creditor relationship; (b) the note was obtained by deception, theft or coercion, or the holder obtained the note which has been knowingly obtained by deception, theft or coercion out of ulterior motives; or (c) the time limit on the presentation for payment expires; (ii) the bank has been declared bankrupt according to law or whose business operations have been suspended due to violations of the law. For these notes receivables issued by banks with high credit rating, the possibilities of their default are remote.

Therefore, we consider that we have transferred substantially all the risks and rewards to relevant counterparties, and would derecognize note receivables that are endorsed and the associated trade payables. As advised by our PRC legal advisors, such arrangements are in compliance with relevant laws and regulations of the PRC.

The Guidance on the Application of Regulatory Rules — Accounting Class No. 2 issued by CSRC guides the judgment in relation to the objective of business model to "sell" the financial assets. An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If a financial asset is "sold" but not derecognized, it means that the entity will still realize economic benefits by collecting the contractual cash flows over the life of the financial asset, and this business model does not satisfy the situation of "generate an overall return by both holding and selling financial assets." Therefore, a "sale" in the business model of financial asset management should be a sale of a financial asset that meets the conditions for derecognition, whilst notes receivables that are not expected to meet the conditions for derecognition cannot be classified as "financing with receivables."

Accordingly, as of January 1, 2019, we classified the notes receivables of RMB1,435.3 million issued by the banks with high credit rating as financing with receivables, which are expected to meet the conditions for derecognition when certain notes receivables are endorsed. For the notes receivables of RMB113.6 million issued by the banks out of the list, we keep them in the notes receivables category and measure them at amortized costs.

Our financing with receivables decreased from RMB1,308.8 million as of December 31, 2019 to RMB1,020.3 million as of December 31, 2020, primarily due to the increase in our accounts payables settled through bank acceptance bills.

The following table sets forth our accounts receivables turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	**2019**	**2020**	**2021**
Financing with receivables turnover days[1]	N/A	7.6	14.5	9.3

Note:

(1) Calculated as the average of the beginning and ending financing with receivables for the year/period divided by operating income for that year/period and multiplied by 365 days for a full-year period or 270 days for a nine-month period.

As of January 31, 2022, RMB467.2 million, or 88.8% of our financing with receivables as of September 30, 2021 had been settled.

Other receivables

Our other receivables represent (i) interest receivable, (ii) dividends receivable and (iii) other receivables, primarily representing margin, deposits, and advances or loans to third-party companies.

Our other receivables increased by 29.5% from RMB375.4 million as of December 31, 2018 to RMB486.0 million as of December 31, 2019, then decreased by 22.78% to RMB375.3 million as of December 31, 2020, as we paid acquisition deposit to equity transferee for acquisitions in Tanzania and Sichuan in 2019. Our other receivables remained relatively stable at RMB375.3 million as of December 31, 2020 and RMB369.6 million as of September 30, 2021. The balances with related parties are mainly trade. As of September 30, 2021, the balance of non-trade receivable is RMB1.36 million, these non-trade balances have been settled in December 31, 2021.

As of January 31, 2022, RMB87.7 million, or 18.9% of our other receivables as of September 30, 2021 had been settled.

Margin and Deposits

During the Track Record Period, we had margin and deposits mainly consisting of (i) equity investment deposits, where we paid acquisition deposit to equity transferee; (ii) bidding and performance deposits paid to the bidding platform or customer, which would be returned after the bid or contract is closed without dispute; (iii) mine restoration deposit paid to the government, which would be returned upon acceptance of the mine restoration project; and (iv) land pre-application deposit paid before the land auction, which will be converted into land premium if the auction is successful and will be returned to the enterprise if the auction is not successful.

As of December 31, 2021, RMB49.2 million, or 18.2% of our margin and deposits as of September 30, 2021 had been utilized or refunded.

Advances and Loans to Third-party Companies

We also incurred advances to third-party companies and loans, mainly consisting of advances or loans to customers, partners and local government. The following table sets out a breakdown of our advances to third party companies by major debtors on a gross basis and on a net basis, respectively, as of the dates indicated:

	As of December 31,						As of September 30,	
	2018		2019		2020		2021	
Debtor	Gross Amount	Provision	Gross Amount	Provision	Gross Amount	Provision	Gross Amount	Provision
	(RMB in millions)							
Debtor A	27.0	(27.0)	27.0	(27.0)	27.0	(27.0)	27.0	(27.0)
Debtor B	–	–	–	–	10.9	–	10.9	–
Debtor C	12.5	(0.4)	12.5	(0.4)	8.5	(0.4)	8.5	(0.4)
Debtor D	–	–	38.9	(38.9)	38.9	(38.9)	38.9	(38.9)
Debtor E	23.8	(22.3)	25.4	(22.3)	26.6	(22.3)	27.2	(22.3)
Others	15.6	(11.7)	31.7	(11.8)	41.0	(11.5)	49.8	(11.7)
Total	78.9	(61.4)	135.5	(100.4)	152.9	(100.1)	162.3	(100.3)

The following table sets out an aging analysis based on their respective due dates, as of December 31, 2021:

Debtor	Due Date	Overdue
Debtor A	October 28, 2014	more than three years
Debtor B	June 23, 2021	within one year
Debtor C	April 24, 2019	two to three years
Debtor D	N/A	more than three years
Debtor E	N/A	more than three years

The following table sets out an aging analysis of our net balance of advances to third party companies based on the due dates, as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
				(unaudited)
	(RMB in millions)			
Within one year	11.8	21.0	21.6	11.1
One to two years	4.9	10.1	21.0	21.3
Two to three years	–	3.6	9.9	19.5
Above three years	0.7	0.4	0.4	10.1
Total	17.4	35.1	52.9	62.0

As of December 31, 2021, RMB2.6 million, or 1.6% of our advances to third party companies as of September 30, 2021 had been utilized or refunded.

As advised by our PRC Legal Adviser, Article 61 of the *General Lending Provisions* (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. Further, pursuant to Article 73 of the *General Lending Provisions*, the PBOC may impose on a non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisers further advised, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in *the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which came into effect on September 1, 2015 and was amended on January 1, 2021. The validity of inter-company loan agreements which are for the needs of production and operation should be generally supported by the people's courts except they fall into the invalid contract circumstances regulated under the Judicial Interpretations on Private Lending Cases aforementioned or PRC Civil Code (《中華人民共和國民法典》). According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of laws and regulations.

If such lending is for business operation purposes and does not fall into situations that lead to invalidity of a contract under PRC Civil Code and Judicial Interpretations on Private Lending Cases, then the relevant private lending agreements shall be legal and valid, and PRC courts shall support a company's claim for interest in respect of such private lending as long as the annual interest rate does not exceed four times of the applicable loan prime rate at the time of the agreement. As such, our PRC Legal Advisors have advised that since the advances to such third party companies were incurred for our Group's normal business operation purposes, such advances will be deemed enforceable in a court of law of the PRC and are not in violation of the mandatory provisions of laws and regulations of the PRC. Based on the above and the due diligence performed, and taking into account of the facts that such advances are for business operation purposes and the applicable annual interest rate are substantially less than four times of the applicable loan prime rate at the time of the relevant agreements, nothing has come to the Sole Sponsor's attention which would reasonably cast doubt on the above view of the PRC Legal Advisors that there is no violation of the mandatory provisions of laws and regulations of the PRC.

Recoverability of Other Receivables

We closely review other receivable balances on an ongoing basis and assess the recoverability of past due balances. When there is clear evidence that we will not be able to collect the receivables in accordance with their original terms, we provide for impairment and determine the amount on a case-by-case basis, which is the difference between the estimated present value of future cash flows and the carrying amount of the receivables.

The following table sets out the subsequent settlement as of January 31, 2022 for our other receivables as of September 30, 2021 by category:

Nature	Gross balance as of September 30, 2021	Bad debt provision as of September 30, 2021	Net balance as of September 30, 2021	Subsequent settlement as of January 31, 2022	Percentage of subsequent settlement as of January 31, 2022
		(RMB in millions)			*(%)*
Interest receivable	0.1	–	0.1	0.1	100.0
Dividends receivable	–	–	–	–	–
Other receivables	472.2	102.8	369.5	87.7	18.6
Margin and Deposit	270.7	1.4	269.3	51.4	19.0
Advances and Loans to Third-party Companies	162.3	100.3	62.0	2.6	1.6
Others	39.2	1.1	38.2	33.7	86.0
Total	472.3	102.8	369.6	87.8	18.6

The collection of margin and deposits is primarily dependent on the completion of operations, performance or obligations. For example, we paid performance deposits to certain customers to guarantee supply under relevant contracts, and these deposits are returned at the end of the contracts. In addition, we paid mine restoration deposit to the government, which is returned after the acceptance of the mine restoration project. Upon reviewing the specific contracts and projects, we believe the associated credit risk is relatively low. However, the collection cycle of such margin and deposits could be long, as the margin and deposits are typically required for long-term contracts and projects.

For loans and advances, we assess the recoverability on a case-by-case basis, taking into account historical collection experience, the financial condition of the relevant debtors and the age of such loans or advances. We have agreed with certain debtors on the payment schedule, and therefore expect to recover the relevant balance within a reasonable period of time in the future. In addition, we provide partial or full provision when we have objective evidence that a particular debtor will default on its obligations. We set out the basis for our Directors' decision to provide provision in each case:

Debtor	**Current status**
Debtor A	Debtor A is a minority shareholder of one of our subsidiaries and has accounts receivable that are primarily for concrete sales and payment collection on behalf of us. In 2014, we recognized the receivables with Debtor A in the form of debt. Due to Debtor A's current operational difficulties, we are currently pursuing recovery through litigation. We have frozen its equity interest in the subsidiary and made a full provision for bad debts.
Debtor B	Debtor B is a PRC government-affiliated enterprise, with whom we entered into collaboration to develop a mine. Debtor B borrowed RMB10.9 million from us in 2020 to address its early stage funding issues, which is expected to be recovered by 2024. No provision has been made as we have not identified recoverability issues.
Debtor C	Debtor C is a PRC government-affiliated enterprise and borrowed RMB12.5 million from us to build a road for our factory. Debtor C had repaid RMB4.0 million as of September 30, 2021 and further repaid RMB2.0 million as of December 31, 2021. As Debtor C has been making repayments continuously, we consider that there is no significant recoverable risk for the debt and have only provided partial provision for the disputed amount.

Debtor	Current status
Debtor D	Debtor D, a PRC local government in the area where we operated, requested us to advance the cost of construction in 2012 to build a road for our factory. Debtor D was responsible for management of the road upon completion. The project was constructed from 2014 to 2017 and a settlement amount of RMB38.93 million was recognized. However, due to financial constraints, no refund has been received and a full provision has been made under the principle of prudence.
Debtor E	Debtor E is a minority shareholder of a subsidiary we acquired in 2017, and its accounts receivable balance mainly represents various subsidies and work injury reimbursements advanced by the minority shareholder for the former retired employees. Debtor E agreed to repay us with its future dividends. However, the subsidiary had no distributable profits due to long-term losses. We have provided full provision, considering Debtor E's operation situation and inability to repay.

For the rest of other receivables, our senior management perform impairment analysis at the end of each reporting period using a provision matrix to measure ECL. We adjust judgment and selecting inputs for computing such impairment loss, broadly based on the available customer or third-party companies' historical data, existing market conditions, including forward looking estimates, at the end of each reporting period. In light of the above, we believe that the collectability of other receivables has been adequately assessed and sufficient provision has been made.

Notes payable

During the Track Record Period, our notes payable represent bank acceptance bills. Our notes payable increased from nil as of December 31, 2018 to RMB191.5 million as of December 31, 2019, and then significantly increased to RMB472.7 million as of December 31, 2020. The increase in notes payable in 2020 was primarily due to the issuance of bank acceptance bills to settle our purchases of raw materials and energy from suppliers, as a form of payment method under the preferential policies during COVID-19 pandemic. Our notes payable decreased from RMB472.7 million as of December 31, 2020 to RMB337.0 million as of September 30, 2021 due to the termination of such policies.

Accounts payables

Our accounts payables mainly represent the amounts due to our suppliers for purchases of raw materials, construction and equipment, transportation services, utility charges and others.

The following table sets forth details of our accounts payables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
				(unaudited)
		(RMB in millions)		
Payables for raw materials	2,371.9	2,435.5	3,060.8	3,388.3
Payables for construction and equipment	934.7	2,138.3	1,653.4	2,581.7
Payables for transportation services	191.9	246.6	243.8	264.5
Payables for utility charges	93.0	120.3	140.3	116.6
Others	197.8	180.2	199.4	212.1
Total	3,789.3	5,120.9	5,297.6	6,563.2

Our accounts payables increased from RMB3,789.3 million as of December 31, 2018 to RMB5,120.9 million as of December 31, 2019, decreased to RMB5,297.6 million as of December 31, 2020, and then increased to RMB6,563.2 million as of September 30, 2021, primarily due to fluctuations in the payables for raw materials and the spare parts driven by the construction of production facilities. The balance of accounts payables with related parties are all trade in nature.

The following table sets forth our accounts payables turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Accounts payables turnover days(1)	87.3	87.3	109.0	112.3

Note:

(1) Calculated as the average of the beginning and ending accounts payables for the year/period divided by operating costs for that year and multiplied by 365 days for a full-year period or 270 days for a nine-month period.

Our accounts payables turnover days remained stable in 2018 and 2019. Our accounts payables turnover days increased from 87.3 days in 2019 to 109.0 days in 2020, primarily due to the growth in accounts payables being faster than the growth in operating costs. Our accounts payables turnover days remained relatively stable at 109.0 days in 2020 and 112.3 days in the nine months ended September 30, 2021.

As of January 31, 2022, RMB3,067.3 million, or 46.7% of our accounts payables as of September 30, 2021 had been settled.

Advances from customers

Our retail customers and distributors are required to make payment for purchases of our products in advance. Our advances from customers are mainly payments from customers for purchases of our cement and other products. Our advances from customers were RMB638.7 million as of December 31, 2018 and RMB616.1 million as of December 31, 2019. We did not record advances from customers as of December 31, 2020 because advances from customers of RMB830.5 million have been accounted for as contract liabilities as of December 31, 2020 due to the adoption of new accounting standards.

Contract liabilities

Our contract liabilities are mainly advances from customers for purchases of cement and other products. The contract liabilities were RMB830.5 million as of December 31, 2020. We did not record contract liabilities as of December 31, 2019 because we accounted such amounts as advances from customers as of December 31, 2018 and 2019 before we applied the new accounting standards for contract liabilities as of December 31, 2020. Our contract liabilities increased from RMB616.1 million as of December 31, 2019 to RMB830.5 million as of December 31, 2020, primarily due to an increased demand for cement as several major construction projects commenced and, as a result, the increase in advance payments from customers. Our contract liabilities increased from RMB830.5 million as of December 31, 2020 to RMB859.8 million as of September 30, 2021, primarily due to the increase in advance payments from customers as a result of seasonal fluctuations in demand.

Other payables

Our other payables mainly include (i) interest payables; (ii) dividend payables; and (iii) other payables; which include (a) payables for equity acquisition and current accounts; (b) current account with minority shareholders; (c) margin and deposit; (d) collection and payment; (e) government borrowing; and (f) others.

The following table sets out the breakdown of our other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
				(unaudited)
	(RMB in millions)			
Interest payables	70.5	21.8	30.0	30.6
Dividend payables	160.6	34.3	63.8	121.5
Other payables	666.6	623.4	692.4	800.2
Including: Payables for equity acquisition accounts	249.2	113.9	218.0	260.4
Current account with non-controlling shareholders	141.0	220.2	187.6	179.3
Margin and deposit	126.7	158.7	178.1	219.8
Collection and payment	32.5	29.3	13.6	14.3
Government borrowing	30.6	9.0	5.0	5.0
Others	86.4	92.2	90.0	121.4
Total	897.7	679.4	786.2	952.3

Our other payables decreased from RMB897.7 million as of December 31, 2018 to RMB679.4 million as of December 31, 2019, primarily due to the decrease of RMB126.3 million in dividend payables and the decrease of RMB48.7 million in interest payables. Our other payables increased from RMB679.4 million as of December 31, 2019 to RMB786.2 million as of December 31, 2020, primarily due to an increase of payables for equity acquisition accounts. Our other payables increased from RMB786.2 million as of December 31, 2020 to RMB952.3 million as of September 30, 2021, primarily due to the increase of RMB57.7 million in dividend payables. In addition, we have dividends payable to Holchin B.V., the settlement of which is conditional upon Holchin B.V. providing materials regarding the applicability of discounted withholding tax rate, and we do not expect to settle these dividends prior to the Listing. The dividends payable due to one of our joint venture subsidiaries has been settled in the fourth quarter of 2021.

The balances with related parties are mainly trade. As of September 30, 2021, the balance of non-trade payable with related parties was RMB4.3 million, of which RMB2.3 million had been settled in December 31, 2021, the remaining amount will be settled prior to the Listing.

The following table sets forth a breakdown of our other payables during the Track Record Period:

	As of December 31,			As of September 30,	
	2018	2019	2020	2021	Nature
				(unaudited)	
	(RMB in millions)				
Payables for equity acquisitions	249.2	113.9	218.0	260.4	Purchase of equity in subsidiaries payable to former shareholders
Current account with non-controlling shareholders	141.0	220.2	187.6	179.3	Loans from non-controlling shareholders
Margin and deposit	126.7	158.7	178.1	219.8	Margin and deposit mainly represent performance deposits for construction in progress, dealer performance deposits, bid deposits or quality deposits for suppliers and performance deposits for transportation units.
Collection and payment for others	32.5	29.3	13.6	14.3	Collection and payment mainly refers to prepaid freight charges on behalf of the shipper. We usually collect the freight charges for the product from the customer and pay the shipper. The freight charges are agreed upon in advance by the shipper and the customer.
Borrowings from government	30.6	9.0	5.0	5.0	Loans from government to companies

Our payables for equity acquisition accounts decreased from RMB249.2 million as of December 31, 2018 to RMB113.9 million as of December 31, 2019, mainly due to payment for purchase of equity interest. Such payables increased to RMB218.0 million as of December 31, 2020, and further increased to RMB260.4 million as of September 30, 2021, primarily due to increased equity payable to the original shareholders after acquisitions.

Our current account with non-controlling shareholders increased from RMB141.0 million as of December 31, 2018 to RMB220.2 million as of December 31, 2019, mainly due to loans of a newly-acquired subsidiary from its non-controlling shareholders. Our current account with non-controlling shareholders decreased to RMB187.6 million as of

December 31, 2020, and further slightly decreased to RMB179.3 million as of September 30, 2021, primarily due to repayment by subsidiaries to non-controlling shareholders.

Our margin and deposit increased from RMB126.7 million as of December 31, 2018 to RMB158.7 million as of December 31, 2019, and further increased to RMB178.1 million as of December 31, 2021 and RMB219.8 million as of September 30, 2021, primarily due to (i) the growth of logistics margin as the increased application of one-bill settlement system, and (ii) increase in project performance bond. Under the one-bill settlement system, we are responsible for engaging shippers, and charge our customer for both the sale of goods and shipping services in one bill. We typically ask shippers to pay a certain amount of deposit to ensure quality performance. Such deposit will be refunded to them upon completion of the contract. Starting from 2018, we have been increasingly adopting the one-bill settlement system due to China's tax reform policies, and the balance of such deposits grew accordingly.

We had collection and payment for others of RMB32.5 million, RMB29.3 million, RMB13.6 million and RMB14.3 million as of December 31, 2018, 2019 and 2020, and September 30, 2021, respectively. The decrease in collection and payment for others was mainly because we gradually reduced collection of freight charges from customers on behalf of shippers.

Our government borrowing decreased from RMB30.6 million as of December 31, 2018 to RMB9.0 million as of December 31, 2019, primarily due to our repayment of borrowings to local governments in Yunnan and Hubei. Our government borrowing remained stable, being RMB5.0 million and RMB5.0 million as of December 31, 2020 and September 30, 2021, respectively.

Intangible assets

Our intangible assets consist of land use rights, mining rights, mine restoration fees, concession rights and software and others. As of December 31, 2018, 2019, 2020 and September 30, 2021, the carrying value of our intangible assets amounted to RMB3,403.6 million, RMB3,869.6 million, RMB4,267.0 million and RMB5,371.1 million, respectively, primarily due to acquisition of land use rights and mining rights as we continuously expand our business.

Goodwill

We recognized goodwill of RMB447.5 million, RMB476.1 million, RMB476.1 million and RMB611.1 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. The goodwill mainly relates to the our acquired subsidiaries.

INDEBTEDNESS

We have financed our operations primarily through cash flows from operations, loans from banks, proceeds from the issuance of debt securities and sale and leaseback financing. The following table sets out our outstanding indebtedness as of the dates indicated.

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
			(RMB in millions)		
				(unaudited)	
Borrowings					
Unsecured and unguaranteed:					
Bank borrowings	2,826.2	2,214.2	4,113.7	4,925.2	6,127.8
Interest payable	6.3	1.0	4.2	10.4	19.2
Other borrowings	182.7	229.2	192.6	184.3	163.1
Sub-total	3,015.2	2,444.4	4,310.5	5,119.9	6,310.1
Unsecured and guaranteed:					
Bank borrowings	3.5	2.1	0.7	–	–
Secured and unguaranteed:					
Bank borrowings	977.0	697.0	539.1	444.8	421.0
Interest payable	–	–	–	–	2.2
Sub-total	977.0	697.0	539.1	444.8	423.2
Total borrowings	3,995.7	3,143.5	4,850.3	5,564.7	6,733.3
Bond Payable					
Unsecured and unguaranteed:					
Bonds payable	3,296.8	1,198.1	3,143.1	3,363.5	3,327.8
Interest payable	64.2	20.8	25.9	20.2	29.5
Total bonds payable	3,361.0	1,218.9	3,169.0	3,383.7	3,357.3
Long-term payables					
Secured and unguaranteed:					
Long-term payables relating to sales and leaseback transactions	103.9	173.2	84.2	38.2	7.5
Lease liabilities					
Secured and unguaranteed:					
Lease liabilities	–	–	–	136.9	224.5
Total	7,460.6	4,535.6	8,103.5	9,123.5	10,322.6

As of January 31, 2022, we had approximately RMB10,322.6 million of bank borrowings, corporate bond and lease liabilities. As of December 31, 2021, we had banking facilities of RMB26,861.3 million and unutilized banking facilities of RMB20,104.9 million. The banking facilities were committed and unrestricted. The table below sets forth the effective interest rates for our borrowings as of the dates indicated:

	As of December 31,			As of September 30,
	2018	**2019**	**2020**	**2021**
		(%)		
Secured borrowing	2.35-5.75	2.15-4.75	1.85-4.75	1.85-3.85
Guaranteed borrowing	2.9-6.89	2.9-6.72	2.9-5.7	1.1-5.1
Mortgaged borrowing	4.35-5.15	4.35-5.145	3.85-5.15	3.85-4.88

The balance of our indebtedness decreased from RMB7,460.6 million as of December 31, 2018 to RMB4,535.6 million as of December 31, 2019. Our indebtedness increased to RMB8,103.5 million as of December 31, 2020, and further to RMB9,123.5 million as of September 30, 2021. Save as disclosed, we did not have, as of the date of this listing document, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material difficulty in obtaining loans, breach of financial covenants, customer default or cancelation of customers' orders.

CONTINGENT LIABILITIES

As of January 31, 2022, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise expenditures for: (i) the purchase of property, plant and equipment, intangible assets and other long-term assets; and (ii) the acquisition of subsidiaries and other businesses. The following table sets forth our capital expenditures for the periods presented:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
				(unaudited)
		(RMB in millions)		
Property, plant and equipment, intangible assets and other long-term assets	2,215.9	4,122.1	3,589.7	3,343.4
Acquisition of subsidiaries and other business	173.7	628.5	684.7	328.5
Total	2,389.6	4,750.6	4,274.4	3,671.9

In 2018, 2019, 2020 and in the nine months ended September 30, 2021, our capital expenditures were primarily related to the purchase of property, plant and equipment, intangible assets and other long-term assets, as well as the acquisition of subsidiaries. We funded these expenditures primarily with internal resources and bank and other borrowings.

We estimated that our capital expenditures for 2021 will be primarily used for construction of our cement, aggregate and concrete production facilities. We expect to fund these capital expenditures with our operating cash flow and bank borrowings.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in millions)			
Capital commitments that have been entered into but have not been recognized in the financial statements				
– Acquisition and construction of long-term assets	1,032.6	1,513.1	1,177.7	1,730.2
Total	1,032.6	1,513.1	1,777.7	1,730.2

We have funded, and expect to continue to fund, our capital commitments with our operating cash flow. In 2018, 2019, 2020 and in the nine months ended September 30, 2021, our capital commitments were mainly attributable to our construction of production facilities.

Operating lease commitments

As lessee

We lease certain real properties, vehicles and land under operating lease arrangements for terms of two to 30 years. The following table set forth our future minimum lease payments payable under non-cancellable operating leases falling due as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in millions)		
Minimum lease payments for non-cancellable operating leases			
Year 1 after the balance sheet date	13.7	15.0	31.1
Year 2 after the balance sheet date	13.8	15.0	28.4
Year 3 after the balance sheet date	13.8	15.1	29.1
Year after the period	102.1	100.5	115.9
Total	143.3	145.6	204.5

We revised our accounting standards and implemented the "ASBEs No. 21 — Leasing" amended by the Ministry of Finance in 2018 from January 1, 2021. The table below sets forth our lease liability as of September 30, 2021:

	As of September 30, 2021
	(RMB in millions)
Within one year	26.0
Within a period of more than one year but not more than two years	30.1
Within a period of more than two years but not more than five years	63.9
Within a period of more than five years	42.9
Total	162.9
Including:	
Amount due for settlement with 12 months shown under current liabilities	26.0
Amount due for settlement after 12 months shown under non-current liabilities	136.9

RELATED PARTY TRANSACTIONS

Related party transactions are set out in the Consolidated Financial Information for the years ended December 31, 2018, 2019 and 2020 in Appendices II, III and IV and the Unaudited Consolidated Financial Information for the nine months ended September 30, 2021 in Appendix V to this listing document. We enter into transactions with our related parties from time to time. It is the view of our Directors that such related party transactions were conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance. During the Track Record Period, we had recorded both in-trade and non-trade balances in nature. Our Directors confirmed that all non-trade balances with related parties will be settled prior to the Listing.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, currency risk and fair value measurement.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to accounts receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

Our policy is to regularly monitor our liquidity requirements and our compliance with ending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Our interest rate risk arises primarily from bank loans. Bank loans and overdrafts issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively.

Currency risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

DIVIDENDS AND DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Our dividend distributions are based on our distributable profit, taking into consideration our financial condition, business planning, return to our Shareholders, our capital requirements, our finance costs and the external financing environment. Under the Company Law and our Articles of Association, all of our Shareholders holding the same class of Shares have equal rights to dividends and other distributions proportionate to their shareholdings. Save for special circumstances and otherwise as provided under our Articles of Association, for a relevant year, we shall declare a dividend to our Shareholders in the amount no less than one third of the net profit distributable for such period. We paid cash dividends in the amount of RMB1,722.2 million, RMB2,530.4 million, RMB2,262.5 million and RMB2,262.5 million for 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively, representing RMB1.15 per share, RMB1.21 per share, RMB1.08 per share and nil per share, respectively in the same periods. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

The following table set forth the dividend distribution plans of our ordinary stock shares as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
Number of bonus shares for every 10 shares (Share)	0	0	0	–
Dividends per 10 shares (RMB) (tax included)	11.5	12.1	10.8	–
Number of transfers per 10 shares (shares)	4	0	0	–
Cash dividends (tax included) *(RMB in millions)*	1,722.2	2,530.4	2,262.5	–
Net profit attributable to shareholders *(RMB in millions)*	5,181.4	6,342.3	5,630.6	3,563.3

DISTRIBUTABLE RESERVES

As of September 30, 2021, the distributable reserves of our Company were RMB7,689.0 million.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	Year ended/As of December 31,			As of September 30,
	2018	2019	2020	2021
Current ratio(1)	1.0	1.1	1.3	1.3
Debt ratio(2)	21.4%	11.2%	17.7%	18.3%
Net profit margin(3)	20.8%	22.3%	21.0%	17.3%
Return on equity(4)	36.3%	33.7%	25.1%	N/A(6)
Return on assets(5)	17.9%	20.1%	15.3%	N/A(6)
Gearing ratio(7)	44.8%	36.2%	41.4%	42.5%

Notes:

(1) Current ratios were calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the respective dates.

(2) Debt ratios were calculated based on our total debts divided by total assets as of the respective dates. Total debts were defined to include borrowings, secured notes and corporate bonds of the Group.

(3) Net profit margins were calculated based on our net profit for the respective year/period divided by our operating income for the respective year/period and multiplied by 100%.

(4) Returns on equity were calculated based on our net profit for the respective year divided by the average of the opening and ending total equity for that year and multiplied by 100%.

(5) Returns on assets were calculated based on our net profit for the respective year divided by the average of the opening and ending total assets for that year and multiplied by 100%.

(6) These ratios are not meaningful as numbers for the period are not comparable to the numbers for the year.

(7) Gearing ratios were calculated based on total debt at the end of the period divided by total equity at the end of the same period.

Current Ratio

Our current ratio was relatively stable at 1.0, 1.1, 1.3 and 1.3 as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively.

Debt ratio

Our debt ratio decreased from 21.4% as of December 31, 2018 to 11.2% as of December 31, 2019, mainly due to our repayment of certain long-term and short-term bank borrowings in 2019. Our debt ratio increased from 11.2% as of December 31, 2019 to 17.7% as of December 31, 2020, primarily due to the increase in our long-term borrowings and bonds payables in 2020. Our debt ratio remained relatively stable at 17.7% and 18.3% as of December 31, 2020 and September 30, 2021.

Net profit margin

Our net profit margin increased from 20.8% in 2018 to 22.3% in 2019, primarily due to the increase in our net profit from RMB5,705.5 million in 2018 to RMB7,020.8 million in 2019 driven by the increase in the sales volume and ASP of cement product. Our net profit margin decreased from 22.3% in 2019 to 21.0% in 2020, primarily due to the decrease in our net profit from RMB7,020.8 million in 2019 to RMB6,173.6 million in 2020 as a result of the decrease in the sales volume and ASP of cement product. Our net profit margin decreased from 21.0% in 2020 to 17.3% in the nine months ended September 30, 2021, primarily because the increase in operating cost and expenses outpaced the increase in our operating income.

Return on equity

Our return on equity decreased from 36.3% in 2018 to 33.7% in 2019 and further decreased to 25.1% in 2020, primarily due to the increase in the total equity from RMB18,319.4 million in 2018 to RMB23,367.7 million in 2019, and further to RMB25,739.9 million in 2020.

Return on assets

Our return on assets increased from 17.9% in 2018 to 20.1% in 2019, primarily due to the increase in the net profit from RMB5,705.5 million in 2018 to RMB7,020.8 million in 2019 driven by the increase in the sales volume and ASP of cement product. Our return on assets decreased from 20.1% in 2019 to 15.3% in 2020, primarily due to the increase in the total assets from RMB36,645.4 million in 2019 to RMB43,928.5 million in 2020.

Gearing ratio

Our gearing ratio was 44.8%, 36.2%, 41.4% and 42.5% as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. The fluctuations in our gearing ratio was mainly attributable to the changes in our long-term borrowings.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as otherwise disclosed in this listing document, our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this listing document there has been no material adverse change in our financial or trading position or prospects since September 30, 2021 (being the date of our latest reviewed financial statements) and there has been no event since September 30, 2021 which would materially affect the information shown in the financial statements set out in Appendices II, III, IV and V to this listing document.

LISTING EXPENSES

Our listing expenses mainly comprise of professional fees and other fees. We expect to incur a total of approximately RMB49.2 million of listing expenses in connection with the Listing. During the Track Record Period, we incurred listing expenses of RMB17.5 million, RMB3.6 million and RMB2.0 million in 2020, the nine months ended September 30, 2020 and 2021, respectively, which were charged to our consolidated statements of income. We expect to further incur listing expenses of approximately RMB26.1 million upon the Listing, which will be charged to our consolidated statements of income. The listing expenses we incurred in the Track Record Period and expect to incur would consist of (i) sponsor fee (without underwriting commission) of RMB9.5 million; (ii) PRC financial adviser fee of RMB6.0 million; (iii) legal advisors' fee of RMB24.6 million; (iv) auditors' fee of RMB5.4 million; and (v) other fees and expenses of RMB3.7 million. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, any director, chief executive, supervisor or substantial shareholder of our Company or any of our subsidiaries (including any person who, within 12 months preceding the Listing Date, was a director of our Company or any of our subsidiaries), or any associate of the above persons will become a connected person of our Company upon our Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after our Listing will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

We entered into an agreement with Huaxin Group (the "**Integrated Services Agreement**"), pursuant to which Huaxin Group agreed to provide integrated management services in relation to our corporate public relations and community management. Pursuant to the Integrated Services Agreement, Huaxin Group was agreed to provide us with such services for an initial term of three years commercing on January 1, 2017, which was then subsequently renewed for a further three years up until December 31, 2022. For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021, we paid a total consideration of RMB6.2 million, RMB6.2 million, RMB6.2 million and RMB4.7 million to Huaxin Group, respectively.

Under the Integrated Services Agreement, an annual fee of approximately RMB6.2 million will be payable by our Group to Huaxin Group. Our Directors estimate that the annual amount to be paid under the Integrated Service Agreement to remain the same, assuming the terms of the Integrated Service Agreement remain the same.

As of the Latest Practicable Date, our Group was held as to 16.12% by Huaxin Group, our second largest shareholder. As Huaxin Group is a substantial shareholder and therefore a connected person of our Company for the purpose of the Listing Rules, accordingly, the transactions contemplated under the Integrated Service Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon our Listing.

As the highest relevant percentage ratio in respect of the transactions above (including the transactions with Huaxin Group) is expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, pursuant to Rule 14A.76(1)(a) of the Listing Rules, these transactions will be fully exempt continuing connected transactions, exempt from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' view

Our Directors (including the independent non-executive Directors) are of the view that the transaction in respect of the Integrated Service Agreement has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and is fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Compliance with the Listing Rules

If the terms of the Integrated Service Agreement are materially altered or if we enter into any new agreements or arrangements in the future under which the aggregate consideration paid or payable by us or the annual amount payable under the Integrated Service Agreement exceeds the limits for exempt continuing connected transactions referred to in the Listing Rules, we will comply with the relevant requirements of the Listing Rules.

OVERVIEW

The Board currently consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years, which is renewable upon re-election. The term of the independent non-executive Directors is extendable by no more than two additional three-year periods. The major powers and functions of the Board include, but are not limited to, convening general meetings, reporting on its work at general meetings, implementing resolutions passed at general meetings, considering and approving the operational plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final account plans, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Articles of Association.

The Supervisory Committee of the Company consists of five Supervisors, including two employee representative Supervisors and three shareholder Supervisors. The shareholder Supervisors are elected at our general meetings. The employee representative Supervisors are elected by our general meetings of employee representative. The Supervisors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The senior management of the Company are responsible for the management of day-to-day operations of the Group.

DIRECTORS

The table below sets forth certain information about our Directors:

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Mr. Xu Yongmo (徐永模)	65	Chairman and non-executive Director	Presiding over the general meetings and board meetings, supervising the implementation of the decisions of the Board and performing other duties conferred by the Board	April 2009	April 2009	N/A

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Mr. Li Yeqing (李葉青)	58	Executive Director	Overall strategic and direction planning, business development and management of our Group	November 1987	November 1993	N/A
Mr. Liu Fengshan (劉鳳山)	56	Executive Director	Providing administrative support to guarantee the operation of our Group	September 2011	April 2012	N/A
Ms. Geraldine Picaud	52	Non-executive Director	Providing guidance on the overall development and strategy formulation of our Group	April 2018	April 2018	N/A
Mr. Chi Kong Lo (羅志光)	58	Non-executive Director	Providing guidance on the overall development and strategy formulation of our Group	December 2018	December 2018	N/A
Ms. Tan Then Hwee (陳婷慧)	49	Non-executive Director	Providing guidance on the overall development and strategy formulation of our Group	September 2020	September 2020	N/A
Mr. Wong Kun Kau (黃灌球)	61	Independent Non-executive Director	Providing independent judgment to our Board	April 2021	April 2021	N/A

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Mr. Zhang Jiping (張繼平)	53	Independent Non-executive Director	Providing independent judgment to our Board	April 2021	April 2021	N/A
Mr. Jiang Hong (江泓)	52	Independent Non-executive Director	Providing independent judgment to our Board	April 2021	April 2021	N/A

Executive and non-executive Directors

Mr. Xu Yongmo (徐永模), aged 65, is our chairman and non-executive Director. He is primarily responsible for presiding over the general meetings and board meetings, supervising the implementation of the decisions of Board and performing other duties conferred by the Board.

Mr. Xu has extensive experience in the building materials industry. From September 2002 to April 2017, Mr. Xu served as the vice president of the China Building Materials Federation (中國建築材料聯合會). Mr. Xu served as an independent non-executive director of companies listed on the Stock Exchange, namely BBMG Corporation (stock code: 2009) between August 2008 and November 2015 and China Resources Cement Holdings Limited (stock code: 1313) between July 2010 and December 2016. He has been an independent non-executive director of Sobute New Materials Co., Ltd (a company listed on the Shanghai Stock Exchange, stock code: 603916) since April 2021. Mr. Xu joined our Company as an independent director in April 2009, and was appointed as our chairman in April 2012.

Mr. Xu has also held various honorary positions within the cement industry, as further described below:

Organization	Title	Term
China Concrete & Cement-based Products Industry Association (中國混凝土與水泥製品工業協會)	Chairman	June 2006 to December 2016
China Construction Units Association (中國建築砌塊協會)	Chairman	March 2007 to present
China Cement Association (中國水泥協會)	Executive vice chairman	December 2007 to July 2019
Chinese Ceramic Institute (中國硅酸鹽學會)	Chairman	December 2011 to March 2019

Mr. Xu graduated from Wuhan Institute of Building Materials Industry (武漢建築材料工業學院) with a bachelor's degree in September 1982, majoring in silicate materials science and engineering. He received a master's degree in engineering from Research Institute of Building Materials Science (建築材料科學研究院) in June 1986. From October 1992 to November 1997, Mr. Xu studied in the U.K., where he graduated from London South Bank University with a doctoral degree in philosophy, majoring in civil engineering materials in August 1997. Between December 1995 and November 1997, Mr. Xu was a research fellow in the Department of Civil & Environmental Engineering at University College London.

Mr. Li Yeqing (李葉青), aged 58, is our chief executive officer, party secretary and executive Director. He is primarily responsible for overall strategic and direction planning, business development and management of our Group.

Prior to joining our Group, from July 1984 to November 1987, Mr. Li served as a teacher in the faculty of silicon engineering and a deputy secretary of the Youth League Committee of Wuhan Institute of Building Materials (武漢建材學院), (now the Wuhan University of Technology (武漢理工大學)). In November 1987, he joined Huaxin Cement Plant, the predecessor of the Company, and has served various roles, including as a quality control engineer, deputy mine manager, deputy director of the expansion and reform office, and as director of the production technology division, and subsequently as deputy director. Mr. Li was promoted to deputy general manager of the Company in November 1993, and then as the general manager in December 1999 (and subsequently renamed as our chief executive officer in March 2004). Mr. Li is also the party secretary of Huaxin Group.

Mr. Li has also held various honorary positions within the cement industry, as further described below:

Organization	Title	Term
China Cement Association (中國水泥協會)	Vice chairman	May 2000 to present
China Building Materials Federation (中國建築材料聯合會)	Vice president	March 2009 to present
	Executive vice president of the 6th council	October 2020 to present
Hubei Building Materials Federation (湖北省建築材料聯合會)	President	January 2014 to present

Mr. Li graduated in July 1984 from Wuhan Institute of Building Materials (武漢建材學院), (now the Wuhan University of Technology (武漢理工大學)) with a bachelor's degree in engineering, majoring in silicate. He then graduated from Wuhan University of Technology in June 1993 with a master's degree in engineering, majoring in industrial management, and from Huazhong University of Science and Technology（華中科技大學）in June 2002 with a doctor's degree in management, majoring in management science and engineering. Mr. Li has also been qualified as a chief senior engineer in the PRC since December 2001.

Mr. Liu Fengshan (劉鳳山), aged 56, is our vice president and executive Director. He is primarily responsible for providing administrative support to guarantee the operation of our Group.

Prior to joining our Group, from July 1987 to January 2002, Mr. Liu carried out various roles within the Daye Nonferrous Metals Group (大冶有色金屬集團), including as a technician, workshop director, mine manager, deputy secretary of the party committee and secretary of the disciplinary committee. From January 2002 to April 2004, Mr. Liu then served as deputy secretary of the disciplinary inspection committee of Huangshi City. Afterwards, from April 2004 to October 2006, he served as deputy party secretary and mayor of Daye City. From October 2006 to September 2011, he served as the head and party secretary of the Huangshi Civil Affairs Bureau. Mr. Liu joined our Group in September 2011, as the deputy party secretary of our Company, and was appointed as our Director and vice president on April 2012 and June 2012, respectively. Mr. Liu is also the chairman of the board of directors, general manager and deputy party secretary of the Huaxin Group.

Mr. Liu graduated from Kunming Institute of Technology (昆明工學院) (now the Kunming University of Science and Technology (昆明理工大學)) with a bachelor's degree in engineering, majoring in mineral processing in July 1987, and Nanyang Technological University with a master's degree in public administration in May 2008.

Non-executive Directors

Ms. Geraldine Picaud, aged 52, is our non-executive Director. She is primarily responsible for providing guidance on the overall development and strategy formulation of our Group.

Prior to joining our Group, Ms. Picaud started her career at Arthur Andersen LLP, an audit firm, as an auditor from 1992 to 1994. She then served as the head of business analysis and chief financial officer at Safic Alcan Especialidades, S.A.U., an international specialty chemicals group, from 1994 to 2007. She joined ED&F Man Holdings Limited (a company listed on the London Stock Exchange, stock code: EMG) ("**ED&F**") as the head of corporate finance in charge of M&A from 2007 to 2008, and then served as the chief financial officer at Volcafe Holdings Ltd., the Switzerland-based coffee business of ED&F, from 2008 to 2011. From May 2011 to January 2018, Ms. Picaud served as the chief financial officer of Essilor International (an ophthalmic optics company listed on Euronext Paris, stock code: EL), and also as a member of the executive committee. From June 2015 to July 2018, she was an independent director of Alstom S.A. (a company listed on Euronext Paris, stock code: ALO). Since February 2017, she has been a member of the supervisory board of Infineon Technologies AG (a semiconductor manufacturer listed on the Frankfurt Stock Exchange, stock code: IFX). Since July 2018, Ms. Picaud has been a director of LafargeHolcim Maroc SAS (a company listed on the Casablanca Stock Exchange, stock code: LHM). She joined Holcim Group in January 2018 as chief financial officer and a member of the executive committee. In April 2018, Ms. Picaud joined our Company as a Director.

Ms. Picaud graduated from the Superior School of Commerce of Reims in France (now NEOMA Business School) in June 1993, with a master's degree in business administration.

Mr. Chi Kong Lo (羅志光), aged 58, is our non-executive Director. He is primarily responsible for providing guidance on the overall development and strategy formulation of our Group.

Prior to joining our Group, Mr. Lo served as the president of Sika Group (西卡集團) 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. Mr. Lo joined our Group as a Director of the Company in December 2018.

Mr. Lo graduated from National Taiwan University (台灣大學) with a bachelor's degree in business administration in June 1985, and Purdue University in December 1986, with a master's degree of science. He is a U.S. certified public accountant since October 1989.

Ms. Tan Then Hwee (陳婷慧), aged 49, is our non-executive Director. She is primarily responsible for providing guidance on the overall development and strategy formulation of our Group.

Ms. Tan 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. Ms. Tan joined Holcim in March 2019 and is currently the Group Head of Learning and Development. She has been 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) since February 2019, 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. Ms. Tan has been a Director of the Company since September 2020.

Ms. Tan graduated from Wichita State University in the United States of America in May 1999 with a Master of Business Administration and a Bachelor of Business Administration in July 1994.

Independent Non-executive Directors

Mr. Wong Kun Kau (黃灌球), aged 61, is our independent non-executive Director. He is primarily responsible for providing independent judgment to our Board.

Mr. Wong has approximately 30 years of experience in investment banking and corporate finance. Between August 1992 and November 2007, Mr. Wong worked at several multinational financial institutions, including BNP Paribas Capital (Asia Pacific) Limited, where he left as the head of Asia investment banking. In 2007, Mr. Wong is currently the founder and chief executive officer of Bull Capital Partners Ltd., a fund management company specializing in direct investment in the greater china region. He has been an independent non-executive Director of the Company since April 2021.

Mr. Wong also served, or is currently serving as an independent non-executive director or a non-executive director of the following companies listed on the Stock Exchange:

Company	Stock code	Term	Principal business
West China Cement Limited	2233	July 2010 to May 2019	Manufacture and sale of cement and cement products
Sun.King Power Electronics Group Limited (now known as Sun.King Technology Group Limited)	580	May 2010 to July 2015	Manufacture and trading of power electronic components
Anhui Conch Cement Company Limited	914	May 2012 to June 2016	Manufacture and sale of cement and cement products
Lifestyle Properties Development Limited (now known as Sansheng Holdings (Group Co., Ltd.)	2183	August 2013 to May 2017	Property development and property investment
China Shengmu Organic Milk Limited	1432	June 2014 to June 2017	Dairy farming and liquid milk businesses
REF Holdings Limited	1631	August 2015 to present	Financial printing services
Jianzhong Construction Development Limited	589	February 2020 to present	Construction services

Mr. Wong graduated from the University of Hong Kong with a bachelor's degree in social science in November 1982.

Mr. Zhang Jiping (張繼平), aged 53, is our independent non-executive Director. He is primarily responsible for providing independent judgment to our Board.

From September 1997 to December 2003, Mr. Zhang worked as an associate in the New York and Hong Kong offices of Simpson Thacher & Bartlett LLP. He then joined Haiwen & Partners in February 2004, and has been the managing partner of the firm since May 2014. He has been an independent non-executive Director of the Company since April 2021.

Mr. Zhang obtained his bachelor's degree and master's degree in international law from the University of International Business and Economics (對外經濟貿易大學) in July 1990 and July 1993, respectively. He then went on to receive his master's degree in corporation law from New York University in May 1997.

Mr. Jiang Hong (江泓), aged 52, is our independent non-executive Director. He is primarily responsible for providing independent judgment to our Board.

Mr. Jiang served as an officer at the foreign tax branch of Shanghai Municipal Taxation Bureau from June 1996 to June 2000. From June 2000 to March 2015, he subsequently served as the tax manager, tax director, government affairs director and financial controller at Philips (China) Investment Co., Ltd. (飛利浦(中國)投資有限公司). From October 2015 to present, Mr. Jiang has been the founder and chairman of Shanghai Wo Chuang Network Technology Co., Ltd. (上海我創網絡科技有限公司). From January 2011 to February 2016, he served as the president of the Shanghai Zhabei District Youth Intellectuals Friendship Association (上海市閘北區中青年知識分子聯誼會) and the president of the Shanghai Jing'an Youth Intellectuals Friendship Association (上海靜安區中青年知識分子聯誼會) since June 2017. He is also a member of the Standing Committee of the CPPCC of the Shanghai Zhabei District (now Jing'an District) and a representative of the Shanghai Municipal People's Congress since January 2009 and December 2017, respectively. Mr. Jiang has been an independent non-executive Director of the Company since April 2021.

Mr. Jiang graduated from Xiamen University（廈門大學）with a bachelor's degree in finance in economics, majoring in tax in July 1992. He has been admitted as a registered certified public accountant in the PRC since December 2009.

Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there was no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

None of our Directors have any interests in any businesses, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business that would require disclosure under Rule 8.10 of the Listing Rules.

SUPERVISORS

The following table sets forth certain information about the Supervisors of the Company:

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a Supervisor of the Company	Relationship with other Directors, Supervisors and senior management
Mr. Ming Jinhua (明進華)	49	Chairman of the board of Supervisors	The operations of the Group	July 2021	August 2021	N/A
Mr. Zhang Lin (張林)	49	Supervisor	Monitoring the internal control of the Group	July 1995	March 2017	N/A
Mr. Yang Xiaobing (楊小兵)	51	Supervisor	Monitoring and presiding over the welfare of the employees of our Group and their daily operations	March 1992	April 2013	N/A
Mr. Zhu Yaping (朱亞平)	53	Supervisor	Formulating strategies in order to ensure the sustainability and competitive advantage	November 1989	April 2021	N/A
Mr. Liu Weisheng (劉偉勝)	49	Supervisor	Managing the public affairs for the Company	July 1991	April 2021	N/A

Mr. Ming Jinhua (明進華), aged 49, is our chairman of the board of Supervisors. He is primarily responsible for the operations of the Group.

Prior to joining our Group, from August 1994 to June 1998, Mr. Ming served as a loan officer at Huangshi Branch of Bank of China. From June 1998 to October 2006, he then served at Huangshi Municipal Commission for Discipline Inspection and Supervision Bureau, with his last position being deputy director of the Second Discipline Supervision Office. From November 2006 to September 2016, he served in various roles within Huangshan Municipal People's Government, including as deputy head of Tieshan District and Huangshi Bureau of Commerce (Investment Promotion Bureau), secretary of the Discipline Inspection Commission of Xisaishan District, head of Huangshi Bridge Bureau and finally, the chairman of Huangshi Transportation Investment Group Co., Ltd. (黃石市

交通投資集團有限公司), respectively. From September 2016 to July 2021, he served at the government of Yangxin County, with his last position being the county governor. Mr. Ming joined our Group in July 2021 as a member of the Standing Committee and secretary of the Discipline Inspection Commission of the Company and Huaxin Group in July 2021, and was appointed as the chairman of the Company's board of Supervisors in August 2021.

Mr. Ming graduated from Hubei Engineering Institute（湖北工學院）with a bachelor's degree in June 1994, majoring in machinery manufacturing. He received a master's degree of business administration from Huazhong University of Science and Technology（華中科技大學）in June 2003. He obtained the qualification of economist in October 1999 and was qualified as an accountant in May 2000.

Mr. Zhang Lin (張林), aged 49, is our Supervisor, chief of internal audit and internal control. He is primarily responsible for monitoring the internal audit and internal control of the Group.

Joining the Company in July 1995, Mr. Zhang has served in various financial roles within our Group, including as an accountant of the Company, chief of finance department of Huaxin Cement (Xiantao) Co., Ltd. and Huaxin Cement (Yichang) Co., Ltd., assistant to manager of Huaxin Cement (Zhaotong) Co., Ltd., member of HARP project, deputy manager of enterprise resource planning department, financial director of the Group's overseas division, director of internal audit and internal control and chief of internal audit, successively. He has been a Supervisor of the Company since March 2017. Mr. Zhang has also served as our assistant vice president and chief of internal audit and internal control since August 2019, concurrently.

Mr. Zhang graduated from Hangzhou College of Commerce (杭州商學院) (now the Zhejiang Gongshang University (浙江工商大學) with a bachelor's degree in July 1995, majoring in accounting, and from Huazhong University of Science and Technology (華中科技大學) in December 2002, with a master's degree in business administration, majoring in business administration. He has been admitted as a registered certified public accountant in the PRC since April 2003.

Mr. Yang Xiaobing (楊小兵), aged 51, is our Supervisor and vice president of our labor union. He is primarily responsible for monitoring and presiding over the welfare of the employees of our Group and their daily operations.

Mr. Yang joined the Company in March 1992, and has served various human resources management roles within our Group, including as an officer of our planning and development department, head of the enterprise management department, director of our human resources department and assistant deputy director of the southwest region in the PRC, before becoming director of the labor union office in February 2011. Between May 2004 and March 2008, Mr. Yang also previously served as the head of the human resources department of Huaxin Jinmao Cement (Suzhou) Co., Ltd. (華新金貓水泥（蘇州）有限公司). He has been the chairman of the board of Huangshi Huaxin Canfu Industries and Trade Ltd. (黃石華新殘福工貿有限公司) since April 2019. He has served as a supervisor of the Company since April 2013.

Mr. Yang graduated from Wuhan University of Technology (武漢理工大學) with a bachelor's degree in business administration by correspondence in June 2002. He has been qualified as a professional human resources manager since January 2008.

Mr. Zhu Yaping (朱亞平), aged 53, is our Supervisor and deputy director of the cement business department of the Company. He is primarily responsible for formulating strategies in order to ensure the sustainability and competitive advantage.

Mr. Zhu joined the Company in November 1989, and had previously served as an electrical engineer, deputy factory manager and general manager of the maintenance department. He has served as a supervisor of the Company since April 2021.

Mr. Zhu graduated from Nanjing Aeronautical Institute (南京航空學院) with a bachelor's degree in July 1989, majoring in electrical technology. Mr. Zhu obtained his master's degree in theory and engineering control from Wuhan University of Technology (武漢理工大學) in December 2001. Mr. Zhu has also been a qualified senior engineer in the PRC since August 2002.

Mr. Liu Weisheng (劉偉勝), aged 49, is our Supervisor and director of the public relations and social responsibility of the Company. He is primarily responsible for managing the public affairs for the Company.

Mr. Liu joined the Company in July 1991, and has served as the director of the public relations and social responsibility of the Company since April 2014, and director of the CEO's office since October 2019. He has served as a supervisor of the Company since April 2021.

Mr. Liu graduated from Hubei Normal University (湖北師範學院) in June 2001 with a degree in economics and management. Mr. Liu then obtained a master's degree in western economics from Huazhong University of Science and Technology（華中科技大學）through online learning in April 2004.

SENIOR MANAGEMENT

The following table sets forth certain information about the senior management of the Company:

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a senior management of the Company	Relationship with other Directors and senior management
Mr. Li Yeqing (李葉青)	58	Executive Director	Overall strategic and direction planning, business development and management of our Group	November 1987	January 1993	N/A

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a senior management of the Company	Relationship with other Directors and senior management
Mr. Liu Fengshan (劉鳳山)	56	Executive Director	Providing administrative support to guarantee the operation of our Group	September 2011	April 2012	N/A
Mr. Ke Youliang (柯友良)	56	Vice president	Strategic planning and operation support for our Group	July 1985	March 2004	N/A
Mr. Du Ping (杜平)	51	Vice president	Monitoring the business operations in central PRC regions of the Group	July 1993	January 2016	N/A
Ms. Liu Yunxia (劉雲霞)	53	Vice president	Developing procurement logistics and overseas trade strategies of the Group	July 1989	January 2016	N/A
Mr. Mei Xiangfu (梅向福)	49	Vice president	Monitoring the business operations in eastern PRC regions of the Group	June 1994	January 2016	N/A
Mr. Yuan Dezu (袁德足)	58	Vice president	Overall marketing strategy planning and management of the Group and monitoring the business operations in the Western PRC regions of the Group	August 1981	January 2016	N/A
Mr. Yang Hongbing (楊宏兵)	49	Vice president	General development for the Group	July 1995	January 2016	N/A

Name	Age	Position	Principle Roles and Responsibilities	Date of Joining our Group	Date of appointment as a senior management of the Company	Relationship with other Directors and senior management
Mr. Xu Gang (徐鋼)	43	Vice president	The management of Company assets, strategic development and overseas business of the Group	January 2016	April 2018	N/A
Mr. Ye Jiaxing (葉家興)	40	Vice President and secretary of board of Directors	Securities investor relations, legal and compliance matters management, information disclosure of the Company and organizing board meetings and general meetings for the Group	May 2017	April 2021	N/A
Mr. Wang Jiajun (王加軍)	41	Vice President	Management of the environmental engineering and new material business of the Group	July 2006	April 2021	N/A
Mr. Chen Qian (陳騫)	43	Financial director and vice president	Overseeing and supervising the overall financial management of the Group	April 2020	April 2021	N/A

For details of the biography of Mr. Li Yeqing and Mr. Liu Fengshan, see "— Directors — Executive and non-executive Directors" in this section.

Mr. Ke Youliang (柯友良), aged 56, is a vice president of the Company, and is primarily responsible for strategic planning and operation support for our Group.

Joining Huaxin Cement Plant in July 1985, Mr. Ke has since served various roles within the Group, including as a manager's assistant of the Company's investment department, head of the engineering management department and manager of planning and development department. Mr. Ke has served as vice president of the Company since March 2004.

Mr. Ke received a diploma from Huangshi Technical School of Hubei Province (湖北省黃石市工業學校) (now the Hubei Polytechnic University (湖北理工學院)) in July 1985, majoring in industrial enterprise management. He then graduated from Zhongnan University of Economics (中南財經大學) (now the Zhongnan University of Economics and Law (中南財經政法大學)) in June 1994 with a bachelor's degree in economics and management. Mr. Ke obtained his master's degree in economics in June 2001, majoring in industrial economics, and his doctorate in management in December 2007, majoring in management science and engineering, from Wuhan University of Technology (武漢理工大學).

Mr. Du Ping (杜平), aged 51, is a vice president of the Company, and is primarily responsible for monitoring the business operations in central PRC regions of the Group.

Mr. Du joined the Company in July 1993, and has served in various roles within the Group and certain of its operating subsidiaries and branches, including as a member of the investment and development, technological consultancy and planning and development departments. From December 2004 to February 2011, Mr. Du served in management roles in certain of the Group's operating subsidiaries in Tibet and Southwest China. In February 2011, Mr. Du served as an assistant vice president of the Company, and was subsequently promoted to vice president in January 2016. Since February 2021, he has been the general manager of our business in central PRC region.

Mr. Du also holds positions in certain associations, including as a member of the standing committee of Hubei Youth Federation from March 2014. He has also served as the president of Yunnan Cement Association (雲南省水泥協會) since July 2020.

Mr. Du graduated from Zhongnan University of Economics (中南財經大學) (now the Zhongnan University of Economics and Law (中南財經政法大學)) in July 1993 with a bachelor's degree in investment, and a second bachelor's degree in economics management from Hubei Normal College (湖北師範學院) (now the Hubei Normal University (湖北師範大學)) in June 2003. He received a certificate of advanced graduate studies from Zhongnan University of Economics and Law (中南財經政法大學) in December 2003, majoring in enterprise management. In May 2016, he graduated from University of Wales with a master's degree in business administration.

Ms. Liu Yunxia (劉雲霞), aged 53, is a vice president of the Company, and is primarily responsible for developing procurement logistics and overseas trade strategies of the Group.

Ms. Liu has also held the position of head of the marketing and purchasing business of the Company since April 2018. Ms. Liu joined Huaxin Cement Plant in July 1989, initially serving as the technology teacher of Huaxin Secondary Vocational School (華新中等專業學校). From February 1993 to February 2000, she served as an engineer in the engineering department of the Company. From February 2000 to June 2012, she successively served as deputy director and director of the development department, and then as general manager of the Tajikistan plant of the Company. In July 2012, Ms. Liu served as the assistant vice president and deputy director of the strategic development center of the Company. From September 2012 to May 2018, she concurrently served as a director of Huaxin (Hong Kong) International Holdings Ltd. (華新(香港)國際控股有限公司). Ms. Liu was subsequently appointed as a member of the executive committee of the Company in December 2015, and promoted to vice president in January 2016. In May 2018, she was appointed as the head of the marketing and procurement business. Since February 2021, she has also served as the general manager of the procurement logistic and overseas trade department of the Company.

Ms. Liu graduated from the Faculty of Silicate Engineering of Wuhan University of Technology (武漢理工大學) with a bachelor's degree in engineering, majoring in silicate engineering in June 1989, and a master's degree in business administration in March 2005.

Mr. Mei Xiangfu (梅向福), aged 49, is a vice president and the general manager of our eastern PRC region, and is primarily responsible for the business operations and management in eastern PRC regions of the Group.

Mr. Mei joined the Company in June 1994, and has served in various roles within the Group, including as deputy head of machinery, and as general manager and deputy general manager of certain operating subsidiaries of the Group. From January 2011 to October 2015, Mr. Mei served as the general manager of the Hunan cement business division. He then was appointed as a member of the executive committee of the Company and vice president of growth and innovation business between October 2015 and April 2016. From April 2016 to May 2018, he served as the vice president of operation and cost business. Mr. Mei has also served as the general manager of the new business division and the eastern region of the Company since May 2018 and February 2021, respectively.

Mr. Mei graduated from the Nanchang Institute of Aeronautical Technology (南昌航空工業學院) (now the Nanchang Hangkong University (南昌航空大學)) in July 1994 with a bachelor's degree in engineering, majoring in mechanical manufacturing technology and equipment. Mr. Mei completed his master's degree in engineering at Wuhan University of Technology (武漢理工大學) in July 2002, majoring in mechanical and electrical engineering, and received a diploma in business administration from Huazhong University of Science and Technology (華中科技大學) in June 2011.

Mr. Yuan Dezu (袁德足), aged 58, is a vice president of the Company. He is primarily responsible for overall marketing strategy planning and management of the Group and monitoring the business operations in the Western PRC regions of the Group.

Mr. Yuan joined Huaxin Cement Plant in August 1981, and has served various roles within the Group, including as deputy manager of the sales management department, manager of the logistics department and regional marketing director. In February 2011, Mr. Yuan was appointed as an assistant vice president of the Company, and was since promoted to vice president in January 2016. He is also the general manager of the Company's cement division in Hubei, and marketing director of the Company.

Mr. Yuan obtained his diploma in industrial accounting in July 1986 from Hubei Radio and Television University (湖北廣播電視大學). Mr. Yuan then graduated from Party School of the Central Committee of the Chinese Communist Party (中共中央黨校) in December 2000 with a bachelor's degree through correspondence courses, majoring in economics and management.

Mr. Yang Hongbing (楊宏兵), aged 49, is a vice president of the Company, and is primarily responsible for general development for the Group.

He also holds the position of chairman of the board of Huaxin Environmental Engineering Co., Ltd. (華新環境工程有限公司), a subsidiary of the Company, and head of the CIP maintenance and environmental protection business of the Company since May 2018. Mr. Yang joined the Company in July 1995, and has served various roles within the Group, including as an engineer, machinery supervisor, head of maintenance in Yichang, general manager of production. In February 2011, Mr. Yang was appointed as an assistant vice president of the Company, and was since promoted to vice president in January 2016. He has also since served as a general manager in charge of the Company's cement business in Southwest Hubei.

Mr. Yang graduated from Huazhong University of Science and Technology (華中科技大學) in July 1995 with a bachelor's degree in engineering, majoring in mechanical forging and equipment. He obtained his executive master's degree in business administration from the School of Management of Huazhong University of Science and Technology (華中科技大學) in December 2018.

Mr. Xu Gang (徐鋼), aged 43, is a vice president and general manager of the Company's overseas regions, and is primarily responsible for the management of Company assets, strategic development and overseas business of the Group.

Prior to joining our Group, from March 2006 to February 2013, Mr. Xu subsequently served as the integration manager and strategy manager at Lafarge Shui On (Beijing) Technological Service Co., Ltd. (拉法基瑞安(北京)技術服務有限公司), and marketing director of the Guizhou region. Mr. Xu joined the Company in January 2016 as the marketing director of our Yunnan business division and has been promoted as an assistant vice president in April 2016, and has been promoted to vice president in April 2018. He also currently serves as the general manager of the Company's overseas business and strategy.

Mr. Xu graduated from China University of Geosciences (中國地質大學) in June 2000, with a bachelor's degree in engineering, majoring in safety engineering. He also completed his bachelor's degree in management in June 2000 at Huazhong University of Science and Technology (華中科技大學), majoring in financial management, and obtained his master's degree in business administration in July 2006 from Tsinghua University (清華大學).

Mr. Ye Jiaxing (葉家興), aged 40, is a vice president and secretary of the Board of the Company, and is primarily responsible for securities investor relations, legal and compliance matters management, information disclosure of the Company and organizing board meetings and general meetings for the Group.

Prior to joining our Group, Mr. Ye worked at Beijing Shougang Mining Investment Company Ltd. (北京首鋼礦業投資有限責任公司) from July 2005 to October 2012, with his last position being the head of investment legal department. He then served as the head of legal department of China Huaxin Post and Telecom Technologies Co., Ltd. (中國華信郵電科技有限公司) from April 2014 to September 2015, and afterwards, the general manager of investment and financing legal department of Beijing Homelink Real Estate Brokerage Co., Ltd. (北京鏈家房地產經紀有限公司) from September 2015 to January 2017. Mr. Ye joined our Company in June 2017, serving as the chief of legal affairs, head of legal compliance and securities investor relations business of the Company, and secretary of the Company's League Committee, successively. Mr. Ye was appointed as an assistant vice president in August 2019, and has since been promoted to vice president and secretary of the Board in April 2021.

Mr. Ye graduated from the Wuhan University of Science and Technology (武漢科技大學) in June 2005 with a bachelor of laws, and obtained his master's degree in business administration in June 2013 from China University of Political Science and Law (中國政法大學).

Mr. Wang Jiajun (王加軍), aged 41, is a vice president of the Company, and is primarily responsible for management of the environmental engineering and new material business of the Group.

Prior to joining the Group, from July 2003 to June 2006, Mr. Wang was responsible for process design at Wuhan Building Material Industry Design and Research Institute Co., Ltd. (武漢建築材料工業設計研究院有限公司). He then joined our Group in July 2006, and has served in various roles, including head of the environmental protection technology department and general manager of the environmental engineering department as well as new materials department. He has been promoted to vice president in April 2021.

Mr. Wang graduated from the Wuhan University of Technology (武漢理工大學) in June 2003 with a bachelor's degree in materials science and engineering. He obtained his master's degree in engineering from Wuhan University of Technology (武漢理工大學) in December 2012, majoring in materials engineering. Mr. Wang has been admitted as a senior engineer in the PRC since April 2019.

Mr. Chen Qian (陳騫), aged 43, is the financial director and a vice president of the Company, and is primarily responsible for strategy and financial planning for the Group.

Prior to joining our Group, from July 2001 to July 2006, Mr. Chen joined PricewaterhouseCoopers, where he was last a senior auditor. From July 2008 to June 2009, he served as a consultant at Monitor Group. He then served as a financial director at Sika Group (stock code: SIKA) in China from July 2009 to February 2015, and subsequently at IMI Critical Engineering in Greater China and Korea from March 2015 to August 2017. He then served as the finance director of Bureau Veritas Group (stock code: BVI) in China between August 2017 and June 2019, and then as the finance director of Terminix Group (stock code: TMX) in China between June 2019 and April 2020. Mr. Chen joined our Group in April 2020 as a deputy finance director, and has since been promoted to financial director and vice president in April 2021.

Mr. Chen graduated from Fudan University (復旦大學) in July 2001 with a bachelor's degree in international economics. He then obtained his master's degree in business administration in March 2008 from the University of California in the USA. Mr. Chen was qualified as a certified public accountant in the PRC (a non-practicing member) in December 2009, and admitted as a chartered global management accountant in February 2018.

JOINT COMPANY SECRETARIES

Mr. Ye Jiaxing (葉家興) is our vice president and secretary of the board of Directors of the Company. See "— Senior Management" for his biographical details.

Ms. Mak Sze Man (麥詩敏) is a senior manager of Corporate Services of Tricor Services Limited. She has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Mak is currently the joint company secretary/company secretary of two listed companies on The Stock Exchange of Hong Kong Limited, namely Zhongsheng Group Holdings Limited (中升集團控股有限公司) (stock code: 881) and Far East Horizon Limited (遠東宏信有限公司) (stock code: 3360). She was a joint company secretary of Dali Foods Group Company Limited (達利食品集團有限公司) (stock code: 3799), from May 2019 to August 2021. Ms. Mak is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Mak holds a master in Corporate Governance from the Graduate School of Business of The Hong Kong Polytechnic University.

CORPORATE GOVERNANCE

The Company has established five Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee, the Strategy Committee and the Governance and Compliance Committee.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of five Directors, namely Mr. Wong Kun Kau, Mr. Zhang Jiping, Mr. Jiang Hong, Mr. Xu Yongmo and Ms. Geraldine Picaud, with Mr. Jiang Hong currently serving as the chairman. Mr. Jiang Hong has the appropriate professional qualification and experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

Remuneration and Assessment Committee

We have established a remuneration and assessment committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration and Assessment Committee consists of five Directors, namely Mr. Wong Kun Kau, Mr. Zhang Jiping, Mr. Jiang Hong, Mr. Chi Kong Lo and Mr. Xu Yongmo, with Mr. Zhang Jiping currently serving as the chairman. The Remuneration and Assessment Committee is mainly responsible for evaluating the remuneration polices for Directors and senior management of the Group and making recommendations thereon to the Board.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of five Directors, namely Mr. Wong Kun Kau, Mr. Zhang Jiping, Mr. Jiang Hong, Mr. Li Yeqing and Ms. Tan Then Hwee, with Mr. Zhang Jiping currently serving as the chairman. The Nomination Committee is mainly responsible for making recommendations to our Board regarding the appointment of Directors and Board succession.

Strategy Committee

We have established a strategy committee with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The Strategy Committee consists of four Directors, namely Mr. Li Yeqing, Mr. Xu Yongmo, Mr. Chi Kong Lo, and Mr. Wong Kun Kau, with Mr. Li Yeqing currently serving as the chairman. The Strategy Committee is mainly responsible for making operation and development strategies of the Company.

Governance and Compliance Committee

We have established a governance and compliance committee with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The Governance and Compliance Committee consists of four Directors, namely Mr. Chi Kong Lo, Mr. Jiang Hong, Mr. Liu Fengshan, and Ms. Tan Then Hwee, with Mr. Chi Kong Lo currently serving as the chairman. The Governance and Compliance Committee is mainly responsible for reviewing and making suggestions on compliance matters of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Under the current composition of our Board, our Board has a balanced mix of knowledge, skills and experiences, including experiences in business management, financial management, engineering and law. Our Directors have a diverse education background including in engineering, business management, financial management and law.

Our nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Upon Listing, our nomination committee will review our diversity policy of the Board and compliance with the Corporate Governance Code to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the diversity policy of the Board on annual basis.

COMPLIANCE ADVISER

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this listing document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with all corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules after the Listing.

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Directors in respect of the financial years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021 were approximately RMB1.9 million, RMB3.8 million, RMB2.5 million and RMB1.9 million, respectively.

The aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Supervisors in respect of the financial years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021 were approximately RMB5.3 million, RMB8.3 million, RMB11.0 million and RMB9.4 million, respectively.

The aggregate amount of remuneration including fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to the five highest paid individuals in respect of the financial years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021 were approximately RMB16.7 million, RMB27.3 million, RMB39.0 million and RMB28.7 million, respectively.

No remuneration was paid to our Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, Supervisors or the five highest paid individuals for the loss of office in connection with the management positions of any member of our Group. None of our Directors nor Supervisors waived or agreed to waive any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors and our Supervisors for the financial year ending December 31, 2021 is expected to be approximately RMB26 million.

No other payments have been paid or are payable in respect of the Track Record Period to our Directors and Supervisors by our Group.

On April 20, 2017, we adopted a long-term incentive plan for our key employees effective from 2017 to 2019 (the "**2017-2019 Key Employee Incentive Plan**"), pursuant to which our Company granted certain number of virtual shares of the Company to our employees based on the satisfaction of the performance targets. As the end of the third year after the grant date (the "**Settlement Date**"), the grantee will receive a cash bonus calculated with reference to the share price at the Settlement Date. As of the Latest Practicable Date, all the awards under this plan is granted and only the virtual shares granted in 2019 is pending for settlement.

On September 25, 2020, we adopted a long-term incentive plan for our key employees effective from 2020 to 2022 (the "**2020-2022 Key Employee Incentive Plan**"), pursuant to which our Company will provide restricted stock to our employees in accordance with the terms of the 2020-2022 Key Employee Incentive Plan. Under the 2020-2022 Key Employee Incentive Plan, our Company will purchase A Shares from the secondary market via a designated securities repurchase account of the Company, award and hold such shares on behalf of eligible employees, with such shares being subject to a lock-up period, and the maximum amount of funds under the 2020-2022 Key Employee Incentive Plan shall not exceed RMB610 million. Upon reaching the end of the relevant lock-up period for such shares, the Company shall sell these shares and distribute the cash proceeds to the relevant employees. As of the Latest Practicable Date, we repurchased a total of 22,689,338 restricted shares of the A shares (approximately 1.08% of the total issued share capital of our Company) at the average price of RMB26.88 per share from the secondary market (amounting to approximately RMB610 million) and made certain awards.

The Company also encourages our senior management to, in compliance with applicable laws and regulations, purchase the Company's shares through secondary market, so as to align the long-term interest between our senior management and the Company.

Our Board will review and determine the remuneration and compensation package of our Directors, Supervisors and senior management, which will receive recommendation from the Nomination Committee and Remuneration and Assessment Committee following the Listing, taking into account various factors such as salaries paid by comparable companies, tenure, commitment, experience and level of responsibilities in our Company.

For the details of the service contracts and appointment letters that we have entered into with our Directors, see "Statutory and General Information — C. Further Information about our Directors and Supervisors — 1. Particulars of Directors' and Supervisors' service contracts and appointment letters" in Appendix IX to this listing document.

OVERVIEW

As of the Latest Practicable Date, Holcim indirectly hold approximately 41.84% of the issued share capital of the Company, of which (a) approximately 21.53% of our total issued share capital were A Shares and (b) approximately 20.31% of our total issued share capital were B Shares. After the B Share Sell-down, it is expected that Holcim will indirectly hold approximately 41.46% of the total issued shares of the Company upon Listing. As such, Holcim, through its subsidiaries, will become a Controlling Shareholder of our Company for the purpose of the Listing Rules. For details of our shareholding immediately prior to and following the completion of the Listing, see "History and Corporate Structure — Our Shareholding and Group Structure."

Holcim is a leading multinational company incorporated in Switzerland, primarily engaged in the business of cement, aggregate, ready-mix concrete and other products, including roofing, dry mortar, precast concrete and asphalt. Holcim is currently listed on the SIX Swiss Exchange and on Euronext Paris.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from Holcim and its close associates after the Listing, taking into consideration the factors below.

Management Independence

We have an independent management team which has extensive experience in management and in the cement industry. Our management team makes management decisions independent of Holcim.

Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table sets forth the positions held by our Directors and senior management in Holcim and its close associates:

Name of Director	Position held in our Company	Position with Holcim or its close associates
Ms. Geraldine Picaud	Non-executive Director	Chief financial officer and member of the executive committee of Holcim Group
Mr. Chi Kong Lo	Non-executive Director	Greater China head of Holcim Group
Ms. Tan Then Hwee	Non-executive Director	Group Head of Learning and Development of Holcim, and non-independent director and member of the compliance committee of Ambuja Cements Limited, a subsidiary of Holcim

Except for the above-mentioned individuals, the remaining Directors and senior management of our Company are independent from Holcim. Our management and operational decisions are made by all of our executive Directors and senior management, most of whom have served our Company for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors, Supervisors and Senior Management" for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and the Shareholders as a whole. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. See "— Corporate Governance Measures" for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Company independently.

Operational Independence

Although Holcim will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company holds all relevant licenses necessary to carry on our businesses, and has sufficient capital, technology, access to clients, suppliers and employees to operate our business independently from Holcim. In addition, our organization structure is made up of individual regional and business departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from Holcim and its close associates during the Track Record Period, and will continue to operate independently.

Different geographical markets

Although Holcim is also primarily engaged in the production and sale of cement, the primary operations of the Holcim Group are located in Europe, North America, the Middle East and Africa, whereas our operations are primarily based in the PRC. Since 2006, Holcim has undertaken not to actively invest in, control or operate any business located in the PRC which would compete with our Group in the construction materials industry (the "**Non-Competition Undertaking**").

As of the Latest Practicable Date, to the best knowledge of our Directors having made all reasonable enquiries, Holcim Group operated (i) two cement plants located in Chengdu, PRC, (the "**Holcim Chengdu Plants**") and (ii) one cement plant in Tanzania (the "**Holcim Tanzanian Plant**", together, the "**Excluded Businesses**"), each of which is independently operated and managed, and are financially independent from our Group. The Holcim Chengdu Plants commenced its operations in 2002, and recorded operating income of RMB2,285 million in 2020, with a production capacity of 7.69 million tons of cement per year. For the Holcim Tanzanian Plant, it recorded an operating income of 95,209.4 million Tanzanian Shilling (equivalent to approximately RMB264.3 million) and a gross profit of 28,075.3 million Tanzanian Shilling (equivalent to approximately RMB77.9 million) in 2020, with a production volume of 300,000 tons of clinker and 450,000 tons of cement annually.

The Holcim Group operates a total of over 2,000 cement and grinding plants, aggregate plants and ready-mix concrete plants globally with its operations primarily based outside the PRC. The Holcim Chengdu Plants primarily serve customers located in Chengdu and Kham, regions within the PRC in which our Group does not have operations in or serve. For our operations located in Tanzania, our plant located in Maweni, Tanzania, primarily serves and delivers to customers located in the northern, eastern and central parts of Tanzania, whereas the Holcim Tanzanian Plant located in Mbeya, Tanzania mainly serves and delivers to customers located in southern Tanzania and neighbouring countries including the Democratic Republic of Congo, Rwanda and Burundi. For our other overseas operations located in Tajikistan, Kyrgyzstan and Uzbekistan, as of the Latest Practicable Date, Holcim Group (excluding our Group) did not have any active operations located in the same countries. Taking into account the Non-Competition Undertaking provided by Holcim, our Directors consider that there is no overlap in the geographical markets between us and Holcim Group.

In addition, the Excluded Businesses are also operated and managed independently from us. None of our executive Directors nor senior management participates in the management of the Excluded Business of Holcim, nor holds any executive role or position within Holcim, and vice-versa. Further, none of our employees, including our senior management and sales and marketing employees, has any overlap with the Excluded Businesses.

As such, our Directors are of the view that the Excluded Businesses do not, and is unlikely to, compete directly with our Group's business as there is a clear delineation of the geographical markets between our Group and Holcim, and the Excluded Businesses are operated and managed independently from us. To the best knowledge of our Directors, we did not have any overlapping customers with the Holcim Group during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, Holcim has no intention to inject the Excluded Businesses into our Group in the future.

Financial Independence

Our Company has our own internal control, accounting and financial management system and accounting and finance department, and we make financial decisions according to our own business needs.

In addition, we do not rely on Holcim and/or its close associates to provide financial assistance to our Company. We have independent access to third party financing and our Directors believe that, if necessary, we are capable of obtaining financing from external sources without reliance on Holcim. Our Directors confirm that, as of the Latest Practicable Date, there are no subsisting loans, guarantees or pledges provided by Holcim and/or its close associates to our Company.

Based on the above, our Directors believe that we are able to maintain financial independent from Holcim and its close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interests after the Listing. In particular, we will implement the following measures:

(a) we will amend our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association will provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present in the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the Board meetings on matters in which such Director or his/her close associates has a material interest, unless the attendance or participation of such Director at such Board meeting is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. Our independent non-executive Directors represent one third of the composition of our Board, which is in compliance with the Corporate Governance Code. Given our independent non-executive Directors' diverse professional backgrounds, we believe that they will provide a balance of views and independent judgment in the decision making process of our Board and they will be able to provide an impartial external opinion to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management";

(d) our independent non-executive directors will review the compliance by Holcim of the Non-Competition Undertaking on an annual basis, and may also be requested to review any conflict of interests between our Group and Holcim. In such event, Holcim shall provide the independent non-executive Directors with all necessary information and we shall disclose the decisions of the independent non-executive Directors either in our annual reports or by way of announcements;

(e) our Directors, including our independent non-executive Directors, will be able to obtain independent professional advice from external parties in suitable circumstances at our Group's cost; and

(f) we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

LOCK-UP UNDERTAKING

The shares controlled by Holcim and its subsidiaries will be subject to the lock-up requirements under Rule 10.07 of the Listing Rules.

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, immediately following the completion of the Listing and assuming no change to the total number of our Shares, each of the following persons is expected to have an interest and/or short position in the Shares or the underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meeting of our Company:

Name of Shareholder	Nature of interest	Class of shares	Number of shares	Approximate percentage of shareholding in the relevant class of Shares upon Listing	Approximate percentage of shareholding in the total share capital of the Company upon Listing
Holcim(3)	Interest in controlled corporation	A Shares	451,333,201	33.14%	21.53%
		H Shares	417,902,467	56.88%	19.93%
		Total	869,235,668	41.46%	41.46%
Holderfin B.V.(3)	Interest in controlled corporation	A Shares	451,333,201	33.14%	21.53%
		H Shares	384,210,624	52.29%	18.33%
		Total	835,543,825	39.85%	39.85%
Holchin B.V.(3)	Beneficial owner	A Shares	451,333,201	33.14%	21.53%
		H Shares	384,210,624	52.29%	18.33%
		Total	835,543,825	39.85%	39.85%
State-owned Asset Supervision and Administration Commission of Huangshi Municipal People's Government(4)	Interest in controlled corporation	A Shares	338,060,739	24.82%	16.12%
Huangshi State-owned Assets Management(4)	Interest in controlled corporation	A Shares	338,060,739	24.82%	16.12%
Huaxin Group(4)	Beneficial owner	A Shares	338,060,739	24.82%	16.12%

Note:

(1) The calculation is based on the total number of 2,096,599,855 Shares in issue as at the Latest Practicable Date.

(2) All interests stated are long positions.

(3) Holchin B.V. is wholly-owned by Holderfin B.V., which in turn is wholly-owned by Holcim. In addition, Holpac Limited, an direct wholly-owned subsidiary of Holcim, is the beneficial owner of 33,691,843 H Shares of the Company. As such, under the SFO, Holcim is deemed to be interested in 451,333,201 A Shares and 417,902,467 H Shares of the Company, upon completion of the B-Share Sell-down.

(4) Huaxin Group is wholly-owned by Huangshi State-owned Asset Management, which in turn is wholly-owned by the State-owned Asset Supervision and Administration Commission of Huangshi Municipal People's Government. As such, Huangshi State-owned Assets Management and State-owned Asset Supervision and Administration Commission of Huangshi Municipal People's Government are deemed to be interested in 338,060,739 A Shares held by Huaxin Group.

Except as disclosed above, as at the Latest Practicable Date, none of our Directors or chief executive officer of our Company are aware of any other person who will, immediately following the completion of the Listing, have an interest and/or short position in our Shares or the underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Group.

SHARE STRUCTURE

As of the Latest Practicable Date, our total issued 2,096,599,855 Shares, which comprised 1,361,879,855 A Shares and 734,720,000 B Shares, was categorized as follows:

	No. of Shares	Approximate percentage of share capital
A Shares	1,361,879,855	64.96%
B Shares	734,720,000	35.04%
Total	2,096,599,855	100.00%

Immediately after the completion of the Listing, our total share capital would be as follows:

	No. of Shares	Approximate percentage of share capital
A Shares	1,361,879,855	64.96%
H Shares	734,720,000	35.04%
Total	2,096,599,855	100.00%

RANKING

A Shares and H Shares are ordinary Shares in the share capital of our Company. However, unless otherwise approved by the relevant authorities, H Shares could not be subscribed by, or traded between legal or natural persons of the PRC. Domestic investors (who are not qualified domestic institutional investors) holding H Shares of our Company due to the conversion of our B Shares to H Shares can only hold or sell the H Shares but cannot purchase H shares on the Hong Kong Stock Exchange. A Shares, on the other hand, can only be subscribed by, and traded between legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi. All dividends or distributions declared, paid or made in respect of the A Shares and H Shares after the date of this listing document will rank pari passu with each other. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or U.S. dollars (as applicable) whereas all dividends in respect of A Shares are to be paid by us in Renminbi.

Our A Shares have been listed on the Shanghai Stock Exchange since January 3, 1994. The market prices of our A Shares and H Shares may be different. See “Risk Factors” in this listing document for the associated risks.

Except as described above and in relation to the despatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and the appointment of dividend agents, are all provided for in our Articles of Association and summarized in Appendix VII to this listing document.

CONVERSION OF OUR A SHARES INTO H SHARES

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different.

Upon the approval of the securities regulatory authority of the State Council, holders of our domestic shares can transfer their shares to overseas investors and such shares can be listed and traded on overseas stock exchanges. The listing and trading of the transferred shares on the overseas stock exchanges shall also in all respects comply with the regulatory procedures, regulations and requirements prescribed by the relevant overseas stock exchanges. No class shareholder voting is required for the listing and trading of the transferred shares on an overseas stock exchange.

Therefore, the A Shareholders may convert their A Shares into H Shares provided such conversion have gone through any requisite internal approval process and complied with the regulations prescribed by the State Council securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant stock exchange(s) and have been approved by the State Council securities regulatory authorities, including the CSRC. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

Set forth below are the relevant procedures:

(1) the A Shareholder must obtain the requisite approval of the CSRC or the authorized securities approval authorities of the State Council for the delisting of all or part of its A Shares;

(2) we may apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Hong Kong Stock Exchange before the converted H Shares can be listed and traded on the Hong Kong Stock Exchange;

(3) the holder of A Shares must request that we remove its A Shares from the A Share register, attaching the relevant documents of title together with the request;

(4) subject to obtaining the approval of the Board, the Company would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant shareholders with H Share certificates for such specified number of Shares;

(5) such specified number of A Shares to be transferred into H Shares are then re-registered on the H Share register maintained in Hong Kong on the condition that:

   (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates;

   (b) the admission of the H Shares for trading in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time;

(6) upon completion of the transfer and conversion, the shareholding of the relevant A Shareholder in our A Share register will be reduced by such number of A Shares transferred and the number of H Shares registered will correspondingly be increased by the same number of H Shares; and

(7) in compliance with the Hong Kong Listing Rules, we will publicly announce the transfer and conversion not less than three days prior to the proposed effective date.

As of the Latest Practicable Date, so far as our Directors are aware, our existing substantial shareholder does not intend to convert any of its A Shares into H Shares.

DEALING IN SHARES PRIOR TO THE LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from the date which is four clear business days before the expected listing hearing date until listing is granted. In the context of a listing of a widely held, publicly traded company, our Company has no control over the investment decision of our Shareholders. Our Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules which restricts such dealings in the Shares prior to the Listing. See “Waivers from Strict Compliance with the Listing Rules — Dealings in Shares prior to Listing” in this listing document for details.

IMPORTANT NOTICE TO INVESTORS

We will not provide printed copies of this listing document to the public in relation to the Listing. This listing document is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "HKEXnews> New Listings> New Listing Information" section, and our website at www.huaxincem.com. If you require a printed copy of this listing document, you may download and print from the website addresses above.

LISTINGS

Our Company intends to convert the B Shares into H Shares, which will be listed by way of introduction on the main board of the Hong Kong Stock Exchange. The Listing is conditional upon the Listing Committee granting the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange. Upon completion of the Listing, all B Shares in issue will be, due to the change of the listing venue, converted into H Shares and the H Shares will be listed on the main board of the Hong Kong Stock Exchange by way of introduction. Our Company also has A Shares which are traded on the Shanghai Stock Exchange. As at the Latest Practicable Date (being also the date for the latest shareholders information available to the Company), our Company had 76,097 Shareholders, of which 63,945 Shareholders were A Shareholders and 12,152 Shareholders were B Shareholders.

THE ARRANGEMENT

Based on the closing price of B Shares on March 2, 2022 (being the last trading day of the B Shares) of USD1.883, the market capitalization of the 314,570,747 H Shares to be held by public H Shareholders is expected to be approximately HK$4,637.17 million (based on the translation of USD into HK dollars at the rate of USD1 to HK$7.8286). Based on the above, as well as the closing price of A Shares of HK$24.15 (RMB19.59) on the Latest Practicable Date and the translation of RMB into HK dollars at the rate of RMB1 to HK$1.2327, the market capitalization of our Company's total issued Shares of 2,096,599,855 Shares is expected to be approximately HK$43,718.18 million.

The acceptance period of the Cash Option commenced at 9:30 am on March 8, 2022 and was closed at 3:00 pm on March 10, 2022. According to CSDC, B Shareholders holding a total of 92,788,469 B Shares validly accepted the Cash Options, representing approximately 12.63% of the total number of B Shares in issue. As of the Latest Practicable Date, the validly accepted cash option exercise application have been irrevocably cleared and settled. As at the Latest Practicable Date, the Cash Option Provider holds in total 92,788,469 H Shares (which originated from the 92,788,469 B Shares acquired upon exercise of the Cash Option by the B Shareholders) in its securities account in Hong Kong. Such H Shares are not subject to any lock-up period and can be traded on the Hong Kong Stock Exchange once Listing occurs, representing approximately 12.63% of the total issued B Shares and approximately 4.43% of the total issued share capital of our Company. As at March 18, 2022, in addition to the Cash Option Provider, there were 486 public beneficial B Shareholders with securities accounts opened in Hong Kong with Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong or overseas securities corporations holding in aggregate 51,546,885 B Shares, representing approximately 7.02% of the total issued B Shares and approximately 2.46% of the total issued share capital of our Company. The above public beneficial B Shareholders with accounts opened in Hong Kong holding in aggregate 144,335,354 B Shares, representing approximately 19.64% of the total issued B Shares and approximately 6.88% of the total issued share capital of our Company, and are ready to trade their H Shares on the Hong Kong Stock Exchange upon the commencement of trading of H Shares on the Listing Date. Based on the closing price of B Shares on March 2, 2022 (being the last trading day of the B Shares) of US$1.883, the market capitalization of the B Shares held by the Cash Option Provider in its securities account in Hong Kong, the other public beneficial B Shareholders with securities accounts opened in Hong Kong, and all public beneficial B Shareholders are approximately HK$1,367.82 million, HK$759.87 million, and HK$2,127.68 million, respectively (based on the aforementioned exchange rate). The market capitalization of B Shares held by all public beneficial B Shareholders is (i) above HK$500 million and (ii) already larger than the entire market capitalization of a large number of Hong Kong-listed companies. Therefore, our Company expects that there will be adequate liquidity of H Shares upon the Listing.

In addition, our Company intends to make the following announcements:

- an announcement on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and our Company on March 24, 2022 on (i) the closing price of A Shares on March 23, 2022, and March 24, 2022, respectively and the closing price of B Shares on March 2, 2022 (being the last trading day of B Shares), and (ii) the price per B Share payable by the Cash Option Provider to B Shareholders pursuant to the Cash Option; and

- an announcement on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and our Company on March 25, 2022 on (i) obtaining the final listing approval in writing from the Hong Kong Stock Exchange; (ii) the closing price of A Share on March 25, 2022 and the closing price of B Shares on March 2, 2022 (being the last trading day of B Shares); and (iii) price per B Share payable by the Cash Option Provider to B Shareholders pursuant to the Cash Option.

REGISTRATION

Our Company has established a register of members for H Shares in Hong Kong (the "**H Share Register**"), which is maintained by the H Share Registrar, Tricor Investor Services Limited, whose address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

All the then existing issued H Shares will be registered on the H Share Register in the name of the CSDC one business day before the Listing Date. CSDC will be the nominee of H Shareholder to hold all the H Shares on behalf of the beneficial H Shareholders converted from the B Shares at the time of listing.

Certificates in respect of the H Shares registered on the H Share Register will, as far as practicable, and unless otherwise requested, be issued to represent the total number of H Shares held by each H Shareholder whose name is registered in the H Share Register.

SHARE CERTIFICATES

Share certificates for the H Shares will be issued by the H Share Registrar.

TYPES OF INVESTORS

Investors of the H Shares are classified into three types, namely, domestic investors, domestically trading overseas investors and non-domestically trading overseas investors according to the following basis:

Type of investors of H Shares	Basis for classification
Domestic investors	PRC investors who did not (i) dispose of their B Shares before the last trading day on the Shanghai Stock Exchange; and (ii) take up the Cash Option. Their B Shares will be converted, due to the change of the listing venue, into H Shares upon the Listing, and the PRC investors can either continue to hold their H Shares or sell their H Shares via trading systems of the PRC securities companies only. Such trading systems are the same as the trading systems of the B Shares currently adopted except for (i) "purchase" orders cannot be placed and (ii) all "sell" orders will be placed through SSETECH to Shenwan Hongyuan Securities (H.K.) Limited.
Domestically trading overseas investors	Overseas investors who did not (i) dispose of their B Shares before the last trading day on the Shanghai Stock Exchange; (ii) take up the Cash Option; and (iii) transfer their H Shares from the CSDC nominee account to their individual Hong Kong securities account such that their H Shares will be traded on the main board of the Hong Kong Stock Exchange through Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong securities or overseas corporations. Such overseas investors can either continue to hold their H Shares or sell their H Shares via the trading system of the PRC securities companies only. Such trading systems are the same as the trading systems of the B Shares currently adopted except for (i) "purchase" orders cannot be placed and (ii) all "sell" orders will be placed through SSETECH to Shenwan Hongyuan Securities (H.K.) Limited.

Type of investors of H Shares	Basis for classification
Non-domestically trading overseas investors	Overseas investors who did not (i) dispose of their B Shares before the last trading day on the Shanghai Stock Exchange; and (ii) take up the Cash Option, and they agree to transfer their H Shares from the CSDC nominee account to their individual Hong Kong securities accounts with Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong or overseas securities corporations such that their H Shares will be traded on the main board of the Hong Kong Stock Exchange through Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong or overseas securities corporations upon the commencement of trading of the H Shares on the date of the Listing. Such overseas investors can place both "purchase" and "sell" orders through such eligible Hong Kong or overseas securities corporations.

Domestic investors and domestically trading overseas investors will be collectively referred to as investors trading through PRC securities companies. Such investors cannot buy the H Shares but can either continue to hold their H Shares or sell their H Shares.

Non-domestically trading overseas investors will be regarded as investors trading through eligible Hong Kong or overseas securities corporations. Such investors can place both "purchase" and "sell" orders through eligible Hong Kong or overseas securities corporations.

There are no differences between investors trading through the trading system of PRC securities companies and investors trading through eligible Hong Kong or overseas securities corporations in respect of their shareholder rights, entitlements and obligations except as described below:

- Under the current regulatory system of the PRC, except otherwise explicitly permitted by the relevant PRC laws and regulations and in accordance with the respective procedures, regulations and requirements, PRC individuals or enterprises are not allowed to directly invest in overseas listed securities including, but not limited to, investment through purchase, subscription, participating in placement of rights issue, etc. Since the H Shares of the investors trading through PRC securities companies will be registered in the H Share register and deposited in a securities account with HKSCC, which is held by the CSDC as the nominee upon the Listing, those investors therefore can only either continue to hold the H Shares or sell the H Shares, but cannot invest in any additional H Shares, such as by participating in a rights issue of our Company. The H shares held by investors shall be deposited with HKSCC under the name of CSDC, which shall exercise its rights over issuers of the securities through HKSCC. The name "HKSCC Nominees Limited" shall be listed in the H share register of companies listed on the Hong Kong Stock Exchange as its nominal holder. No such restrictions apply to investors trading through eligible Hong Kong or overseas securities corporations. Our Company confirms that it will not conduct rights issue until (i) the domestic investors are allowed subscribe for or purchase the H Shares under the relevant PRC laws and regulations; or (ii) we do not have any domestic investor holding our H Shares.

- For other differences in rights, entitlements and obligations such as the trading hours and trading fee between the investors trading through eligible Hong Kong or overseas securities corporations and the investors trading through the PRC securities companies, please refer to the paragraph headed "Investor awareness — Comparison of trading restrictions and differences among domestic investors, domestically-trading overseas investors and non-domestically trading overseas investors upon the Listing" of this section in this listing document.

DEALINGS

Dealings in the H Shares on the Hong Kong Stock Exchange will be conducted in HK dollars. The H Shares will be traded on the Hong Kong Stock Exchange in board lots of 100 H Shares.

Trading mechanism

Investors trading through PRC securities companies can only place trading instructions in the form of "sell" orders to their relevant PRC securities companies and are not allowed to place the trading instructions in the form of "purchase" orders. Only non-domestically trading overseas investors can place the trading instructions in the form of both "sell" and "purchase" orders. If investors short-sell due to failure of the PRC securities companies or SSETECH to inspect and monitor the positions, Shenwan Hongyuan Securities (H.K.) Limited shall conduct market transactions such as buy-ins, and have the party responsible for the short-sell to bear the costs of the price spread and penalty interest. When the investors trading through PRC securities companies place sell orders, the relevant PRC securities company of such investors will first check whether the investors have sufficient H Shares available at the CSDC and to ensure that the transaction orders are true, complete and accurate before sending the trading instructions through SSETECH to Shenwan Hongyuan Securities (H.K.) Limited for execution. Shenwan Hongyuan Securities (H.K.) Limited shall pay guarantee funds and settlement margin to CSDC to minimise risk of settlement default. PRC securities companies shall retain information of customers for a period of not less than 20 years including, but not limited, to trading records. Under the trading mechanism, no short-sell order is expected to be sent to the Hong Kong Stock Exchange for execution. Apart from short-sell monitoring, Shenwan Hongyuan Securities (H.K.) Limited will also handle the trading instructions in the following manner:

a) H Shares with odd lot size (the "**Odd Lot H Shares**") will be fully disposed of in one single transaction. The available balance of the Odd Lot H Shares held by the investors after such single transaction shall be zero. The trading instructions for the Odd Lot H Shares may be given independently for execution or together with the trading instructions of the board lots of H Shares for execution. Shenwan Hongyuan Securities (H.K.) Limited will coordinate the disposal of the Odd Lot H Shares to ensure that the Odd Lot H Shares will be given assured trading at a trading price equivalent to 90% of the then prevailing trading price of H Shares upon the execution of Odd Lot H Shares order.

b) If the number of H Shares under the trading instruction exceeds one board lot, H Shares with board lot size (the "**Board Lot H Shares**") under the trading instruction will be transferred to the Hong Kong Stock Exchange for execution. After the execution of the trading instruction of the Board Lot H Shares, Shenwan Hongyuan Securities (H.K.) Limited will coordinate the disposal of the Odd Lot H Shares to ensure that the Odd Lot H Shares will be given assured trading at a trading price equivalent to 90% of the average executed trading price of the Board Lot H Shares.

c) All Odd Lot H Shares will be reported to the Hong Kong Stock Exchange after execution.

After the trading instruction has been executed, the executed information of H Shares held by the CSDC's securities account opened with Shenwan Hongyuan Securities (H.K.) Limited will be sent to CSDC via SSETECH and then forwarded to the relevant investors' PRC securities companies. There is no material timing difference in relation to the placing of "sell" order of H Shares through the trading systems of the PRC securities companies as compared with the placing of "sell" orders of H Shares through eligible Hong Kong or overseas securities corporations.

The trading mechanism for investors trading through eligible Hong Kong or overseas securities corporations will be the same as those investors of H Shares of other companies listed on the Hong Kong Stock Exchange.

SSETECH shall provide services, such as the entrustment and transmission of transaction orders during the common trading hours between the Shanghai Stock Exchange and the Stock Exchange. Prior to the commencement of the trading session of the Stock Exchange, Shenwan Hongyuan Securities (H.K.) Limited shall keep the investor's entrustment orders and report to the Stock Exchange after commencement of the trading session.

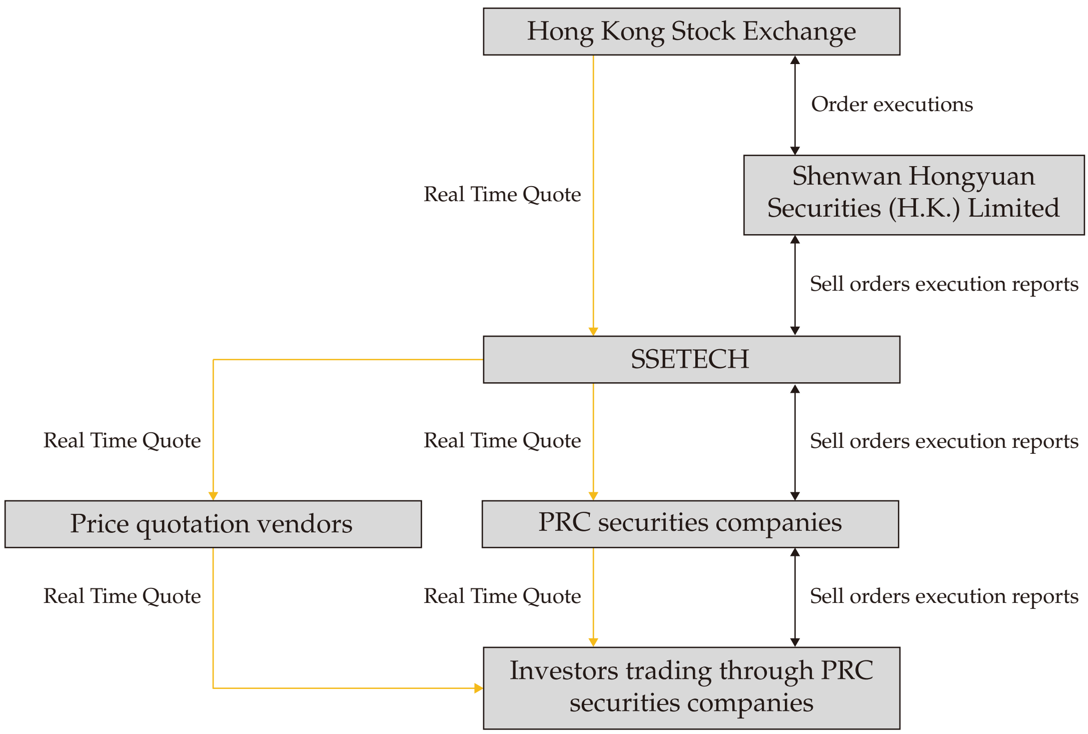
Real-time trading information

Real-time trading information in respect of the H Shares can be obtained from the following sources:

- through the PRC securities companies with upgraded system with which the PRC investors have securities accounts at no cost; or

- through service providers that provide such facilities at the PRC investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

Set out below is a flow chart illustrating the trading mechanism and the provision of real-time trading information for the investors trading through PRC securities companies:



Transaction costs

The transaction costs of dealings in H Shares on the Hong Kong Stock Exchange will include a brokerage commission of 0.08% and settlement fee of 0.002% of the consideration of a transaction charged by Shenwan Hongyuan Securities (H.K.) Limited, a trading fee of 0.005% charged per side of the consideration of a transaction, an SFC transaction levy of 0.0027% charged per side of the consideration of a transaction, a FRC transaction levy of 0.00015% and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.13% each of the consideration of the H Shares transferred.

Immediately upon the Listing, the investors trading through PRC securities companies will need to pay more fees, charges and costs than they need to pay for trading their B Shares. Please refer to the section headed "Risk Factors — Risks Relating to this Listing — Certain risks that our B Shareholders should be aware of — Risk regarding increased transaction costs" in this listing document for details.

Investors trading through eligible Hong Kong or overseas securities corporations

In addition to the H Share Transaction Cost, the brokerage commission charged by the eligible Hong Kong or overseas securities corporations in respect of trading of H Shares on the Hong Kong Stock Exchange is freely negotiable.

Investors trading through PRC securities companies

In addition to the H Share Transaction Cost, the brokerage commission charged by Shenwan Hongyuan Securities (H.K.) Limited in respect of the trading of H Shares of such kind of investors on the Hong Kong Stock Exchange is 0.08%. In addition to such brokerage commission, the brokerage commission charged by the PRC securities companies on the relevant investors is freely negotiable.

SETTLEMENT

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in H Shares on the Hong Kong Stock Exchange or any other date that HKSCC chooses.

The CCASS stock settlement fee payable by each counterparty to a trade in the Hong Kong Stock Exchange is currently 0.002% of the gross transaction value, subject to a minimum fee of HK$2 and a maximum fee of HK$100 per trade.

Investors trading through eligible Hong Kong or overseas securities corporations

Investors trading through eligible Hong Kong or overseas securities corporations must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For investors who have deposited their H Shares in their securities accounts in Hong Kong or in their designated CCASS Participant's stock accounts maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds physical share certificates, such certificates and the duly executed transfer form(s) must be delivered to his broker or custodian before the settlement date.

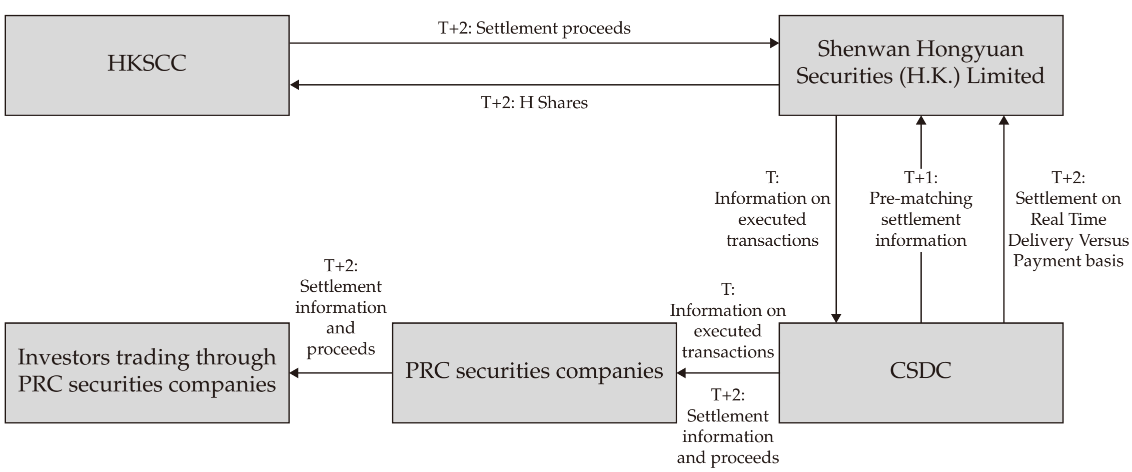
An investor may arrange with his broker or custodian on a settlement date in respect of his trades executed on the Hong Kong Stock Exchange. Under the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must not be later than the second settlement date following the trade date ("**T**") on which the settlement services of CCASS are open for use by CCASS Participants (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures currently in effect provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

Investors trading through PRC securities companies

As mentioned above, under the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must not be later than the second settlement date following the trade date (T+2) on which the settlement services of CCASS are open for use by CCASS Participants.

Before 4:30 p.m. of T, information on the executed transactions (not including transaction costs) will be provided by Shenwan Hongyuan Securities (H.K.) Limited to CSDC, and CSDC will forward such information to the PRC securities companies to update their respective clients' record on the same day. Before 9:00 a.m. of T+1, Shenwan Hongyuan Securities (H.K.) Limited will provide CSDC with the information on the executed transactions (including transaction costs mentioned in the sub-section headed "Transaction costs" above). Before noon of T+2, Shenwan Hongyuan Securities (H.K.) Limited will settle with CSDC on Real Time Delivery Versus Payment basis by USD applying a spot exchange rate. The seller will bear any exchange rate risks. While Shenwan Hongyuan Securities (H.K.) Limited also has corresponding foreign exchange risks as it pays USD to the seller in its settlement with CSDC and receives HKD from HKSCC, as Shenwan Hongyuan Securities (H.K.) Limited is a financial institution, it engages in foreign exchange hedging to neutralize such foreign exchange risks exposure and remains risks neutral. The settlement will be on Real Time Delivery Verses Payment basis on CCASS for Shenwan Hongyuan Securities (H.K.) Limited to remit to CSDC. Shenwan Hongyuan Securities (H.K.) Limited will receive the proceeds from CCASS at the end of the trading day. Settlement amount will credit to the CSDC designated bank account with Hong Kong Securities Clearing Company Limited at the same time. CSDC will transfer the settlement proceeds to the relevant PRC securities companies of the investors according to the information of executed transactions. The PRC investors will receive the settlement information and settlement proceeds on T+2.

Set out below is a flowchart illustrating the settlement mechanism for the investors trading through PRC securities companies:



Dividends

Dividends in respect of the H Shares will be declared in RMB and will be converted into HKD or USD before being paid to the H Shareholders that carried out the trading activities on the Hong Kong Stock Exchange via the trading systems of PRC securities companies or eligible Hong Kong or overseas securities corporations. H Shareholders will be given an option to accept either USD or HKD as the currency for the dividends declared.

As for the investors trading through PRC securities companies, in respect to the dividends of the H Shares being converted from RMB and be paid to the H Shareholders that carried out the trading activities on the Hong Kong Stock Exchange via the trading systems of PRC securities companies, before paying the dividends to the CSDC which holds the H Shares on behalf of the PRC investors as a nominee, our Company shall withhold 10% of the dividend according to the relevant PRC tax laws and regulations. For the investors trading through eligible Hong Kong or overseas securities corporations, as disclosed in the section headed "Risk Factors — Risks Relating to this Listing — Holders of H Shares may be subject to PRC taxation on dividends paid by us and gains realized through their disposal of our H Shares." in this listing document, non-PRC resident enterprise holders of our H Shares may be subject to PRC withholding tax on dividends.

General Meetings

When the Company convenes an annual general meeting, a public announcement to notify each Shareholder shall be given 20 business days prior to the date of the meeting. When the Company convenes an extraordinary general meeting, a public announcement to notify each Shareholder shall be given the longer of 10 business days or 15 days prior to the date of the meeting.

When the Company sets up the duration of notice, both the date of issue and date of convening of meeting shall be excluded.

INVESTOR AWARENESS

Arrangement involving our Company and the PRC securities companies

Prior to the Listing, our Company and the PRC securities companies will cooperate to inform the investor community in the PRC of general information about our Company. Further, our Company will disclose, by way of announcements, the closing prices of A Shares and B Shares on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and our Company on each of the three trading days during the period after the date of this listing document to the day immediately before the Listing Date. After the Listing, our Company and the PRC securities companies may continue to take measures to educate the PRC investors. The following measures have been or will be taken to enhance transparency of our Company:

- CSDC has informed the PRC securities companies and custodian banks the publication of the Transaction Guide and requested the PRC securities companies and custodian banks to inform the investors;
- the Transaction Guide has been published on the websites of the Shanghai Stock Exchange, the CSDC and our Company so that the investors may have free access to it;
- information, where applicable, including among others, the closing price and trading volume of (i) the A Shares as at March 23, 2022, March 24, 2022 and March 25, 2022, respectively; and (ii) B Shares as at March 2, 2022 (being the last trading day of the B Shares) will be disclosed on the website of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and our Company, respectively;

- information brochures based on the Transaction Guide have been published and, together with the Transaction Guide, will be made available at various branches of the relevant PRC securities companies;

- CSDC has notified the investors about the major information of the announcement in relation to the Listing and the major information of the Transaction Guide through the electronic displays or bulletin boards etc. in the branch offices of the PRC securities companies; and

- electronic copies of this listing document are available on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and our Company.

Change of custodians of investors through PRC securities companies

The change of custodian by domestic investors may only be made among the PRC securities companies (the "**Change of Domestic Custodian**") while the change of custodian by domestically trading overseas investors may be made among the PRC securities companies or from PRC securities companies to eligible Hong Kong or overseas securities corporations (the "**Change of Overseas Custodian**").

Change of Domestic Custodian

Prior to applying for the Change of Domestic Custodian, the domestic investor should open a cash account with the business department of a PRC securities company which the investor intends to transfer his/her H Shares to and ascertain the code number of that business department, so as to fill in the application form for the Change of Domestic Custodian.

The operational flow for the Change of Domestic Custodian is as follows:

i. On the first business day ("**Y**"), the domestic investor should bring along his/her identification documents and fill in the application form for the Change of Domestic Custodian for H Shares in person at the business department of the PRC securities company with which he/she maintains a securities account.

ii. After the business department of the PRC securities company with which the domestic investor maintains a securities account has verified his/her identification documents and the application form for the Change of Domestic Custodian, the application will be processed in accordance with the method of trade offer applicable to general B shares companies listed on the Shanghai Stock Exchange and such application will be forwarded to CSDC.

iii. On the first business day following Y, the domestic investor may enquire the balance of his/her transferred H Shares in the corresponding securities account opened with the business department of the new PRC securities company.

iv. In the event that the trading system of the PRC securities company with which the domestic investor maintains a securities account has not been updated and is not able to process the Change of Domestic Custodian by way of trade offer applicable to general B shares companies listed on the Shanghai Stock Exchange, CSDC will process the application by reference to the process flow for Change of Overseas Custodian.

Change of Overseas Custodian

Prior to applying for the Change of Overseas Custodian, domestically trading overseas investors should open a securities account with a securities corporation or custodian bank in Hong Kong or overseas at his/her choice and provide details of such securities account when applying for the Change of Overseas Custodian.

The process flow for the Change of Overseas Custodian is as follows:

i. The domestically trading overseas investor submits an application form for the Change of Overseas Custodian to CSDC at a designated PRC securities company or a custodian bank with which he/she/it maintains a securities account.

ii. Upon approval of the application by the CSDC, the corresponding number of entrusted shares will be canceled and details of such change in number of shares will be sent to the designated PRC securities company or custodian bank, and the H Shares be transferred to either the Hong Kong securities company or Hong Kong custodian bank through the HKSCC system. The share transfer instructions submitted by the CSDC must match with the share transfer instructions submitted by the Hong Kong securities company or the Hong Kong custodian bank through the HKSCC system before the share transfer is complete.

iii. CSDC shall suspend the acceptance of Change of Overseas Custodian five trading days prior to the Listing of the H Shares.

iv. For domestically trading overseas investors who request cross-border share transfers on the Listing Date of the H Shares, the overseas investors must apply for the Change of Overseas Custodian through their designated PRC securities company or custodian bank to CSDC no later than five business days before the Listing of the H Shares.

Time for application for change of custodian

i. An investor should submit his/her application to the business department of the PRC securities company with which he/she maintains a securities account before 2:00 p.m. on each common trading day of the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

ii. PRC securities companies should submit their applications to CSDC before 2:00 p.m. on each common trading day of the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

Cancelation and adjustment of change of custodian

i. The change of custodian may be canceled on the same day of its application. The investor and the business department of the PRC securities company with which he/she maintains a securities account should sign and seal on the original application forms for the change of custodian to confirm cancelation. The process for cancelation of application is identical with that for the application of change of custodian, and the timing will be the same as the timing requirements for the application for change of custodian.

ii. Where errors are identified after a Change of Domestic Custodian, the investor should fill in an application form for rectification of errors and the matter will be sent to CSDC for carrying out the rectification.

iii. No rectification of securities account may be applied for after completion of a Change of Overseas Custodian.

Fees for change of custodian

The Change of Domestic Custodian is free of charge.

The Change of Overseas Custodian is subject to a handling fee of HK$50 per application and 0.002% of the aggregate closing value of the H Shares that are subject to such Change of Overseas Custodian on the previous trading day (subject to a minimum fee of HK$2)), to be charged by the CSDC to the new custodian via CCASS on a delivery-versus-payment basis. A domestically trading overseas investor who submits an application form for the change between the PRC securities companies with which he/she maintains a securities account is not subject to any fees or charges.

Comparison of major differences regarding the trading of B Shares and H Shares

To facilitate investors' understanding on the differences regarding the trading of B Shares and H Shares, the following table sets out certain major differences regarding the trading of B Shares and H Shares:

Item for comparison	B Shares	H Shares
Trading dates	From Monday to Friday; market closed on Saturdays, Sundays and statutory national holidays of the PRC	From Monday to Friday; market closed on Saturdays, Sundays and public holidays of Hong Kong
Method of placing orders and prices	Orders at market price: quotations may only be made during consecutive trading hours	At-auction order: an order with no specified price and such order may only be submitted during pre-opening session
	Limit orders to be made according to designated prices	Limit orders: an order with specified price
Processing of trade submissions by the stock exchange trading system in the pre-trading period	9:15 a.m.–9:20 a.m.: trade submissions are admissible and also cancellable	9:00 a.m.–9:15 a.m.: submission, modification and cancelation of limit orders and at-auction orders acceptable
	9:20 a.m.–9:25 a.m.: trade submissions are admissible but no cancelations may be made	9:15 a.m.–9:20 a.m.: only at-auction orders are acceptable; limit orders and at-auction order already put in queue cannot be modified or canceled
	9:25 a.m.–9:30 a.m.: trade submissions and cancelations are admitted but not processed	9:20 a.m.–9:28 a.m.: no input, modification and cancelation of orders are allowed. Orders will be matched in order type (at-auction order first)
		9:28 a.m.–9:30 a.m.: no terminal activities are allowed

Item for comparison	B Shares	H Shares
Continuous trading hours	Morning: 9:30 a.m.–11:30 a.m., Afternoon: 1:00 p.m.–2:57 p.m.	Morning: 9:30 a.m.–12:00 p.m., Afternoon: 1:00 p.m.–4:00 p.m. No afternoon sessions on Christmas Eve, New Year's Eve and Chinese New Year's Eve
Closing auction session	2:57 p.m.–3:00 p.m.	4:00 p.m.–4:08 p.m. to 4:10 p.m.
Minimum trading volume for each order	100 B Shares	100 H Shares
Trading volume below the minimum requirement for each order	B Shares with odd lot size, to be sold on a one-off basis	Odd Lot H Shares to be acquired by specialized agencies at trading prices equivalent to 90% of the then prevailing market price of H Shares or the average executed trading price of the Board Lot H Shares, where applicable, and must be sold in full in one single transaction
Minimum price fluctuation	USD0.01	HK$0.001
Price movement limits	10%	Nil
Day trade	Not permissible	Permissible
Settlement	T+3	T+2
Margin financing and securities lending	Nil	Yes

The differences stated above are arrived at solely by comparison between the trading of the B Shares and the H Shares, and may not be relevant to all investors of H Shares converted from B Shares. Different trading rules apply to different types of investors. For details please refer to the paragraphs headed "Types of Investors", "Comparison of trading restrictions and differences among domestic investors, domestically-trading overseas investors and non-domestically trading overseas investors upon the Listing" in this section.

Comparison of trading restrictions and differences among domestic investors, domestically-trading overseas investors and non-domestically trading overseas investors upon the Listing

Comparison among domestic investors, domestically-trading overseas investors and non-domestically trading overseas investors indicates certain trading restrictions and differences upon the Listing. Investors should find out which type of investors they belong to and fully inform themselves of the relevant restrictions and differences before dealings in the H Shares. The following table sets out major differences in trading restrictions:

	Domestic investors	Domestically-trading overseas investors	Non-domestically trading overseas investors
Trading authorization	Selling only; restriction on purchase		Buying and selling permissible
Trading day	Common trading day of the Hong Kong Stock Exchange and the Shanghai Stock Exchange		Trading day of the Hong Kong Stock Exchange
Types of buy/sell orders permitted	Limit orders		At-auction orders and limit orders
Trading hours	Morning: 9:15 a.m. – 11:30 a.m. Afternoon: 1:00 p.m. – 3:00 p.m. Afternoon: 3:00 p.m. – 4:00 p.m.: No new trading instructions may be submitted and all pending trading instructions submitted cannot be canceled or amended but are still valid.		Morning: 9:00 a.m.–12:00 noon Afternoon: 1:00 p.m.–4:00 p.m.
Settlement time	T+2 (if T+2 is not a trading day of the Shanghai Stock Exchange, settlement will be postponed to the next common trading day)		T+2
Day trade	Not permissible	Not permissible	Not permissible
Margin financing trade	Not permissible	Not permissible	Not permissible

	Domestic investors	Domestically-trading overseas investors	Non-domestically trading overseas investors
Trading fee	The brokerage commission of 0.08% of the consideration of a H Share trading transaction charged by Shenwan Hongyuan Securities (H.K.) Limited and the settlement fee of 0.002% of the consideration of a H Share trading transaction (subject to a minimum fee of HK$2 and maximum fee of HK$100 per trade) + B Share trading commission charged by the PRC securities company with which the investor maintained a securities account (at the same rate as that charged for the B Shares) + the H Share Transaction Cost (Please also refer to "Risk Factors — Certain risks that our B Shareholders should be aware of — Risk regarding increased transaction costs." of this listing document for details of the risk regarding the increasing transaction costs)		The brokerage commission charged by Shenwan Hongyuan Securities (H.K.) Limited or other eligible Hong Kong or overseas securities corporations and CCASS stock settlement fee of 0.002% of the consideration of a H Share trading transaction (subject to a minimum fee of HK$2 and maximum fee of HK$100 per trade) + the H Share Transaction Cost
Change of custodian	Change of Domestic Custodian permitted	Change of Domestic Custodian and Change of Overseas Custodian permitted	Change of custodian among the Hong Kong or overseas securities companies permitted

Historical trading information in respect of B Shares on the Shanghai Stock Exchange

For information purposes only, please see the table below in relation to high, low, period closing and period averages of our Company's trading information to the Shanghai Stock Exchange from January 1, 2015 and up to March 2, 2022 (being the last trading day of our B Shares):

	Historical price			
	High	**Low**	**Average close**	**Period end**
	(USD)	*(USD)*	*(USD)*	*(USD)*
2015				
January	0.89	0.83	0.87	0.87
February	0.89	0.84	0.87	0.86
March	0.89	0.84	0.86	0.87
April	1.17	0.86	0.95	0.95
May	1.07	0.92	0.97	0.99
June	1.04	0.64	0.92	0.75
July	0.76	0.46	0.61	0.56
August	0.63	0.41	0.54	0.46
September	0.48	0.41	0.44	0.44
October	0.48	0.44	0.47	0.48
November	0.53	0.47	0.50	0.50
December	0.62	0.49	0.54	0.57
2016				
January	0.57	0.45	0.50	0.48
February	0.50	0.45	0.48	0.46
March	0.53	0.46	0.51	0.52
April	0.54	0.48	0.51	0.49
May	0.50	0.43	0.45	0.45
June	0.45	0.43	0.44	0.44
July	0.47	0.44	0.46	0.44
August	0.46	0.43	0.45	0.46
September	0.48	0.45	0.46	0.48
October	0.54	0.47	0.50	0.51
November	0.53	0.50	0.52	0.51
December	0.52	0.48	0.50	0.50

	Historical price			
	High	Low	Average close	Period end
	(USD)	*(USD)*	*(USD)*	*(USD)*
2017				
January	0.52	0.48	0.50	0.52
February	0.57	0.51	0.54	0.55
March	0.57	0.52	0.55	0.55
April	0.59	0.55	0.57	0.58
May	0.57	0.51	0.54	0.54
June	0.56	0.52	0.54	0.55
July	0.66	0.55	0.58	0.65
August	0.79	0.64	0.71	0.79
September	0.93	0.77	0.85	0.91
October	0.93	0.76	0.87	0.83
November	0.88	0.75	0.83	0.86
December	0.88	0.82	0.85	0.87
2018				
January	0.95	0.87	0.91	0.93
February	0.97	0.84	0.92	0.96
March	0.99	0.90	0.96	0.96
April	0.99	0.94	0.97	0.98
May	1.06	0.94	1.01	0.95
June	0.99	0.91	0.96	0.97
July	1.16	0.93	1.05	1.15
August	1.32	1.11	1.24	1.31
September	1.40	1.19	1.29	1.38
October	1.54	1.33	1.43	1.46
November	1.48	1.20	1.36	1.34
December	1.36	1.21	1.27	1.22
2019				
January	1.31	1.13	1.24	1.30
February	1.45	1.30	1.40	1.42
March	1.51	1.38	1.44	1.45
April	2.17	1.50	1.93	2.05
May	2.10	1.87	2.00	2.04
June	2.32	1.92	2.12	2.32
July	2.47	1.95	2.21	1.95
August	1.97	1.59	1.80	1.81
September	2.05	1.81	1.97	1.97
October	2.00	1.77	1.88	1.82
November	2.03	1.80	1.91	1.94
December	2.09	1.92	1.98	2.08

	Historical price			
	High	Low	Average close	Period end
	(USD)	*(USD)*	*(USD)*	*(USD)*
2020				
January	2.14	1.72	1.98	1.74
February	1.87	1.42	1.73	1.70
March	1.87	1.51	1.68	1.53
April	1.75	1.46	1.57	1.72
May	1.85	1.66	1.75	1.72
June	1.85	1.74	1.81	1.82
July	1.99	1.69	1.82	1.82
August	2.60	1.83	2.04	2.32
September	2.41	2.14	2.26	2.27
October	2.29	2.03	2.15	2.08
November	2.35	2.08	2.24	2.20
December	2.25	2.04	2.17	2.17
2021				
January	2.27	2.10	2.18	2.12
February	2.20	2.03	2.11	2.15
March	2.19	2.07	2.14	2.16
April	2.20	2.12	2.16	2.13
May	2.19	2.11	2.15	2.11
June	2.14	1.76	1.97	1.87
July	1.89	1.51	1.76	1.55
August	1.82	1.51	1.73	1.75
September	1.95	1.75	1.88	1.84
October	1.90	1.76	1.84	1.78
November	1.84	1.67	1.78	1.80
December	1.86	1.74	1.81	1.84
2022				
January	1.87	1.78	1.83	1.78
February	1.92	1.82	1.84	1.89
March (up to 2nd, being the last trading day of B Shares)	1.91	1.88	1.88	1.88

For information purposes only, please see the table below in relation to the average daily trading volume and turnover for each period of our B Shares trading information on the Shanghai Stock Exchange from January 1, 2015 and up to March 2, 2022 (being the last trading day of our B Shares):

	Average daily trading volume		**Average daily turnover**
	(B Shares)	*(as % of total issued B Shares)*	*(USD)*
2015			
January	1,246,616	0.17%	1,082,162
February	799,870	0.11%	691,974
March	1,520,661	0.21%	1,306,264
April	6,116,298	0.83%	5,943,680
May	5,179,296	0.70%	5,082,509
June	4,630,096	0.63%	4,330,597
July	3,198,642	0.44%	1,983,894
August	2,621,057	0.36%	1,425,641
September	1,396,043	0.19%	614,965
October	2,268,282	0.31%	1,062,566
November	2,806,629	0.38%	1,404,169
December	4,578,323	0.62%	2,503,274
2016			
January	2,573,047	0.35%	1,322,534
February	1,312,832	0.18%	625,139
March	2,619,908	0.36%	1,347,276
April	1,479,341	0.20%	760,604
May	728,903	0.10%	333,986
June	467,846	0.06%	205,192
July	1,030,128	0.14%	469,965
August	557,979	0.08%	251,483
September	952,905	0.13%	445,290
October	3,527,779	0.48%	1,784,718
November	1,672,315	0.23%	863,746
December	839,723	0.11%	420,210

	Average daily trading volume		Average daily turnover
	(B Shares)	*(as % of total issued B Shares)*	*(USD)*
2017			
January	1,272,535	0.17%	646,810
February	3,182,378	0.43%	1,724,802
March	2,543,479	0.35%	1,400,571
April	2,296,829	0.31%	1,309,885
May	1,185,072	0.16%	631,409
June	755,122	0.10%	408,798
July	3,423,479	0.47%	2,046,192
August	3,436,929	0.47%	2,447,692
September	4,410,305	0.60%	3,731,237
October	4,025,133	0.55%	3,432,936
November	2,439,850	0.33%	2,041,787
December	1,287,886	0.18%	1,094,156
2018			
January	2,434,737	0.33%	2,212,633
February	2,974,089	0.40%	2,742,680
March	1,584,552	0.22%	1,515,698
April	1,368,646	0.19%	1,322,903
May	1,692,553	0.23%	1,700,091
June	1,546,321	0.21%	1,483,195
July	2,559,409	0.35%	2,733,540
August	3,307,618	0.45%	4,082,248
September	2,708,360	0.37%	3,497,125
October	4,036,346	0.55%	5,781,848
November	1,740,661	0.24%	2,346,329
December	982,493	0.13%	1,258,678
2019			
January	1,185,757	0.16%	1,468,504
February	2,530,911	0.34%	3,538,031
March	2,396,964	0.33%	3,477,767
April	4,301,479	0.59%	8,050,482
May	2,313,395	0.31%	4,599,144
June	1,862,226	0.25%	3,978,107
July	2,388,783	0.33%	5,237,128
August	1,830,907	0.25%	3,284,537
September	1,500,062	0.20%	2,961,135
October	1,190,305	0.16%	2,241,784
November	1,326,146	0.18%	2,563,092
December	1,454,049	0.20%	2,893,656

	Average daily trading volume		Average daily turnover
	(B Shares)	*(as % of total issued B Shares)*	*(USD)*
2020			
January	2,288,839	0.31%	4,487,466
February	2,228,192	0.30%	3,831,289
March	2,217,460	0.30%	3,750,136
April	1,537,155	0.21%	2,425,895
May	1,835,463	0.25%	3,216,427
June	1,194,712	0.16%	2,154,029
July	2,469,647	0.34%	4,508,738
August	3,198,225	0.44%	6,711,187
September	1,350,654	0.18%	3,065,544
October	1,176,303	0.16%	2,533,357
November	1,245,380	0.17%	2,790,074
December	684,665	0.09%	1,480,110
2021			
January	866,089	0.12%	1,892,949
February	1,066,283	0.15%	2,267,615
March	660,379	0.09%	1,416,460
April	733,426	0.10%	1,586,912
May	654,567	0.09%	1,408,914
June	983,902	0.13%	1,901,644
July	983,725	0.13%	1,710,903
August	1,255,685	0.17%	2,164,816
September	1,704,636	0.23%	3,207,697
October	720,156	0.10%	1,332,681
November	1,248,400	0.17%	2,211,424
December	758,900	0.10%	1,374,785
2022			
January	592,278	0.08%	1,080,803
February	1,141,131	0.16%	2,106,617
March (up to 2nd, being the last trading day of B Shares)	3,455,505	0.47%	6,510,624

Historical share prices of B Shares may not be indicative of the share price at which the H Shares will trade following completion of the Listing, in particular the historical B Shares were traded in USD while H Shares will be traded in Hong Kong dollars. Please refer to the section headed "Risk Factors — Risk Relating to this Listing — Certain risks that our B Shareholders should be aware of" in this listing document for the associated risks.

INVESTOR COMPENSATION

The SFO provides for the establishment of the Investor Compensation Fund (the "**Fund**"). The Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorized financial institution in relation exchange-traded products in Hong Kong.

The objective of the Fund is to provide certain level of security to retail investors. The client of a defaulting intermediary is eligible to claim. However, the following investors (the "**Unqualified Investors**") cannot claim against the Fund:

(a) A licensed corporation;

(b) An authorized financial institution;

(c) A recognized exchange company, a recognized exchange controller, or a recognized clearing house;

(d) An authorized automated trading services provider;

(e) An authorized insurer;

(f) A manager or operator of an authorized collective investment scheme;

(g) A person who is authorized, licensed or exempt by a competent authority in a jurisdiction outside Hong Kong for any activity that is the same as or similar to any of the activities carried out by a person referred to in (a) to (f) above;

(h) An associate of the defaulting intermediary which is a corporation;

(i) An employee of the defaulting intermediary who has committed breach of trust, defalcation, fraud or misfeasance;

(j) The Hong Kong Government or an overseas government; and

(k) A person acting as a trustee or custodian of the above persons, schemes or arrangement.

Investors trading through eligible Hong Kong or overseas securities corporations

The investors which are not classified as Unqualified Investors are eligible to claim against the Fund.

Investors trading through PRC securities companies

Given that the CSDC acts as a nominee to hold the H Shares on behalf of the PRC investors and the CSDC is a recognized clearing house in the PRC, therefore the CSDC is regarded as an Unqualified Investor and is not eligible to claim against the Fund and the investors trading through PRC securities companies of which the CSDC acts as nominee to hold the H Shares are also not able to claim against the Fund.

Based on Measures for the Administration of Securities Investor Protection Fund (證券投資者保護基金管理辦法) (the "**Administrative Measures**") issued by the CSRC effective from July 1, 2005, in the PRC, The Securities Investors Protection Fund (證券投資者保護基金) (the "**PRC Protection Fund**") is raised, managed and used by China Securities Investors Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司), a wholly state-owned company (the "**Fund Company**"), to protect the interests of securities investors by preventing and disposing of the risks of PRC securities companies. According to the Administrative Measures and other relevant regulations, only when securities companies are dissolved, closed or declared bankrupt, or compulsory supervision measures are taken such as administrative takeover and trustee operation (託管經營) by the CSRC, can the PRC Protection Fund be applied by the Fund Company to indemnify the creditors of the PRC securities companies in accordance with the relevant procedures, regulations and requirements. Investors trading through PRC securities companies can only claim against the PRC Protection Fund under the abovementioned circumstances, but cannot be compensated for other pecuniary losses as a result of default of the PRC securities companies.

CONSOLIDATED BALANCE SHEET

Assets	Note	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
		RMB	*RMB*	*RMB*	*RMB*
Current assets					
Cash and bank balances	*V(1)*	5,326,761,911	5,107,514,423	8,641,612,847	7,833,915,492
Financial assets measured at fair value and whose changes are recorded in current profits and losses	*V(2)*	207,144,438	/	/	/
Held-for-trading financial assets	*V(3)*	/	–	1,004,581,752	300,000,000
Notes receivable	*V(4)*	1,548,929,075	97,734,290	79,939,117	556,253,296
Accounts receivable	*V(5)*	524,536,351	561,894,121	653,219,779	1,397,731,368
Financing with receivables	*V(6)*	–	1,308,788,934	1,020,306,419	526,398,348
Prepayments	*V(7)*	323,717,031	258,828,106	378,619,350	540,416,731
Other receivables	*V(8)*	375,429,575	485,987,186	375,253,958	369,630,179
Inventories	*V(9)*	2,078,566,938	1,996,995,776	2,349,156,189	2,864,012,988
Other current assets	*V(10)*	165,387,334	330,744,967	631,922,798	608,722,596
Total Current Assets		10,550,472,653	10,148,487,803	15,134,612,209	14,997,080,998
Non-current assets					
Debt investments		/	7,500,000	7,500,000	7,500,000
Available-for-sale financial assets	*V(11)*	60,487,319	/	/	/
Long-term receivables		29,279,695	29,148,833	29,141,216	33,408,908
Long-term equity investments	*V(12)*	512,469,490	414,090,759	512,281,201	527,368,113
Other equity instrument investments	*V(13)*	/	38,230,101	33,774,995	49,138,327
Other non-current financial assets	*V(14)*	/	35,003,608	32,827,254	26,114,948
Fixed assets	*V(15)*	16,118,856,112	16,718,113,646	19,185,630,257	19,878,569,965
Construction in progress	*V(16)*	1,322,976,101	4,113,162,732	3,104,429,340	4,593,882,712
Right-of-use assets		/	/	/	163,124,435
Intangible assets	*V(17)*	3,403,613,645	3,869,622,351	4,267,008,181	5,371,074,695
Development expenditure		–	440,897	2,050,090	8,916,594
Goodwill	*V(18)*	447,472,492	476,084,798	476,084,798	611,050,112
Long-term prepaid expenses	*V(19)*	376,208,038	328,639,529	363,760,774	516,447,191
Deferred tax assets	*V(20)*	283,272,115	338,810,643	437,800,338	405,541,052
Other non-current assets		56,397,942	128,051,017	341,608,498	423,958,200
Total Non-current Assets		22,611,032,949	26,496,898,914	28,793,896,942	32,616,095,252
TOTAL ASSETS		33,161,505,602	36,645,386,717	43,928,509,151	47,613,176,250

Liabilities and Shareholders' Equity	Note	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
		RMB	RMB	RMB	RMB
Current liabilities					
Short-term borrowings	V(21)	621,000,000	197,000,000	625,000,000	522,000,000
Held-for-trading financial liabilities		–	–	–	3,587,852
Notes payable	V(22)	–	191,505,647	472,696,537	337,029,152
Accounts payable	V(23)	3,789,324,069	5,120,908,908	5,297,633,770	6,563,227,772
Receipts in advance	V(24)	638,732,781	616,086,758	/	/
Contract liabilities	V(25)	/	/	830,492,042	859,779,636
Employee benefits payable	V(26)	392,173,556	484,465,267	529,877,921	288,761,411
Taxes payable	V(27)	935,736,726	965,576,744	1,186,166,143	955,590,561
Other payables	V(28)	897,653,363	679,448,864	786,246,239	952,299,524
Non-current liabilities due within one year	V(29)	2,877,217,204	769,685,711	1,874,484,159	948,494,364
Total Current Liabilities		10,151,837,699	9,024,677,899	11,602,596,811	11,430,770,272
Non-current liabilities					
Long-term borrowings	V(30)	2,444,189,091	2,039,543,196	3,504,279,973	4,127,860,687
Bonds payable	V(31)	1,196,831,761	1,198,058,176	1,943,763,447	3,363,532,389
Lease liabilities		/	/	/	136,899,682
Long-term payables	V(32)	261,696,441	81,962,612	191,011,663	334,948,456
Long-term employee benefits payable	V(33)	124,171,344	124,555,420	127,205,104	57,260,931
Provisions	V(34)	238,759,221	192,091,010	233,393,286	230,794,317
Deferred income	V(35)	262,432,189	317,140,694	301,399,766	284,887,319
Deferred tax liabilities	V(20)	162,198,735	299,674,965	284,920,603	287,458,595
Total Non-current Liabilities		4,690,278,782	4,253,026,073	6,585,973,842	8,823,642,376
TOTAL LIABILITIES		14,842,116,481	13,277,703,972	18,188,570,653	20,254,412,648

Liabilities and Shareholders' Equity	Note	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
		RMB	*RMB*	*RMB*	*RMB*
SHAREHOLDERS' EQUITY					
Share capital	*V(36)*	1,497,571,325	2,096,599,855	2,096,599,855	2,096,599,855
Less: Treasury share	*V(37)*	–	–	610,051,971	610,051,971
Capital reserve	*V(38)*	2,510,252,020	1,913,438,767	1,943,538,052	2,014,138,654
Other comprehensive income	*V(39)*	(9,023,883)	(17,416,212)	(275,292,763)	(302,733,694)
Surplus reserve	*V(40)*	952,685,662	1,111,880,257	1,111,880,257	1,111,880,257
Retained profits	*V(41)*	11,721,477,654	16,204,540,023	19,304,701,887	20,605,501,382
Total equity attributable to shareholders of the Company		16,672,962,778	21,309,042,690	23,571,375,317	24,915,334,483
Minority interests		1,646,426,343	2,058,640,055	2,168,563,181	2,443,429,119
TOTAL SHAREHOLDERS' EQUITY		18,319,389,121	23,367,682,745	25,739,938,498	27,358,763,602
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		33,161,505,602	36,645,386,717	43,928,509,151	47,613,176,250

The accompanying notes form part of the financial statements.

The financial statements on pages I-a-1 to I-a-247 were signed by the following:

Legal representative: *Principal in charge of accounting:* *Head of accounting department:*

BALANCE SHEET OF THE COMPANY

		As at 31 December			As at 30 September
Assets	*Note*	**2018**	**2019**	**2020**	**2021**
		RMB	*RMB*	*RMB*	*RMB*
Current assets					
Cash and bank balances		3,451,321,002	3,148,929,763	4,650,418,319	3,994,043,422
Financial assets measured at fair value and whose changes are recorded in current profits and losses		207,144,438	/	/	/
Held-for-trading financial assets		/	–	1,004,581,752	300,000,000
Notes receivable		211,818,382	–	100,000	22,000,000
Accounts receivable	*XV(1)*	582,552,971	555,399,137	545,749,566	848,575,342
Financing with receivables		–	245,181,208	151,473,769	110,903,162
Prepayments		183,137,324	135,379,260	226,396,232	457,694,167
Other receivables	*XV(2)*	4,639,099,436	4,546,663,414	4,396,614,326	4,626,499,313
Inventories		332,152,305	268,911,570	320,998,776	392,186,189
Non-current assets due within one year		3,609,824	4,855,490	1,580,000	1,580,000
Other current assets		34,471,735	19,981,554	18,886,995	11,629,819
Total Current Assets		9,645,307,417	8,925,301,396	11,316,799,735	10,765,111,414
Non-current assets					
Available-for-sale financial assets		41,431,819	/	/	/
Long-term receivables		19,083,573	18,916,961	18,738,952	68,926,586
Long-term equity investments	*XV(3)*	10,190,014,554	10,486,027,137	11,119,516,523	11,670,933,011
Other equity instrument investments		/	38,230,101	33,774,995	49,138,327
Other non-current financial assets		/	35,003,608	32,827,254	26,114,948
Fixed assets		300,150,484	347,148,222	437,139,833	417,493,566
Construction in progress		100,636,765	292,601,071	209,773,010	295,649,251
Right-of-use assets		/	/	/	62,085,188
Intangible assets		46,034,664	42,058,446	40,397,874	38,969,709
Long-term prepaid expenses		34,521,671	18,918,836	15,339,306	13,665,546
Deferred tax assets		39,250,259	23,418,017	17,350,047	17,948,106
Total Non-current Assets		10,771,123,789	11,302,322,399	11,924,857,794	12,660,924,238
TOTAL ASSETS		20,416,431,206	20,227,623,795	23,241,657,529	23,426,035,652

Liabilities and Shareholders' Equity	Note	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
		RMB	RMB	RMB	RMB
Current liabilities					
Short-term borrowings		–	–	300,000,000	–
Held-for-trading financial liabilities		–	–	–	3,587,852
Notes payable		–	49,700,000	24,246,455	51,010,000
Accounts payable		211,409,370	386,736,905	410,565,470	309,478,322
Contract liabilities		–	–	14,795,403	41,980,824
Receipts in advance		13,992,917	9,921,984	/	/
Employee benefits payable		84,435,340	76,980,665	63,346,794	93,451,558
Taxes payable		119,097,062	175,298,992	234,439,071	209,957,463
Other payables		3,888,709,040	4,830,428,433	7,224,579,499	6,982,856,262
Non-current liabilities due within one year		2,213,236,104	444,346,556	1,321,867,253	174,309,451
Total Current Liabilities		6,530,879,833	5,973,413,535	9,593,839,945	7,866,631,732
Non-current liabilities					
Long-term borrowings		1,537,212,836	702,340,753	1,202,780,000	1,450,850,000
Bonds payable		1,196,831,761	1,198,058,176	–	1,297,597,907
Lease liabilities		/	/	/	49,620,296
Long-term employee benefits payable		35,594,796	46,829,589	99,997,218	18,027,210
Provisions		7,920,053	7,962,425	8,282,611	7,472,515
Deferred income		12,732,333	15,929,667	12,085,332	10,639,500
Total Non-current Liabilities		2,790,291,779	1,971,120,610	1,323,145,161	2,834,207,428
TOTAL LIABILITIES		9,321,171,612	7,944,534,145	10,916,985,106	10,700,839,160
Shareholders' equity					
Share capital		1,497,571,325	2,096,599,855	2,096,599,855	2,096,599,855
Less: Treasury share		–	–	610,051,971	610,051,971
Capital reserve		2,908,595,304	2,311,782,051	2,341,881,336	2,412,481,938
Other comprehensive income		19,384,071	17,103,476	13,762,146	25,284,645
Surplus reserve		952,685,662	1,111,880,257	1,111,880,257	1,111,880,257
Retained profits		5,717,023,232	6,745,724,011	7,370,600,800	7,689,001,768
TOTAL SHAREHOLDERS' EQUITY		11,095,259,594	12,283,089,650	12,324,672,423	12,725,196,492
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,416,431,206	20,227,623,795	23,241,657,529	23,426,035,652

CONSOLIDATED INCOME STATEMENT

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Operating income	*V(42)*	27,466,044,481	31,439,214,600	29,356,515,691	20,411,674,930	22,453,863,016
Less: Operating costs	*V(42)*	16,575,214,537	18,625,306,221	17,440,231,760	12,180,073,412	14,260,569,092
Taxes and levies	*V(43)*	500,174,955	529,995,148	510,430,272	333,808,037	438,790,589
Selling and distribution expenses	*V(44)*	1,701,838,126	2,048,493,975	2,022,707,842	1,383,963,263	1,602,704,526
General and administrative expenses	*V(45)*	1,336,820,828	1,558,487,708	1,604,700,517	1,077,025,528	1,143,546,310
Research and development expense		10,773,061	37,322,742	55,979,438	16,414,345	29,137,008
Financial expenses	*V(46)*	465,623,749	208,154,721	305,705,509	145,929,280	119,131,106
Including: Interest expenses		451,222,378	246,117,048	200,578,230	139,794,935	191,389,998
Interest income		37,891,458	62,443,270	63,827,091	46,426,172	98,907,637
Add: Other income	*V(47)*	256,980,281	241,516,443	239,383,949	171,544,839	144,986,222
Impairment losses of assets		(67,103,768)	(210,370,136)	(78,195,751)	(12,464,424)	(23,699,983)
Impairment losses on credit	*V(48)*	/	(21,306,466)	(13,997,491)	(26,214,188)	(23,908,265)
Investment income	*V(49)*	83,512,256	108,527,838	118,572,236	113,457,395	32,477,209
Including: Income from investment in associates and joint ventures		71,745,531	107,881,496	77,037,487	71,155,551	14,355,105
Gains from changes in fair values	*V(50)*	3,584,774	5,296,455	2,405,398	(6,359,274)	(21,981,729)
Gains (losses) on disposal of assets	*V(51)*	17,624,464	188,854,586	14,013,082	10,114,587	(1,763,916)
II. Operating profit		7,170,197,232	8,743,972,805	7,698,941,776	5,524,540,000	4,966,093,923
Add: Non-operating income	*V(52)*	20,668,991	75,973,606	65,267,816	20,242,108	23,956,421
Less: Non-operating expenses	*V(53)*	59,795,254	103,824,297	100,564,303	59,184,925	50,234,855
III. Profit before tax		7,131,070,969	8,716,122,114	7,663,645,289	5,485,597,183	4,939,815,489
Less: Income tax expenses	*V(54)*	1,425,576,154	1,695,328,712	1,490,052,106	1,055,043,129	1,045,402,145
IV. Net profit		5,705,494,815	7,020,793,402	6,173,593,183	4,430,554,054	3,894,413,344
(I) Classified by the continuity of operation		5,705,494,815	7,020,793,402	6,173,593,183	4,430,554,054	3,894,413,344
1. Net profit from continuing operations		5,705,494,815	7,020,793,402	6,173,593,183	4,430,554,054	3,894,413,344
(II) Classified by the ownership		5,705,494,815	7,020,793,402	6,173,593,183	4,430,554,054	3,894,413,344
1. Net profit attributable to owners of the Company		5,181,448,611	6,342,304,317	5,630,598,812	4,024,415,213	3,563,345,363
2. Profit or loss attributable to minority interests		524,046,204	678,489,085	542,994,371	406,138,841	331,067,981

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
V. Other comprehensive income, net of tax		20,290,033	(12,972,100)	(359,155,714)	(180,334,689)	(32,620,268)
Other comprehensive income attributable to shareholders of the Company, net of tax		11,029,864	(13,641,554)	(257,876,551)	(142,229,572)	(27,440,931)
(I) Other comprehensive income that cannot be reclassified to profit or loss		–	(7,529,820)	(3,341,330)	(1,626,386)	11,522,499
1. Changes in fair value of other equity instrument investments		–	(7,529,820)	(3,341,330)	(1,626,386)	11,522,499
(II) Items that will be reclassified subsequently to profit or loss		11,029,864	(6,111,734)	(254,535,221)	(140,603,186)	(38,963,430)
1. Gain or loss on changes in fair value of available-for-sale financial assets		(6,533,666)	–	–	–	–
2. Exchange differences on translation of financial statements denominated in foreign currencies		17,563,530	(6,111,734)	(254,535,221)	(140,603,186)	(38,963,430)
3. Reserve for cash flow hedges		–	–	–	–	–
Other comprehensive income attributable to minority interests, net of tax		9,260,169	669,454	(101,279,163)	(38,105,117)	(5,179,337)
VI. Total comprehensive income		5,725,784,848	7,007,821,302	5,814,437,469	4,250,219,365	3,861,793,076
Total comprehensive income attributable to shareholders of the Company		5,192,478,475	6,328,662,763	5,372,722,261	3,882,185,641	3,535,904,432
Total comprehensive income attributable to minority interests		533,306,373	679,158,539	441,715,208	368,033,724	325,888,644
VII. Earnings per share						
Basic earnings per share (RMB)		3.46	3.03	2.69	1.93	1.72
Diluted earnings per share (RMB)		/	/	2.69	1.93	1.72

INCOME STATEMENT OF THE COMPANY

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	RMB	RMB	RMB	RMB
I. Operating income	XV(4)	2,903,454,448	4,112,669,099	4,013,223,622	2,587,901,954	3,424,305,080
Less: Operating costs	XV(4)	2,145,235,802	3,374,528,297	3,383,316,989	2,254,081,211	3,171,205,683
Taxes and levies		23,214,011	23,394,294	18,699,210	13,020,893	6,864,584
Selling and distribution expenses		53,618,214	70,907,415	82,639,274	53,848,811	36,909,502
General and administrative expenses		308,754,142	337,236,721	401,591,118	247,192,555	203,946,180
Research and development expense		–	7,559,035	11,635,683	5,269,309	10,509,290
Financial expenses		65,125,543	49,810,126	166,600,760	88,447,050	20,007,862
Including: Interest expenses		372,945,995	275,840,454	215,006,100	157,441,161	171,805,869
Interest income		289,210,043	237,913,681	139,817,009	108,857,058	168,099,179
Add: Other income		13,992,664	6,819,490	8,046,227	4,913,877	4,223,259
Impairment losses of assets		(16,256,077)	(58,993)	(206,466)	(97,231)	(469,719)
Impairment gains(losses) on credit		–	380,767	398,978	350,454	(414,158)
Investment income	XV(5)	1,640,674,714	2,680,008,572	3,202,604,563	2,035,575,927	2,603,599,918
Including: Income from investment in associates and joint ventures		72,318,401	106,996,430	67,717,486	65,588,851	6,684,682
Gains from changes in fair values		3,584,773	5,296,455	2,405,398	(6,359,274)	(14,881,911)
Gains/(Losses) on disposal of assets		11,134,589	(1,183,233)	10,798,209	1,602,454	352,661
II. Operating profit		1,960,637,399	2,940,496,269	3,172,787,497	1,962,028,332	2,567,272,029
Add: Non-operating income		588,875	10,175,133	8,042,962	7,947,532	10,856,975
Less: Non-operating expenses		2,655,396	1,277,637	14,712,523	7,623,974	1,621,060
III. Profit before tax		1,958,570,878	2,949,393,765	3,166,117,936	1,962,351,890	2,576,507,944
Less: Income tax expenses		46,363,275	61,451,038	10,804,199	13,942,262	(4,438,892)
IV. Net profit		1,912,207,603	2,887,942,727	3,155,313,737	1,948,409,628	2,580,946,836
(I) Net profit from continuing operations		1,912,207,603	2,887,942,727	3,155,313,737	1,948,409,628	2,580,946,836
V. Other comprehensive income, net of tax		(6,533,666)	(7,529,820)	(3,341,330)	(1,626,386)	11,522,499
(I) Other comprehensive income (loss) that cannot be reclassified to profit or loss		–	(7,529,820)	(3,341,330)	(1,626,386)	11,522,499
1. Changes in fair value of other equity instrument investments		–	(7,529,820)	(3,341,330)	(1,626,386)	11,522,499
(II) Items that will be reclassified subsequently to profit or loss		(6,533,666)	–	–	–	–
1. Gain or loss on changes in fair value of available-for-sale financial assets		(6,533,666)	–	–	–	–
VI. Total comprehensive income		1,905,673,937	2,880,412,907	3,151,972,407	1,946,783,242	2,592,469,335

CONSOLIDATED CASH FLOW STATEMENT

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Cash Flows from Operating Activities:						
Cash receipts from the sale of goods and the rendering of services		30,517,753,199	35,151,703,578	30,838,524,919	22,923,621,377	21,240,586,758
Receipts of tax refunds		183,944,112	170,419,262	166,453,900	149,568,773	70,856,132
Other cash receipts relating to operating activities	*V(55)(1)*	158,108,427	360,305,324	219,373,958	230,931,760	261,721,451
Sub-total of cash inflows from operating activities		30,859,805,738	35,682,428,164	31,224,352,777	23,304,121,910	21,573,164,341
Cash payments for goods purchased and services received		16,418,254,738	18,289,125,696	16,116,106,584	12,617,304,114	12,960,985,301
Cash payments to and on behalf of employees		2,238,257,475	2,735,150,458	2,480,442,469	1,938,152,403	2,192,637,644
Payments of various types of taxes		3,574,274,547	4,068,291,507	3,372,065,119	2,523,193,035	2,394,254,553
Other cash payments relating to operating activities	*V(55)(2)*	729,412,873	910,674,638	850,265,845	573,406,942	458,236,527
Sub-total of cash outflows from operating activities		22,960,199,633	26,003,242,299	22,818,880,017	17,652,056,494	18,006,114,025
Net Cash Flow from Operating Activities	*V(56)(1)*	7,899,606,105	9,679,185,865	8,405,472,760	5,652,065,416	3,567,050,316
II. Cash Flows from Investing Activities:						
Cash receipts from disposals and recovery of investments		3,000,000,000	1,901,130,000	650,070,000	650,070,000	1,700,000,000
Cash receipts from investment income		14,810,605	181,498,544	5,450,137	4,737,700	16,145,820
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		300,181,056	101,134,682	52,523,503	19,372,382	23,872,602
Net cash receipts from disposals of subsidiaries and other business units	*V(56)(3)*	1,483,175	1,500,000	171,932,839	171,932,839	22,000
Other cash receipts relating to investing activities	*V(55)(3)*	–	–	36,369,014	46,634,283	5,602,256
Sub-total of cash inflows from investing activities		3,316,474,836	2,185,263,226	916,345,493	892,747,204	1,745,642,678
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,215,937,319	4,122,149,866	3,589,696,674	2,648,711,564	3,343,434,372
Cash payments to acquire investments		2,750,000,000	1,921,357,298	1,650,000,000	978,304,258	1,000,000,000
Net cash paid for acquisitions of subsidiaries	*V(56)(2)*	173,700,292	628,460,513	684,690,731	7,100,000	328,542,886
Other cash payments relating to investing activities	*V(55)(4)*	5,720,528	–	–	655,069,453	–
Sub-total of cash outflows from investing activities		5,145,358,139	6,671,967,677	5,924,387,405	4,289,185,275	4,671,977,258
Net Cash Flow used in Investing Activities		(1,828,883,303)	(4,486,704,451)	(5,008,041,912)	(3,396,438,071)	(2,926,334,580)

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
III. Cash Flows from Financing Activities:						
Cash receipts from capital contributions		10,500,000	36,355,823	112,310,000	112,310,000	153,333,766
Including: cash receipts from capital contributions from minority owners of subsidiaries		10,500,000	36,355,823	112,310,000	112,310,000	153,333,766
Cash receipts from borrowings		1,231,955,556	993,459,680	2,914,266,422	2,724,644,872	1,613,514,638
Cash receipts from issue of bonds		–	–	1,959,330,026	–	1,297,504,000
Other cash receipts relating to financing activities	*V(55)(4)*	18,163,077	137,900,000	–	–	124,507,075
Sub-total of cash inflows from financing activities		1,260,618,633	1,167,715,503	4,985,906,448	2,836,954,872	3,188,859,479
Cash repayments of borrowings		4,378,415,650	3,990,569,210	1,115,347,517	964,694,532	2,100,386,913
Cash payments for interest expenses and distribution of dividends		1,084,702,827	2,480,302,084	2,975,872,170	2,819,598,192	2,507,330,094
Other cash payments relating to financing activities	*V(55)(5)*	181,400,938	203,765,337	707,001,362	710,952,073	52,358,440
Sub-total of cash outflows from financing activities		5,644,519,415	6,674,636,631	4,798,221,049	4,495,244,797	4,660,075,447
Net Cash Flow used in Financing Activities		(4,383,900,782)	(5,506,921,128)	187,685,399	(1,658,289,925)	(1,471,215,968)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		17,091,219	(3,485,968)	(83,166,330)	(32,863,774)	(2,447,481)
V. Net Increase (Decrease) in Cash and Cash Equivalents		1,703,913,239	(317,925,682)	3,501,949,917	564,473,646	(832,947,713)
Add: Opening balance of Cash and Cash Equivalents		3,532,308,895	5,236,222,134	4,918,296,452	4,918,296,452	8,420,246,369
VI. Closing Balance of Cash and Cash Equivalents	*V(56)(4)*	5,236,222,134	4,918,296,452	8,420,246,369	5,482,770,098	7,587,298,656

CASH FLOW STATEMENT OF THE COMPANY

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Cash Flows from Operating Activities:						
Cash receipts from the sale of goods and the rendering of services		3,399,522,322	3,390,154,979	3,191,003,255	3,038,772,597	2,852,069,385
Receipts of tax refunds		3,267,459	2,534,499	–	–	4,745,638
Other cash receipts relating to operating activities		108,394,166	63,305,639	1,421,687,218	1,107,914,411	964,448,079
Sub-total of cash inflows from operating activities		3,511,183,947	3,455,995,117	4,612,690,473	4,146,687,008	3,821,263,102
Cash payments for goods purchased and services received		2,911,538,372	3,555,462,725	3,678,496,769	2,663,509,769	3,390,090,850
Cash payments to and on behalf of employees		231,811,206	286,701,596	330,595,225	473,637,848	211,785,534
Payments of various types of taxes		84,414,929	163,616,322	130,550,123	59,876,433	96,311,124
Other cash payments relating to operating activities		462,507,100	210,799,818	203,543,612	818,724,627	503,417,697
Sub-total of cash outflows from operating activities		3,690,271,607	4,216,580,461	4,343,185,729	4,015,748,677	4,201,605,205
Net Cash Flow (used in)/from Operating Activities		(179,087,660)	(760,585,344)	269,504,744	130,938,331	(380,342,103)
II. Cash Flows from Investing Activities:						
Cash receipts from disposals and recovery of investments		3,000,000,000	1,900,000,000	650,000,000	650,000,000	1,700,000,000
Cash receipts from investment income		1,583,424,204	2,655,172,615	3,031,642,475	1,766,742,473	2,262,036,887
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,054,926	6,659,221	22,798,942	14,714,737	16,400,727
Net cash receipts from disposal of subsidiaries and other business units		–	–	210,000,000	210,000,000	–
Other cash receipts relating to investing activities		4,065,346,107	3,865,320,192	3,537,201,880	79,297,793	4,495,631,395
Sub-total of cash inflows from investing activities		8,662,825,237	8,427,152,028	7,451,643,297	2,720,755,003	8,474,069,009
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		130,327,177	211,668,000	105,006,172	91,272,571	56,171,479
Cash payments to acquire investments		2,940,000,000	2,254,983,689	1,650,000,000	950,000,000	1,000,000,000
Net cash paid for acquisitions of subsidiaries and other business units		253,300,000	–	650,400,000	600,000,000	544,000,000
Other cash payments relating to investing activities		3,143,450,000	4,306,405,320	3,226,012,310	–	4,214,618,610

Item	Note	Amount for the year ended 31 December			Amount for the period ended 30 September	
		2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Sub-total of cash outflows from investing activities		6,467,077,177	6,773,057,009	5,631,418,482	1,641,272,571	5,814,790,089
Net Cash Flow from/(used in) Investing Activities		2,195,748,060	1,654,095,019	1,820,224,815	1,079,482,432	2,659,278,920
III. Cash Flows from Financing Activities:						
Cash receipts from borrowings		393,500,000	–	1,100,000,000	1,100,000,000	400,000,000
Other cash receipts relating to financing activities		2,393,230,285	3,408,376,394	2,146,826,804	8,742,157,094	1,297,504,000
Sub-total of cash inflows from financing activities		2,786,730,285	3,408,376,394	3,246,826,804	9,842,157,094	1,697,504,000
Cash repayments of borrowings		2,935,000,000	2,603,736,104	621,365,182	594,441,547	1,610,937,253
Cash payments for interest expenses and distribution of dividends		853,650,964	2,002,352,509	2,609,048,538	2,535,251,078	2,355,303,993
Other cash payments relating to financing activities		7,302,960	–	610,051,971	8,009,633,691	638,962,750
Sub-total of cash outflows from financing activities		3,795,953,924	4,606,088,613	3,840,465,691	11,139,326,316	4,605,203,996
Net Cash Flow (used in)/from Financing Activities		(1,009,223,639)	(1,197,712,219)	(593,638,887)	(1,297,169,222)	(2,907,699,996)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		1,093,874	2,023,354	(13,615,201)	(5,528,974)	(3,308,639)
V. Net Increase (Decrease) in Cash and Cash Equivalents		1,008,530,635	(302,179,190)	1,482,475,471	(92,277,433)	(632,071,818)
Add: Opening balance of Cash and Cash Equivalents		2,435,487,407	3,444,018,042	3,141,838,852	3,141,838,852	4,624,314,323
VI. Closing Balance of Cash and Cash Equivalents		3,444,018,042	3,141,838,852	4,624,314,323	3,049,561,419	3,992,242,505

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Item	Attributable to owners of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total owners' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	V(38)	*V(40)*	*V(41)*	*V(42)*	*V(43)*		
I. Balance at 1 January 2018	1,497,571,325	2,510,252,020	(20,053,747)	761,464,902	7,150,569,774	1,255,766,858	13,155,571,132
II. Changes in the year	–	–	11,029,864	191,220,760	4,570,907,880	390,659,485	5,163,817,989
(I) Total comprehensive income	–	–	11,029,864	–	5,181,448,611	533,306,373	5,725,784,848
(II) Owners' contributions and reduction in capital	–	–	–	–	–	8,489,030	8,489,030
1. Ordinary shares invested by shareholders	–	–	–	–	–	10,500,000	10,500,000
2. Others	–	–	–	–	–	(2,010,970)	(2,010,970)
(III) Profit distribution	–	–	–	191,220,760	(610,540,731)	(151,135,918)	(570,455,889)
1. Transfer to surplus reserve	–	–	–	191,220,760	(191,220,760)	–	–
2. Distribution to shareholders	–	–	–	–	(419,319,971)	(151,135,918)	(570,455,889)
III. Balance at 31 December 2018	1,497,571,325	2,510,252,020	(9,023,883)	952,685,662	11,721,477,654	1,646,426,343	18,319,389,121

	Attributable to owners of the Company						
Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total owners' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	V(38)	*V(40)*	*V(41)*	*V(42)*	*V(43)*		
I. Balance at 31 December 2018	1,497,571,325	2,510,252,020	(9,023,883)	952,685,662	11,721,477,654	1,646,426,343	18,319,389,121
Add: Changes in accounting policies	–	–	5,249,225	–	22,159,671	–	27,408,896
II. Balance at 1 January 2019	1,497,571,325	2,510,252,020	(3,774,658)	952,685,662	11,743,637,325	1,646,426,343	18,346,798,017
III. Changes in the year	599,028,530	(596,813,253)	(13,641,554)	159,194,595	4,460,902,698	412,213,712	5,020,884,728
(I) Total comprehensive income	–	–	(13,641,554)	–	6,342,304,317	679,158,539	7,007,821,302
(II) Owners' contributions and reduction in capital	–	2,215,277	–	–	–	26,111,714	28,326,991
1. Ordinary shares invested by shareholders	–	–	–	–	–	36,355,823	36,355,823
2. Others	–	2,215,277	–	–	–	(10,244,109)	(8,028,832)
(III) Profit distribution	–	–	–	159,194,595	(1,881,401,619)	(293,056,541)	(2,015,263,565)
1. Transfer to surplus reserve	–	–	–	159,194,595	(159,194,595)	–	–
2. Distribution to shareholders	–	–	–	–	(1,722,207,024)	(293,056,541)	(2,015,263,565)
(IV) Transfers within owners' equity	599,028,530	(599,028,530)	–	–	–	–	–
1. Capitalization of share capital	599,028,530	(599,028,530)	–	–	–	–	–
IV. Balance at 31 December 2019	2,096,599,855	1,913,438,767	(17,416,212)	1,111,880,257	16,204,540,023	2,058,640,055	23,367,682,745

Item	Share capital	Less: Treasury shares	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total owners' equity
	Attributable to owners of the Company							
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	V(38)		*V(40)*	*V(41)*	*V(42)*	*V(43)*		
I. Balance at 1 January 2020	2,096,599,855	–	1,913,438,767	(17,416,212)	1,111,880,257	16,204,540,023	2,058,640,055	23,367,682,745
II. Changes in the year	–	610,051,971	30,099,285	(257,876,551)	–	3,100,161,864	109,923,126	2,372,255,753
(I) Total comprehensive income	–	–	–	(257,876,551)	–	5,630,598,812	441,715,208	5,814,437,469
(II) Owners' contributions and reduction in capital	–	610,051,971	30,099,285	–	–	–	(2,675,884)	(582,628,570)
1. Ordinary shares invested by owners	–	610,051,971	–	–	–	–	112,310,000	(497,741,971)
2. Share-based payment recognized in owners' equity	–	–	29,227,385	–	–	–	–	29,227,385
3. Others	–	–	871,900	–	–	–	(114,985,884)	(114,113,984)
(III) Profit distribution	–	–	–	–	–	(2,530,436,948)	(329,116,198)	(2,859,553,146)
1. Distribution to shareholders	–	–	–	–	–	(2,530,436,948)	(329,116,198)	(2,859,553,146)
III. Balance at 31 December 2020	2,096,599,855	610,051,971	1,943,538,052	(275,292,763)	1,111,880,257	19,304,701,887	2,168,563,181	25,739,938,498

	Attributable to owners of the Company							
Item	Share capital	Less: Treasury shares	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total owners' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	V(38)		*V(40)*	*V(41)*	*V(42)*	*V(43)*		
I. Balance at 1 January 2021	2,096,599,855	610,051,971	1,943,538,052	(275,292,763)	1,111,880,257	19,304,701,887	2,168,563,181	25,739,938,498
II. Changes in the year	–	–	70,600,602	(27,440,931)	–	1,300,799,495	274,865,938	1,618,825,104
(I) Total comprehensive income	–	–	–	(27,440,931)	–	3,563,345,363	325,888,644	3,861,793,076
(II) Owners' contributions and reduction in capital	–	–	70,600,602	–	–	–	153,333,766	223,934,368
1. Ordinary shares invested by shareholders	–	–	–	–	–	–	153,333,766	153,333,766
2. Share-based Payment recognized in owners' equity	–	–	69,868,795	–	–	–	–	69,868,795
3. Others	–	–	731,807	–	–	–	–	731,807
(III) Profit distribution	–	–	–	–	–	(2,262,545,868)	(204,356,472)	(2,466,902,340)
1. Distribution to shareholders	–	–	–	–	–	(2,262,545,868)	(204,356,472)	(2,466,902,340)
III. Balance at 30 September 2021	2,096,599,855	610,051,971	2,014,138,654	(302,733,694)	1,111,880,257	20,605,501,382	2,443,429,119	27,358,763,602

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total owners' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Balance at 1 January 2018	1,497,571,325	2,908,595,304	25,917,737	761,464,902	4,415,356,360	9,608,905,628
II. Changes in the year	–	–	(6,533,666)	191,220,760	1,301,666,872	1,486,353,966
(I) Total comprehensive income	–	–	(6,533,666)	–	1,912,207,603	1,905,673,937
(II) Profit distribution	–	–	–	191,220,760	(610,540,731)	(419,319,971)
1. Transfer to surplus reserve	–	–	–	191,220,760	(191,220,760)	–
2. Distribution to shareholders	–	–	–	–	(419,319,971)	(419,319,971)
III. Balance at 31 December 2018	1,497,571,325	2,908,595,304	19,384,071	952,685,662	5,717,023,232	11,095,259,594

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total owners' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Balance at 31 December 2018	1,497,571,325	2,908,595,304	19,384,071	952,685,662	5,717,023,232	11,095,259,594
Add: Changes in accounting policies	–	–	5,249,225	–	22,159,671	27,408,896
II. Balance at 1 January 2019	1,497,571,325	2,908,595,304	24,633,296	952,685,662	5,739,182,903	11,122,668,490
III. Changes in the year	599,028,530	(596,813,253)	(7,529,820)	159,194,595	1,006,541,108	1,160,421,160
(I) Total comprehensive income	–	–	(7,529,820)	–	2,887,942,727	2,880,412,907
(II) Owners' contributions and reduction in capital	–	2,215,277	–	–	–	2,215,277
1. Others	–	2,215,277	–	–	–	2,215,277
(III) Profit distribution	–	–	–	159,194,595	(1,881,401,619)	(1,722,207,024)
1. Transfer to surplus reserve	–	–	–	159,194,595	(159,194,595)	–
2. Distribution to shareholders	–	–	–	–	(1,722,207,024)	(1,722,207,024)
(IV) Transfers within owners' equity	599,028,530	(599,028,530)	–	–	–	–
1. Capitalization of share capital	599,028,530	(599,028,530)	–	–	–	–
IV. Balance at 31 December 2019	2,096,599,855	2,311,782,051	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650

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

Item	Share capital	Less: Treasury shares	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total owners' equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Balance at 1 January 2021	2,096,599,855	610,051,971	2,341,881,336	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423
II. Changes in the year	–	–	70,600,602	11,522,499	–	318,400,968	400,524,069
(I) Total comprehensive income	–	–	–	11,522,499	–	2,580,946,836	2,592,469,335
(II) Owners' contributions and reduction in capital	–	–	70,600,602	–	–	–	70,600,602
1. Ordinary shares contributed by shareholders	–	–	–	–	–	–	–
2. Share-based payment recognized in owners' equity	–	–	69,868,795	–	–	–	69,868,795
3. Others	–	–	731,807	–	–	–	731,807
(III) Profit distribution	–	–	–	–	–	(2,262,545,868)	(2,262,545,868)
1. Distribution to shareholders	–	–	–	–	–	(2,262,545,868)	(2,262,545,868)
III. Balance at 30 September 2021	2,096,599,855	610,051,971	2,412,481,938	25,284,645	1,111,880,257	7,689,001,768	12,725,196,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. BASIC INFORMATION ABOUT THE COMPANY

1. Company profile

Huaxin Cement Co., Ltd. (the "Company") is a limited company established in the People's Republic of China (the "PRC"). In 1994, as approved by Hubei Provincial People's Government, the Company's shares were listed on the Shanghai Stock Exchange. In 2006, as approved by the Ministry of Commence* of the PRC, the legal status of the Company was changed to a foreign-invested limited company. In April 2019, based on its total share capital of 1,497,571,325 shares at the end of 2018, the Company allotted shares from its capital reserve or surplus reserve at 4 shares for every 10 shares, amounting to RMB599,028,530. As a result, the total shares of the Company increased to 2,096,599,855, including 1,361,879,855 RMB ordinary shares (A shares) and 734,720,000 RMB foreign shares ("B shares"), both of which are issued domestically.

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

2. Scope of consolidated financial statements

Principal subsidiaries included in the scope of consolidation are listed in Note VII "Equity Interests in Other Entities". For the detailed changes in the scope of the consolidated financial statements, are included in Note VI "Changes in Scope of Consolidation".

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of Preparation

The Group adopts China Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. In addition, the Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting (Revised in 2014).

2. Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 September 2021 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3. Basis of accounting and principle of measurement

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

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

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

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

For financial assets which are transacted at fair value on initial recognition, and a valuation technique involving unobservable input is used in subsequent measurement, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Group determines specific accounting policies and accounting estimates based on actual business operation characteristics, including provision of expected credit loss for receivables (Note III(10), III(11), III(12)), the depreciation of fixed assets and the amortization of intangible assets (Note III (17), (20)) and the time point of time of revenue recognition (Note III (27)) etc.

The key judgement made by the Group in determining significant accounting policies are detailed in Note III (31).

1. Statement of compliance with the CASBEs

The financial statements of the Group have been prepared in accordance with China Accounting Standards for Business Enterprises ("CASBEs"), and present truly and completely, the Group's consolidated and the Company's financial position as at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021, and consolidated and the Company's results of operations, changes in shareholders' equity and cash flows from 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019, 1 January 2020 to 31 December 2020 and 1 January 2021 to 30 September 2021.

2. Accounting period

The financial statement covers the period from 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019, 1 January 2020 to 31 December 2020 and 1 January 2021 to 30 September 2021.

3. Operating cycle

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

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries, namely, Huaxin Gayur (Sogd) Cement LLC, Huaxin Yovon Cement LLC, Cambodian Cement Chakrey Ting Factory Co., Ltd., Yuzhno-Kyrgyzskyi Cement CJSC, Huaxin Cement Dzizak Co., Ltd. and Maweni Limestone Ltd determine TJS, TJS, USD, SOM, UZS and shilling as their functional currencies based on the currency of the primary economic environment in which they operate. The Company adopts RMB to present its financial statements.

5. Business combinations

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

5.1 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

6. Preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

7. Classification of joint venture arrangement and accounting treatment of joint venture

A joint venture arrangement is divided into joint operation and joint venture. The classification is determined according to the rights and obligations of the parties to the joint venture arrangement by considering the structure, legal form and contractual terms of the arrangement. Joint operation means a joint venture arrangement in which the assets and liabilities related to the arrangement are enjoyed by the joint venture party. A joint venture is an arrangement in which the parties are entitled only to the net assets of the arrangement.

The Group's investment in the joint venture shall be accounted by the equity method. For details, see Note (III) "16.3.2 Long-term Equity Investment as measured by the Equity Method."

8. Cash and cash equivalents

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

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

9.1 Transactions denominated in foreign currencies

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

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

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

9.2 Translation of financial statements denominated in foreign currencies

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

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

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

10. Financial instruments

10.1 Financial instruments (effective before 1 January 2019)

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

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

10.1.1 *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.1.2 *Classification, recognition and measurement of financial assets*

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on dates of transactions. The Group has no held-to-maturity investment.

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

Financial assets at FVTPL include financial assets held for trading and financial assets designated as measured at fair value and whose changes are included in the current profit or loss. The Group's financial assets at FVTPL only include financial assets held for trading.

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

(1) It has been acquired principally for the purpose of selling in the near term; or

(2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or

(3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

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

10.1.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, other receivables, non-current assets due within one year and long-term receivables etc.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.1.2.3 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale and financial assets that are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interest income earned and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

10.1.3 Impairment of financial assets

The Group performs impairment tests on the carrying amounts of financial assets other than those at FVTPL at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

The objective evidence of impairment on available-for-sale financial assets suggest a serious or non-temporary decline in the fair value of available-for-sale financial assets. On balance sheet day, the Group separately inspects the available-for-sale equity financial assets. If the fair value of available-for-sale financial assets invested on the balance sheet day is less than 50% of their initial investment cost (including 50%) or less than initial investment cost over one year (including one year), the impairment will occur. If the fair value of available-for-sale is below its initial investment cost, which is more than 20% (including 20%) but not up to 50%, the Group will take into account other relevant factors such as price volatility to determine whether the equity instrument investment should be impaired.

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss can be reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

10.1.4 Transfer of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

10.1.5 Classification, recognition and measurement of financial liabilities

On initial recognition, financial instruments or their components issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments. The Group's financial liabilities are mainly other financial liabilities, including accounts payable, loans and bonds payable.

10.1.5.1 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

The other financial liabilities, whose maturity is less than one year (including one year), are listed as current liabilities. The other financial liabilities whose original maturity is more than one year but are due within one year (including one year) from the balance sheet date, are listed as non-current liabilities due within one year. Hence, the rests are listed as non-current liabilities.

10.1.6 Derecognition of financial liabilities

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

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

10.1.7 Offsetting financial assets and financial liabilities

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

10.1.8 Equity instruments

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

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

10.2 Financial instruments (effective after 1 January 2019)

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

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

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are recognized at initial recognition. When the Group initially recognizes accounts receivable without significant financing component or without considering a significant financing component in a contract of 1 year or less in accordance with the China Accounting Standards for Business Enterprises No. 14 – Revenue (the "Revenue Standard"), the accounts receivable are initially measured at the transaction price defined in the Revenue Standard.

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

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

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability measured at initial recognition minus principal repayment, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount using the effective interest method, adjusted for any cumulative loss allowance (only applicable to financial assets).

10.2.1 *Classification, recognition and measurement of financial assets*

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

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

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): 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 and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. Financial assets subsequently measured at FVTOCI include notes receivable classified as at FVTOCI upon acquisition, which are presented as financing with receivables.

On initial recognition, the Group may irrevocably designate an equity instrument as financial assets at FVTOCI on an individual basis, if that equity instrument is neither held for trading nor contingent consideration recognized in a business combination under non-common control. Such financial assets at FVTOCI are presented as other equity instrument investments.

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

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

Financial assets that do not meet the conditions of being classified as financial assets at amortized cost or financial assets at FVTOCI are classified as financial assets at fair value through profit or loss ("FVTPL"). Such financial assets mainly include money market funds and stock investments in the secondary market, etc.

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

10.2.1.1 Financial assets measured at amortized cost

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

The Group recognizes interest income from financial assets classified as financial assets at amortized cost using the effective interest method. Interest income in calculated by applying the effective interests rate to the gross carrying amount of a financial asset, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusting effective interest rate to the amortized of the financial asset from initial recognition.

- For purchased or originated financial assets that have subsequently become credit-impaired interest income recognized by applying the effective interest rate to the amortized cost of financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

10.2.1.2 Financial assets classified as at FVTOCI

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

10.2.1.3 Financial assets designated as at FVTOCI

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

10.2.1.4 Financial assets at FVTPL

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

10.2.2 Impairment of financial instruments

The Group recognizes loss allowance for financial assets classified as at amortized cost and financial assets at FVTOCI based on expected credit loss ("ECL") model.

The Group measures loss allowance for notes receivable and accounts receivable arising from transactions regulated by the Revenue Standard equal to lifetime ECL.

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

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

10.2.2.1 Significant increase in credit risk

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

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

(1) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;

(2) An actual or expected significant change in the operating results of the borrower;

(3) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;

(4) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

(5) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;

(6) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;

(7) Significant changes in the expected performance and behavior of the borrower;

(8) Changes in the Group's credit management approach in relation to the financial instrument.

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

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

10.2.2.2 Credit-impaired financial asset

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

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

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

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

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

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

10.2.2.3 Determination of ECL

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

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

- For a financial asset, the credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.

- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is the difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

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

10.2.2.4 Write-off of financial assets

The Group shall directly reduce the 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. A write-off constitutes a derecognition event.

10.2.3 *Transfer of financial assets*

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

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

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

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

10.2.4 *Classification of liabilities and equity*

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

10.2.4.1 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities FVTPL and other financial liabilities. The Group's financial liabilities are mainly other financial liabilities, including accounts payable, borrowings and bonds payable etc.

10.2.4.1.1 Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through and profit and loss include held-for-trade financial liabilities (including derivatives of financial liabilities) and financial liabilities designated to be measured at fair value through profit and loss. Except for financial liabilities derivatives which will be presented separately, financial liabilities measured at fair value through profit and loss will be presented as held-for-trading financial liabilities.

If a financial liability meets one of the following conditions, it indicates that the Group assumes the financial liability for sale:

(1) The purpose of assuming such financial liabilities is mainly for repurchasing in the near future.

(2) The financial liabilities are part of a centralized managed portfolio of identifiable financial instruments at the time of initial recognition, and there is evidence for short-term profit in the near future.

(3) The financial liabilities are derivatives instruments, except for derivatives that meet the definition of a financial guarantee contract and those designated as valid hedging instruments.

Financial liabilities that meet one of the following criteria may be designated at the time of initial recognition as financial liabilities measured at fair value through profit or loss: (1) The designation may eliminate or significantly reduce inconsistencies in the recognition and measurement of the gains or losses resulting from the differences in the measurement basis of the financial liability; (2) The Group's risk management or investment strategy sets out officially in written that the financial liabilities portfolio or the portfolio of financial assets and financial liabilities to which such financial liabilities belong shall be managed, evaluated and reported to key management personnel on a fair value basis; (3) Qualified hybrid instrument containing embedded derivatives.

Financial liabilities measured at fair value through profit or loss are measured subsequently at fair value, and the gains or losses resulting from changes in fair value and dividends or interest expenses related to such financial liabilities are included in the current profit or loss.

For financial liabilities designated as measured at fair value through profit or loss, the fair value changes caused by the Group's own changes in credit risk are included in other comprehensive income, and other fair value changes are included in the current profit or loss. When the financial liability is terminated, the cumulative change in its fair value caused by changes in its own credit risk, which was previously included in other comprehensive income, is transferred to retained earnings. Dividends or interest expenses related to such financial liabilities are included in the current profit or loss. If the effects of changes in their own credit risk of such financial liabilities are addressed in the manner described above, resulting in or expanding the accounting mismatch in profit or loss, the Group will include all the gains or losses of such financial liabilities (including the amount affected by the changes in their own credit risk) in the current profit or loss.

10.2.4.1.2 Other financial liabilities

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

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

10.2.4.2 Derecognition of financial liabilities

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

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

10.2.4.3 Equity instruments

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

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

10.2.5 Offsetting a financial asset and a financial liability

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

11. Receivables (effective before 1 January 2019)

11.1 Receivables that are individually significant and for which bad debt provision is individually assessed:

Basis or monetary criteria for determining an individually significant receivable	An account receivable that exceeds RMB3,000,000 and other receivable that exceeds RMB2,000,000 are deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	According to the difference between the present value of the expected future cash flow and its book value.

11.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis with similar credit risk characteristics:

Basis for determining a portfolio is as follows:

Name of portfolio	Basis
Portfolio 1	Significant and main project receivables
Portfolio 2	Accounts receivable except for significant and main project receivables
Portfolio 3	Deposits, security deposits, advances to staff, petty each fund and funds paid on behalf of governments
Portfolio 4	Other receivables except for those included in Portfolio 3
Bank acceptances	Banks with lower credit risk

Method of determining provision on a portfolio basis:

Name of portfolio	Basis
Portfolio 1	The provision rate is zero based on the historical loss ratio of receivables with similar credit risk characteristics
Portfolio 2	Aging analysis
Portfolio 3	The provision rate is zero based on the historical loss ratio of receivables with similar credit risk characteristics
Portfolio 4	Aging analysis
Bank acceptances	Not accrued

Portfolios that aging analysis is used for bad debt provision:

Aging	Provision as a proportion of accounts receivable and other receivables
	(%)
Within 1 year	0%
1 to 2 years	10%
2 to 3 years	20%
Over 3 years	40%

11.3 Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:

Reasons for making individual bad debt provision	Receivables that are not individually significant are subject to separate impairment assessment and a provision for impairment of such receivables is made if there is objective evidence that the Group will not be able to collect the amount under the original terms.
Bad debt provision methods	According to the difference between the present value of the expected future cash flow and its book value.

12. Financing with receivables

For the notes receivable classified as at fair value through other comprehensive income, the portion within one year (inclusive) since acquisition is presented as financing with receivables. For the relevant accounting policies, refer to Note (III)10.2.1, 10.2.2 and 10.2.3.

13. Inventories

13.1 Categories of inventories

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

13.2 Valuation method of inventories upon delivery

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

13.3 Basis for determining net realizable value of inventories

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

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

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

13.4 Inventory count system

The perpetual inventory system is maintained.

13.5 Amortization method for spare parts and auxiliary materials

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

14. Contract assets

14.1 Methods and standards for the recognition of contract assets

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

14.1.1 The determination of expected credit losses and accounting treatment regarding to contract assets

The determination of expected credit losses and accounting treatment regarding to contract assets，please refer to note (III) 10.2.2 "Impairment of Financial Instruments".

15. Assets held-for-sale

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

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

The Group records the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of assets held-for-sale is made. When there is an increase in the net amount of fair value of non-current assets held for sale less costs to sell at the subsequent balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification of assets held-for-sale category will not be reversed.

Non-current assets classified as held-for-sale or non-current assets in disposal groups are not depreciated or amortized, and the interest and other expenses of liabilities of disposal groups classified as assets held-for-sale continue to be recognized.

16. Long-term equity investments

16.1 Criteria for determining joint control and significant influence

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

16.2 *Determination of initial investment cost*

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

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

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

16.3 *Subsequent measurement and recognition of profit or loss*

16.3.1 *Long-term equity investment accounted for using the cost method*

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

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

16.3.2 *Long-term equity investment accounted for using the equity method*

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

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

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

However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

16.4 Disposal of long-term equity investments

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

17. Fixed assets

17.1 Recognition criteria for fixed assets

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

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

17.2 Depreciation method

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

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

Category	Depreciation period	Residual value rate	Annual depreciation rate
Buildings	25-40 years	4%	2.4% to 3.8%
Machinery and equipment	5-18 years	4%	5.3% to 19.2%
Office equipment	5-10 years	4%	9.6% to 19.2%
Transportation vehicles	4-12 years	4%	8% to 24%

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

17.3 Other explanations

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

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

17.4 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases(effective before 1 January 2021)

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

18. Construction in progress

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

19. Borrowing Costs

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

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

20. Intangible assets

20.1 Measurement method and useful life of intangible assets

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

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

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

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

21. Impairment of long-term assets

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

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

If the recoverable amount of the asset is less than its carrying amount, an impairment loss provision is recognized in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

Except for the impairment loss of assets related to the contract cost, the above-mentioned impairment loss of assets, once recognized, it is not be reversed in any subsequent period. The impairment loss related to the contract costs can be reversed in subsequent periods, if the previous impairment conditions no longer exist or have improved, resulting in the difference between them is higher than the book value of assets, and included in the current profits and losses. However, the increased amount of the asset should not have determined (net of amortisation) if no impairment loss had been recognized previously.

22. Long-term prepaid expenses

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

23. Contract Liabilities

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

24. Employee benefits

24.1 Accounting treatment of short-term benefits

Short-term benefits include salaries or wages, bonuses and allowances, staff welfare, social insurance including medical insurance, injury insurance, maternity insurance, housing funds, labor unions funds and employee education fee. In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

24.2 Accounting treatment of post-employment benefits

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

The Group's defined contribution plan includes subsidies for retirees and benefits for early retired employees, etc. The defined contribution plan set by the group includes retiree subsidy and retiree welfare. In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability and charged to profit or loss in the period, or included in cost of related assets. For defined benefit plan, the Group attributes benefits obligations arising from the defined benefit plan to the period in which employees render services based on the formula determined by the expected accumulated benefits unit method, and includes such obligations in profit or loss for the period or cost of related assets. Costs of employee benefits arising from the defined benefit plan are classified into the following components:

- Service cost (including the current service cost, past service cost and gain and loss from settlement);
- Net interest from net liabilities/assets of the defined benefit plan (including interest income of the plan assets, interest expenses on obligations of the defined benefit plan, and interest affected by the ceiling of assets); and
- Changes arising from re-measurement of net liabilities/assets of the defined benefit plan.

Service cost and net interest on net liabilities/assets of the defined benefit plan are included in profit or loss for the period or cost of related assets. Changes arising from re-measurement of net liabilities/assets of the defined benefit plan (including actuarial gains/ losses, returns from plan assets net of the amount included in net interest on net liabilities/assets on the defined benefit plan, changes in the maximum effect of assets net of the amount included in net interest on net liabilities/assets of the defined benefit plan are recognized in other comprehensive income.

24.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognizes any related restructuring costs.

Early retirement benefits

The Group provides early retirement benefits to employees who accept voluntary redundancy in exchange for these benefits. Early retirement benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The early retirement benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for early retirement benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognized as liabilities, with a corresponding charge to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognized in profit or loss for the period.

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

25. Provisions

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

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

26. Share-based payment

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

26.1 Equity-settled share-based payments

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

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

26.2 Cash-settled share-based payments

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

27. Revenue

27.1 Accounting policies used for revenue recognition and measurement (effective before 1 January 2020)

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented net of sales discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

27.1.1 Sales of goods

The Group is engaged in manufacturing and sales of cement. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the clients, the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration have been received, and related costs can be measured reliably.

27.1.2 Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the contract costs attributable to the contract can be clearly identified and measured reliably; and (iv) the completion stage of contracts and costs to be incurred to complete the contracts can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered, and the contract cost is recognized as an expense in the period in which it is incurred. When the contract costs incurred are not recoverable, the contract cost is recognized as an expense immediately. The contract revenue and contract cost is recognized over the period of the contract by reference to the stage of completion when the uncertainties on stage of completions ceased.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

At the balance sheet date, the total contract revenue multiplied by the completion stage after deducting the accumulated revenue recognized in the previous accounting periods is recognized as contract revenue of the period; at the same time, the estimated total contract cost multiplied by the completion stage after deducting the accumulated expenses recognized in previous accounting periods is recognized as contract expenses of the period.

The accumulated costs incurred in progress and the accumulated recognized gross profit (loss) and the settled price are stated in the balance sheet on a net basis. The sum of the accumulated costs incurred in progress and the accumulated recognized gross profit (loss) in excess of the settled price is presented as inventory; the settlement price exceeds the sum of the cumulative cost incurred and the accumulated recognized gross profit (loss) is presented as receipts in advance.

For the project of Build-Operate-Transfer (BOT), in which the Group participates in public infrastructure construction business, the Group recognizes related income and expenses for the construction services provided during the construction of the project in accordance with the China Accounting Standards for Business Enterprises No. 15 – Construction Contract. After the infrastructure is completed, the income and expenses related to the operating business services will be recognized in accordance with the China Accounting Standards for Business Enterprises No. 14 – Revenue.

27.1.3 Service income

Service income is recognized on an accrual basis when related service is rendered to clients.

27.1.4 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

27.2 Accounting policies used for revenue recognition and measurement (effective after 1 January 2020)

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

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

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

The Group recognizes revenue at the point in time when the customer obtains control of relative good or service. When judging whether the customer has obtain control of the good or service, the Group considers the following indications: (i) the Group has a present right to payment for the good or service; (ii) the Group has transferred physical possession of the good to the customer; (iii) the Group has transferred the legal title or the significant risks and rewards of ownership of the good to the customer; (iv) the customer has accepted the good or service, etc.

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

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

For a sale attached with quality warranty terms, if such quality warranty provides a customer with a separate service in addition to the assurance that the good or service complies with agreed-upon specifications, such quality warranty constitutes a performance obligation, otherwise, the Group accounts for quality warranty in accordance with the Accounting Standard for Business Enterprises No. 13 - Contingencies.

In case of the existence of a significant financing component in the contract, the Group determines the transaction price at an amount that a customer would have paid if the customer had paid cash when obtaining the control of the good or service. The difference between the transaction price and contract consideration is amortized using effective interest method during the contract life. At contract inception, the Group estimates the period between the customer obtains the control of good or service and the time customer pays for that good or service is one year or less, and does not consider the significant financing component in the contract.

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

27.3 Contract Cost

27.3.1 Costs of obtaining a contract

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

27.3.2 Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of accounting standards for business enterprises other than the revenue standard, the costs will be recognized as an asset only if those costs meet all of the following criteria: (i) the costs relate directly to a contract or to an anticipated contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; (iii) the costs are expected to be recovered. The aforesaid assets are amortized on the basis that is consistent with the revenue recognition of good or service to which the asset relates.

28. Government grants

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

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

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

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

Government grants related to assets are recognized as deferred income, and systematically amortized to profit or loss within the useful life of the related asset. The Group adopts same presentation method for the same category of government grants.

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

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

For government grants related to income, where the grants are a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grants are recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grants are a compensation for related expenses or losses already incurred by the Group, the grants are recognized immediately in profit or loss in the current period.

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

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

29. Deferred tax assets/ deferred tax liabilities

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

29.1 Current income tax

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

29.2 *Deferred tax assets and deferred tax liabilities*

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

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

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

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

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

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

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

29.3 *Offsetting income tax*

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

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

30. Leases

30.1 Leases (effective before 1 January 2021)

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

30.1.1 Accounting treatment of operating leases

30.1.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

30.1.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

30.1.1.3 The Group as lessor under financing leases

Relevant accounting treatment is set out in Note (III) "17.4 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases"

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

30.2 Leases (effective after 1 January 2021)

Lease refers to a contract in which the lessor conveys the right to use an asset for a period of time to the lessee in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The Group reassesses whether a contract is a lease or contains a lease only if the terms and conditions of the contract are changed.

30.2.1 As a lessee

30.2.1.1 Lease split

If a contract contains one or more lease components and non-lease components at the same time, the Group separates each lease component and non-lease components, and allocates the consideration in the contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

30.2.1.2 Right-of-use asset

Except for short-term leases and low-value asset leases, the Group recognizes a right-of-use asset for lease at the commencement date of the lease term. The commencement date of the lease term is the date on which a lessor makes an underlying asset available for use by the Group. Right-of-use assets are initially measured at cost. This cost comprise:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date of the lease term, less lease incentives received if there is any;

The Group refers to relevant depreciation requirements in the CASBEs No. 4 – Fixed Assets to depreciate the right-of-use of asset. Right-of-use of assets in which the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term are depreciated over the remaining useful life of the leased asset. Otherwise, right-of-use of assets are depreciated over the shorter of the lease term and its remaining useful life.

The Group determines whether the right-of-use asset is impaired and accounts for it in accordance with the relevant provisions of the "CASBEs No. 8 – Asset Impairment".

30.2.1.3 Lease liability

Except for short-term leases and leases of low-value assets, at the commencement date of the lease term, the Group initially measures lease liabilities at the present value of the unpaid lease payments at that day. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the incremental borrowing interest rate is used as the discount rate.

Lease payments refer to the payments made by the Group to the lessor relating to the right to use the leased assets during the lease term, including:

- Fixed payment and in-substance fixed payment, less any lease incentives, if there is any;

After the commencement date of lease term, the Group calculates the interest expense of the lease liability in each period during the lease term using a constant periodic rate of interest, and recognises it in the current period profit or loss or the cost of related asset.

After the commencement date of lease term, due to a change in the lease term or a change in the assessment the purchase option, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate, and adjusts the corresponding right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability Group recognizes any difference in the current period profit and loss.

30.2.1.4 Short-term leases and low-value asset leases

The Group elects not to recognize right-of-use assets and lease liabilities to short-term leases of machinery and equipment, properties and buildings, and leases of low-value assets. Short-term lease refers to a lease that, at the commencement date of lease term, has a lease term of 12 months or less and does not contain a purchase option. Low-value asset lease refers to a lease for which the leased asset is of low value when it is new. The Group recognises the lease payments associated with short-term leases and low-value asset leases in the current period profit and loss or the cost of related asset costs on a straight-line basis in each period during the lease term.

30.2.1.5 Lease modifications

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

- the modification increase the scope of the lease by adding the right to use one or more underlying assets;
- the consideration increased by an amount commensurate with the stand-alone price for the increase in scope adjusted for the circumstances of the contract.

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Group allocates the consideration in the modified contract, redetermines the lease term and remeasures the lease liability by discounting the revised lease payment using a revised discount rate.

If the lease modification results in the reduction of the scope of lease or the shortening of the lease term, the Group decreases the carrying amount of the right-of-use asset accordingly, and recognizes in current period profit and loss any gain or loss relating to partial or full termination of the lease. The Group adjusts the carrying amount the right-of-use asset accordingly if the lease liability is remeasured for all other lease modifications.

30.2.2 As a lessor

30.2.2.1 Classification of leases

The Group records the operating lease business as a lessor

In each period during the lease term, the Group recognizes lease receipts from operating leases as rental income on a straight-line basis. The initial direct costs related to operating leases are capitalized when incurred, and amortized on the same basis as the recognition of rental income over the lease term, and recognised in the current period profit and losses by installments.

The variable lease receipts from operating leases obtained by the Group that are not recognised in the lease receipts are recognised in the current period profit and losses when they actually occur.

30.2.2.2 Sale and leaseback transactions

The Group as the seller-lessee

The Group applies the requirement of CASBEs No. 14 – Revenue to assess whether the transfer of asset in the sale and leaseback transaction constitutes a sale. If the transfer of the asset does not satisfy the requirement as a sale, the Group continues to recognize the transferred asset, and at the same time recognize a financial liability equal to the transfer proceeds, and account for the financial liability in accordance with the CASBEs No. 22 – Recognition and Measurement of Financial Instruments. If the transfer of the asset satisfies the requirement as a sale, the Group 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 seller, and recognise the amount of any gain or loss that relates to the rights transferred to the lessor.

31. Other significant accounting policies and accounting estimates

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

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

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

31.1 Accounting estimate on impairment of goodwill

In assessing the impairment of goodwill, it is required to calculate the present value of expected future cash flows arising from the corresponding assets group(s) portfolio, including the estimation of the future cash flows of the assets group(s), and apply the appropriate pre-tax discount rate, which is able to reflect current market assessments of the time value of money and the risks specific to the asset group(s). The management reviews the significant estimates and assumptions at the end of each year, and recognizes the impairment of goodwill in profit or loss of the period.

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

31.2 Provision of ECL for accounts receivable

The Group uses the ECL model to assess the impairment of accounts receivable. The application of the ECL model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on aging of the accounts receivable, historical recovery rates, etc., in combination with forward looking information including macro-economic environment, market and industry risks. The Group regularly monitors and reviews the assumptions used in the ECL model.

31.3 Deferred taxation

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

32. Changes in significant accounting policies and accounting estimates

32.1 2019 Changes in accounting policies

32.1.1 Changes in significant accounting policies

The content and reason of accounting policy change	Approval procedures	Remarks (Significantly Affected Report Item Name and Amount)
New Standards of Financial Instruments		
The Group started adopting the China Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, China Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, China Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and China Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments revised by the MoF in 2017 since 1 January 2019 (hereinafter referred to as the "New Standards of Financial Instruments").	These changes in accounting policies are approved by the Company's meeting of board of directors on 22 August 2019.	Note III (32.1.2)
In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortized cost, FVTOCI and FVTPL on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classification of financial assets, such as loans and receivables, held-to-maturity investments and available-for-sale financial assets in the original standards of financial instruments is no longer adopted. For investments in equity instruments, the entity shall generally classify them as financial assets measured at FVTPL, and for investments in non-tradable equity instruments, the entity is allowed to designate them as FVTOCI provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be carried forward to profit or loss at disposal.		

The content and reason of accounting policy change	Approval procedures	Remarks (Significantly Affected Report Item Name and Amount)
In terms of impairment of financial assets, requirements relative to impairment in the New Standards of Financial Instruments are applicable to financial assets measured at amortized cost and FVTOCI. The New Standards of Financial Instruments replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognized as the expected credit losses within 12 months or the full lifetime based on whether credit risks of relevant items have been increased significantly from the initial recognition. Loss allowances for accounts receivable and notes receivable from transactions defined by the Revenue Standard are made by the Group based on the amount of lifetime ECL.		
For the requirements of the recognition and measurement of financial instruments inconsistent with those of the New Standards of Financial Instruments before 1 January 2019, the Group makes adjustments in accordance with the New Standards of Financial Instruments. The Group makes no adjustments for the previous comparative data inconsistent with the requirements of the New Standards of Financial Instruments. The difference between the original carrying amount of the financial instruments and the new carrying amount at the date implementing the New Standards of Financial Instruments is recognized in the retained profits or other comprehensive income as at 1 January 2019. For the detailed impact of the application of the New Standards of Financial Instruments since 1 January 2019, refer to Note III, 32.1.2.		

32.1.2 Details of initial application of the New Standards of Financial Instruments to adjust the relevant items of the financial statements at the beginning of the year

Consolidated balance sheet

Assets	**31 December 2018**	**1 January 2019**	**Adjustment**
	RMB	*RMB*	*RMB*
Held-for-trading financial assets	N/A	207,144,438	207,144,438
Financial assets at FVTPL	207,144,438	N/A	(207,144,438)
Notes receivable	1,548,929,075	113,631,486	(1,435,297,589)
Financing with receivables	N/A	1,435,297,589	1,435,297,589
Debt investments	N/A	19,055,500	19,055,500
Available-for-sale financial assets	60,487,319	N/A	(60,487,319)
Other equity instrument investments	N/A	48,269,862	48,269,862
Other non-current financial assets	N/A	29,707,153	29,707,153
Deferred tax liabilities	162,198,735	171,335,035	9,136,300
Other comprehensive income	(9,023,883)	(3,774,658)	5,249,225
Retained profits	11,721,477,654	11,743,637,325	22,159,671

Balance Sheet of the Company

Assets	**31 December 2018**	**1 January 2019**	**Adjustment**
	RMB	*RMB*	*RMB*
Held-for-trading financial assets	N/A	207,144,438	207,144,438
Financial assets at FVTPL	207,144,438	N/A	(207,144,438)
Notes receivable	211,818,382	12,300,000	(199,518,382)
Financing with receivables	N/A	199,518,382	199,518,382
Available-for-sale financial assets	41,431,819	N/A	(41,431,819)
Other equity instrument investments	N/A	48,269,862	48,269,862
Other non-current financial assets	N/A	29,707,153	29,707,153
Deferred tax liabilities	–	9,136,300	9,136,300
Other comprehensive income	19,384,071	24,633,296	5,249,225
Retained profits	5,717,023,232	5,739,182,903	22,159,671

Explanations on the adjustment of items to the consolidated balance sheet:

	Carrying amount presented in accordance with the original standard	Impact of Applying the New Standards of Financial Instruments				Carrying amount presented in accordance with the new standard
		Reclassification				
Item	**31 December 2018**	**Transferred from available-for-sale financial assets**	**Transferred from financial assets classified as loans and receivables**	**Transferred from financial assets at FVTPL**	**Measured at fair value from cost**	**1 January 2019**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
		Note 1	*Note 2*	*Note 3*	*Note 1*	
Financial assets at FVTPL	207,144,438	–	–	(207,144,438)	–	–
Held-for-trading financial assets	–	–	–	207,144,438	–	207,144,438
Notes receivable	1,548,929,075	–	(1,435,297,589)	–	–	113,631,486
Financing with receivables	–	–	1,435,297,589	–	–	1,435,297,589
Available-for-sale financial assets	60,487,319	(60,487,319)	–	–	–	–
Debt investments	–	19,055,500	–	–	–	19,055,500
Other equity instrument investments	–	11,724,666	–	–	36,545,196	48,269,862
Other non-current financial assets	–	29,707,153	–	–	–	29,707,153
Deferred tax liabilities	162,198,735	–	–	–	9,136,300	171,335,035
Other comprehensive income	(9,023,883)	(19,384,071)	–	–	24,633,296	(3,774,658)
Retained profits	11,721,477,654	19,384,071	–	–	2,775,600	11,743,637,325

Explanations on the adjustment of items to the balance sheet of the Company:

Item	Carrying amount presented in accordance with the original standard 31 December 2018	Impact of Applying the New Standards of Financial Instruments — Reclassification: Transferred from available-for-sale financial assets	Reclassification: Transferred from financial assets classified as loans and receivables	Transferred from financial assets at FVTPL	Measured at fair value from cost	Carrying amount presented in accordance with the new standard 1 January 2019
	RMB	*RMB* *Note 1*	*RMB* *Note 2*	*RMB* *Note 3*	*RMB* *Note 1*	*RMB*
Financial assets at FVTPL	207,144,438	–	–	(207,144,438)	–	–
Held-for-trading financial assets	–	–	–	207,144,438	–	207,144,438
Notes receivable	211,818,382	–	(199,518,382)	–	–	12,300,000
Financing with receivables	–	–	199,518,382	–	–	199,518,382
Available-for-sale financial assets	41,431,819	(41,431,819)	–	–	–	–
Other equity instrument investments	–	11,724,666	–	–	36,545,196	48,269,862
Other non-current financial assets	–	29,707,153	–	–	–	29,707,153
Deferred tax liabilities	–	–	–	–	9,136,300	9,136,300
Other comprehensive income	19,384,071	(19,384,071)	–	–	24,633,296	24,633,296
Retained profits	5,717,023,232	19,384,071	–	–	2,775,600	5,739,182,903

Note 1: *Transferred from available-for-sale financial assets*

Transferred from available-for-sale financial asset items to other equity instrument investment items

At 1 January 2019, RMB11,724,666 of available-for-sale financial assets of the Group and the Company was designated as financial assets at FVTOCI, and included in other equity instrument investment, which belongs to non-trading equity instrument investments, and is not expected to be sold in the foreseeable future. RMB11,724,666 of available-for-sale financial assets was equity instrument investment measured at cost in accordance with the original standards of financial instruments in prior period. At 1 January 2019, this part of equity investment was measured at fair value, resulting in an increase of RMB36,545,196 in the carrying amount of other equity instrument investments, and a corresponding increase in other comprehensive income (changes in fair value of other equity instrument investments). In addition, the impairment provision of RMB2,775,600 recognized in prior period was transferred from retained profits to other comprehensive income on 1 January 2019 (changes in fair value of other equity instrument investments). Due to the impact of deferred income tax, the deferred tax liabilities increased by RMB9,136,300, and other comprehensive income decreased accordingly.

Transferred from available-for-sale financial asset items to other non-current financial asset items

At 1 January 2019, RMB29,707,153 of available-for-sale financial assets of the Group and the Company was reclassified to financial assets at FVTPL, and included in other non-current financial assets. RMB19,384,071 of accumulated changes in fair value net of tax in prior period was transferred from other comprehensive income (profit or loss on changes in fair value of available-for-sale financial assets) to retained profits.

Transferred from available-for-sale financial assets debt instrument items to debt investment items

At 1 January 2019, the contractual terms of available-for-sale debt instruments, amounting to RMB19,055,500, give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, thus, such asset was reclassified from available-for-sale financial assets to financial assets measured at amortized cost, and was included in debt investments. No such adjustments were made by the Company.

Note 2: *Transferred from financial assets classified as loans and receivables*

In the process of liquidity management, the Group will transfer certain notes receivable before the due date. As the Group has transferred substantially all the risks and rewards to relevant counterparties, the Group would derecognize notes receivable that are endorsed. Notes receivable managed by the Group are held within a business model whose objective is to both collect contractual cash flows and sell the financial assets. Therefore, as at 1 January 2019, notes receivable of RMB1,435,297,589 (the Company: RMB199,518,382) were reclassified from financial assets classified as loans and receivables to financial assets at FVTOCI, and included in financing with receivables. The remeasurement of notes receivable from amortized cost to fair value resulted in an increase in the carrying amount of financing with receivables by RMB1,435,297,589 (the Company: RMB199,518,382).

Note 3: *Transferred from financial assets at FVTPL*

At 1 January 2019, the Group and the Company no longer designate the monetary fund of RMB207,144,438 as financial assets at FVTPL and classify the above-mentioned financial assets as financial assets at FVTPL in accordance with the New Standards of Financial Instruments and included in held-for-trading financial assets.

Note 4: *Expected credit loss*

At 1 January 2019, the Group made provisions for credit losses of accounts receivable, other financial assets measured at amortized cost and debt instruments at FVTOCI in accordance with the New Standards of Financial Instruments. The differences between provisions for credit losses of financial assets by adopting the New Standards of Financial Instruments and those recognized under the original standards of financial instruments are insignificant, therefore, the Group has not made adjustments to the opening balance of the provisions.

At 1 January 2019, the Group reconciled the provision for credit loss of financial assets measured at amortized cost and financial assets at FVTOCI in accordance with the original standards of financial instruments and New Standards of Financial Instruments. See below for details.

Reconciliation of provision for credit loss for the consolidated balance sheet at 1 January 2019

Item	**Impairment provision recognized in accordance with the original standards of financial instruments**	**Reclassification**	**Impairment provision recognized in accordance with the New Standards of Financial Instruments**
Provision for impairment of financial assets			
Bad debt provision for notes receivable	–	–	–
Bad debt provision for accounts receivable	165,751,193	–	165,751,193
Bad debt provision for financing with receivables	–	–	–
Bad debt provision for other receivables	66,363,751	–	66,363,751
Provision for impairment of available-for-sale financial assets	2,000,000	(2,000,000)	–
Provision for impairment of debt investments	–	2,000,000	2,000,000
Bad debt provision for long-term receivables	–	–	–
Provision for impairment of other non-current assets	–	–	–
Sub-total of loss allowance for financial assets	234,114,944	–	234,114,944

32.2 2020 Changes in accounting policies

The content and reason of accounting policy change	Approval procedures	Remarks (Significantly Affected Report Item Name and Amount)
Since 1 January 2020, the Group has implemented the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 (hereinafter referred to as the "New Revenue Standards"). The new revenue guidelines introduce a five-step approach on revenue recognition and measurement and add more guidance for specific transactions (or events). The Group's detailed accounting policies on revenue recognition and measurement are set forth in III(27). The new revenue rule requires that the cumulative impact of the initial application of the rule be recognised in retained earnings and other related items in the financial statements at the beginning of the first execution year (i.e. 1 January 2020) without comparable restatement of information.	The accounting policy changes were reviewed and approved by the Board of Directors of the Company on 26 August 2020.	Note III. (32.2)

Consolidated Balance Sheet

Item	31 December 2019	Reclassification	1 January 2020
	RMB	*RMB*	*RMB*
Receipts in advance	616,086,758	(616,086,758)	–
Contract liabilities	–	616,086,758	616,086,758

Balance Sheet of the Company

Item	31 December 2019	Reclassification	1 January 2020
	RMB	*RMB*	*RMB*
Receipts in advance	9,921,984	(9,921,984)	–
Contract liabilities	–	9,921,984	9,921,984

32.3 2021 Changes in accounting policies

The content and reason of accounting policy change	**Approval procedures**	**Remarks (Significantly Affected Report Item Name and Amount)**
The Ministry of Finance of the People's Republic of China issued a notice on the revision and issuance of the "CASBEs No. 21 – Leasing" on 13 December 2018, and required the enterprises adopting CASBEs to implement the notice on 1 January 2021 other than the enterprises listed domestically and abroad simultaneously and those listed abroad and adopting IFRS or CASBEs to prepare the financial statements. The company makes corresponding changes to the company's accounting policies in accordance with the requirements of the above-mentioned new standards. In accordance with the "CASBEs No. 21 – Leasing", the company that obtains the use right of leased assets within a certain period of time is required to fully reflect the rights and obligations acquired due to lease transactions in the financial statements (except for short-term leases and low-value asset leases). Therefore, "right-of-use assets" and "lease liabilities" need to be recognized in accounting.	The changes in accounting policies changes were reviewed and approved by the Board of Directors of the Company on 27 March 2021.	Notes III.(32.3)

New Lease Standards

The Group implements the "CASBEs No. 21 – Leasing" amended by the Ministry of Finance in 2018 (hereinafter referred to as the "New Lease Standards", and the Leasing Standards before the revision as the "Original Leasing Standards") from 1 January 2021 (the "first implementation date"), and the changes in accounting policies have been reviewed and approved by the Group's Board of Directors on 27 March 2021. The New Lease Standards complete the definition of a lease, and introduce the content of lease identification, separation and merger, etc.; cancel the classification of lessee operating leases and finance leases; require recognition of right-of-use assets and lease liabilities, and separate recognition of depreciation and interest costs for all leases (except for short-term leases and low-value asset leases) on the commencement date of the lease period; improve the subsequent measurement of the lease by a lessee; add the re-assessment on selection rights and the accounting treatment for a lease change as well as relevant disclosure requirements. In addition, the Standards also enrich the disclosure content of a lessor. The Group's revised accounting policies for the recognition and measurement of leases as lessee and lessor are set out in Note (III), 30.

For contracts that existed before the first implementation date, the Group chose not to re-assess whether they were leases or contained leases on the first implementation date.

The Group as the lessee

The Group adjusts the amount of retained earnings and other related items in the financial statements on the first implementation date based on the cumulative impact of the first implementation of the new lease standard, and does not adjust the comparable period information.

For operating leases other than low-value leases before the first implementation date, the Group chooses to adopt one or more of the following simplified treatments according to each lease:

- Leases that will be completed within 12 months from the date of first implementation are treated as short-term leases;

- When measuring lease liabilities, leases with similar characteristics use the same discount rate;

- The measurement of right-of-use assets does not include initial direct costs;

- If there is an option to renew or terminate the lease, the Group shall determine the lease term according to the actual exercise of the option prior to the first exercise and other latest conditions;

- If a lease change occurs before the first implementation date, the Group will perform accounting treatment according to the final arrangement of the lease change;

- As an alternative to the impairment test of the right-of-use assets, the Group assesses whether the contract containing the lease is an onerous contract before the first implementation date according to the "CASBEs No. 13 – Contingencies", and adjusts the right-of-use assets based on the provision for losses included in assets and liabilities before the first implementation date.

- For operating leases before the first implementation date, the Group measures the lease liabilities at the present value of remaining lease payments discounted by the lessee's incremental borrowing interest rate on the first implementation date, and measures the right-of-use assets at the amount equal to the lease liabilities based on necessary adjustments to the advance rent payments.

On 1 January 2021, the Group recognized the lease liabilities of RMB159,162,026 and the right-of-use assets of RMB165,832,759. For the operating lease prior to the first implementation date, the Group measures the lease liabilities by using the present value discounted by the incremental borrowing interest rate on the first implementation date. The weighted average of the incremental borrowing interest rate for 1 to 5 years is 4.75%, and the weighted average of the incremental borrowing interest rate for more than 5 years is 4.90%.

The impact of the implementation of the New Lease Standards on the items in the Company's balance sheet as at 1 January 2021 is shown below:

Item	31 December 2020	Adjustment	1 January 2021
	RMB	*RMB*	*RMB*
Current assets:			
Prepayments	378,619,350	(6,670,733)	371,948,617
Non-current assets:			
Right-of-use assets	–	165,832,759	165,832,759
Current liabilities:			
Non-current liabilities due within one year	1,874,484,159	30,331,816	1,904,815,975
Non-current liabilities:			
Lease liabilities	–	128,830,210	128,830,210

Information on the difference between the Group's lease liabilities recognised at 1 January 2021 and the significant operating lease commitments disclosed in the 2020 financial statements is as follows:

Item	1 January 2021
	RMB
Operating lease commitment on 31 December 2020	204,486,359
Less: Effect of adjustments to borrowing interest rate on 1 January 2021	44,268,836
Lease liabilities calculated at the discount by the incremental borrowing interest rate at the first implementation date	160,217,523
Less: Confirmation of exemption – short-term leases	702,304
Confirmation of exemption – leases of low-value assets	353,194
Lease liabilities related to the original operating lease recognized in accordance with the New Lease Standards	159,162,026
Lease liabilities on 1 January 2021	159,162,026
Listed as follows:	
Other non-current liabilities due within one year	30,331,816
Lease liabilities	128,830,210

The carrying amount of the right-of-use assets on 1 January 2021 consists of:

Item	**1 January 2021**
	RMB
Right-of-use assets:	
The right-of-use assets recognized for the operating lease prior to the first implementation date	159,162,026
Reclassification of prepaid rent *(Note I)*	6,670,733
Total:	165,832,759

By categories

Item	**1 January 2021**
	RMB
Land and mine use right	78,272,699
Buildings and related facilities	80,855,915
Machinery and equipment	6,704,145
Total:	165,832,759

Note I: The pre-paid rent of RMB6,670,733 in the Group leases was reported as prepayment at 31 December 2020 and was reclassified to right-of-use assets on the first implementation date.

The Group acts as the lessor

The Group has no connection adjustments for the lease as the lessor, and will make accounting treatments in accordance with the New Lease Standards from the first implementation date. The implementation of the New Lease Standards has no significant impact on the Group's balance sheet as at 1 January 2021.

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Taxation basis	Tax rate
Enterprise income tax *(Note I)*	Taxable income	10%, 13%, 15%, 20%, 25%, 30%
VAT *(Note II)*	Taxable value added amount (tax payable is calculated at the balance of taxable sales multiplied by applicable tax rate less deductible VAT input for the period)	3%, 5%, 6%, 9%, 10%, 11%, 12%, 13%, 15%, 16%, 17%, 18%

Note I: The Group's subsidiaries Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan. According to local tax laws, they are subject to an applicable enterprise income tax rate of 13% from year 2018 till 30 September 2021 period.

The Group's subsidiary Yuzhno-Kyrgyzskyi Cement CJSC is located in Kyrgyzstan. According to local tax laws, it is subject to an applicable enterprise income tax rate of 10% from year 2019 till 30 September 2021 period.

The Group's subsidiary Cambodian Cement Chakrey Ting Factory Co., Ltd. is located in Cambodia. According to local tax laws, it is subject to an applicable enterprise income tax rate of 20% from year 2020 till 30 September 2021 period.

The Group's subsidiary Maweni limestone limited is located in Tanzania. According to local tax laws, it is subject to an applicable enterprise income tax rate of 30% from year 2020 till 30 September 2021 period.

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

Note II: According to the provisions of Cai Shui [2018] No. 32 "Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of VAT Tax Rate", the tax rates of taxpayers who have engaged in VAT taxable sales or imported goods have changed from 17% and 11% to 16% and 10% respectively from 1 May 2018.

In accordance with the Announcement No. 39 in 2019 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform, tax rates of general taxpayers who engage in VAT taxable sales or imported goods have changed from 16% and 10% to 13% and 9% respectively from 1 April 2019.

Before 30 April 2016, the tax rate of real estate sales or real estate leasing is 5%. And the tax rate of the related companies within the Group providing IT services, share services and collecting capital occupancy fees is 6%.

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

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

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

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

The Group's subsidiaries Maweni limestone limited is located in Tanzania and subject to an applicable VAT rate of 18%.

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

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

2. Tax preferences

2.1 Enterprise income tax

The Group's subsidiary Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. and Huaxin Ezhou Packaging Co., Ltd. were granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2017 and 2018. Pursuant to the Enterprise Income Tax Law of the PRC, Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd is subject to a reduced tax rate of 15% from 2018 to September 30, 2021, and Huaxin Ezhou Packaging Co., Ltd. is subject to a reduced rate of 15% from 2017 to 2019.

The Group's subsidiary Huaxin Environmental Engineering Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2019. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% from 2019 to September 30, 2021. The Group's subsidiary Huaxin Cement Technology Management (Wuhan) Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2020. Pursuant to the Enterprise Income Tax Law of the PRC, the above company is subject to a reduced tax rate of 15% from 2020 to September 30, 2021.

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., Huaxin Cement (Dongjun) 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 Shentian Cement Co., Ltd. And Guizhou Shuicheng Shui On Cement Co., Ltd., Huaxin Cement (Fumin) Co., Ltd are manufacturing enterprises established in western development zone of the PRC. Pursuant to Cai Shui [2011] No.58 Notice on Tax Policy Issues concerning Further Implementing the Western China Development Strategy, the applicable enterprise income tax rate of these subsidiaries for the years from 2011 to 2020 is reduced to 15%. Pursuant to Cai Shui [2020] No. 23 Announcement on the Continuation of the Enterprise Income Tax Policy for Western China Development, the applicable enterprise income tax rate of these subsidiaries for the years from 2021 to 2030 is reduced to 15%.

The Group's subsidiary Huaxin Cement (Tibet) Co., Ltd. is a manufacturing enterprise established in western development zone of the PRC and belongs to one of encouraged industries in the State's Western China Development Policy. Pursuant to Zang Zheng Fa [2011] No. 14 Notice of the People's Government of Tibet Autonomous Region on Issues Concerning the Enterprise Income Tax Rate in the Region, 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 Huaxin Cement (Tibet) Co., Ltd. for the years from 2011 to 2030 is reduced to 15%.

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

2.2 VAT

Based on regulations in VAT Preference Items for Resource Comprehensively Utilized Products and Labor (Cai Shui [2015] No. 78), certain subsidiaries of the Group are entitled to preference policy of VAT refunding upon paying with refunded ratio at 70%.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Cash on hand	1,014,354	518,847	620,098	693,264
Bank balances	5,235,207,780	4,917,777,605	8,419,626,271	7,586,605,392
Other monetary assets	90,539,777	189,217,971	221,366,478	246,616,836
Total	5,326,761,911	5,107,514,423	8,641,612,847	7,833,915,492
Including: Cash deposited overseas	136,153,570	285,378,285	906,642,344	1,188,205,479

As at 31 December 2018, other monetary assets include mine restoration deposit of RMB32,947,396, guarantee deposits of RMB44,990,351, carbon emission trading deposit of RMB11,576,566, bank acceptance notes and letters of credit deposits of RMB725,462, and other bank deposits of RMB300,002, amounting to RMB90,539,777 in total. The restricted cash is not regarded as cash when preparing the cash flow statements.

As at 31 December 2019, other monetary assets include security deposit of mine restoration of RMB69,719,125 letter of guarantee security deposits of RMB42,850,602 notes and L/C security deposits of RMB37,850,098 finance lease deposits of RMB15,000,000 and security deposits of other nature of RMB23,798,146 amounting to RMB189,217,971 in total. The restricted cash is not regarded as cash when preparing the cash flow statements.

As at 31 December 2020, other monetary assets include the deposits for the letter of guarantee of RMB30,938,600 notes, and the deposits for the letter of credit of RMB145,161,196, finance lease deposits of RMB15,000,000, and other nature deposits of RMB30,266,682 amounting to RMB221,366,478 in total. The other monetary assets are not regarded as cash and cash equivalents when preparing the cash flow statements.

As at 30 September 2021, other monetary assets include mine reclamation deposit of RMB90,520,980, letter of guarantee deposit of RMB27,284,539, notes and L/C security deposits of RMB112,664,250, sale and leaseback financing lease deposits of RMB15,000,000 and deposits of other nature RMB1,147,067, amounting to RMB246,616,836 (31 December 2020: RMB221,366,478). The restricted cash is not regarded as cash when preparing the cash flow statements.

2. Financial assets measured at fair value and whose changes are recorded in current profits and losses (effect before 1 January 2019)

	As at 31 December
Item	**2018**
	RMB
Financial assets measured at fair value and whose changes are recorded in current profits and losses	207,144,438
Including: Money market fund *(Note)*	207,144,438
Others	–
Total	207,144,438

Note: Money market fund is issued by China International Fund Management Co., Ltd. The fair value is determined based on the market value of the fund product on the last trading day of the year.The Group's intended holding period of the monetary market fund is within one year.

3. Held-for-trading financial assets (effect after 1 January 2019)

	As at 31 December		As at 30 September
Item	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*
Financial assets held for trading	–	1,004,581,752	300,000,000
Including: Money market fund *(Note)*	–	1,004,581,752	300,000,000
Others	–	–	–
Total	–	1,004,581,752	300,000,000

Note: Money market fund is issued by China International Fund Management Co., Ltd. The fair value is determined based on the market value of the fund product on the last trading day of the year.The Group's intended holding period of the monetary market fund is within one year.

4. Notes receivable

(1) Classification of notes receivable

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Bank acceptances	1,548,929,075	97,734,290	79,939,117	556,253,296

(2) ***Notes receivable of the Group that have been endorsed but were not yet due as at the balance sheet date***

Item	As at 31 December 2018 Derecognized amount	As at 31 December 2018 Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	1,065,268,099	27,510,016

Item	As at 31 December 2019 Derecognized amount	As at 31 December 2019 Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	–	58,612,500

Item	As at 31 December 2020 Derecognized amount	As at 31 December 2020 Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	–	44,207,322

Item	As at 30 September 2021 Derecognized amount	As at 30 September 2021 Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	–	469,886,331

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

The Group believes that the credit rating of the accepting bank that holds the bank acceptance is relatively high and free of significant credit risk, thus no loss allowance has been made.

5. Accounts receivable

5.1 *Accounts receivable (before the first application of new financial instrument standards on January 1, 2019)*

(1) *Accounts receivable classified by different creditability grouping*

	As at 31 December 2018				
	Carrying amount		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Book value
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables that are individually significant and which bad debt provision is individually assessed	94,315,289	14	74,001,564	78	20,313,725
Receivables for which bad debt provision is collectively assessed on a portfolio basis	443,853,226	64	4,783,391	1	439,069,835
Portfolio 1	221,482,976	32	–	–	221,482,976
Portfolio 2	222,370,250	32	4,783,391	2	217,586,859
Receivable that are not individually significant but for which bad debt provision is individually assessed	152,119,029	22	86,966,238	57	65,152,791
Total	690,287,544	100	165,751,193	24	524,536,351

(2) *As at 31 December 2018, accounts receivable that are individually significant and for which bad debt provision is individually assessed:*

	As at 31 December 2018			
Accounts receivable (by client)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
	RMB	*RMB*	*(%)*	
Client A	24,417,713	12,834,184	53	Overdue, the counterparty's financial situation deteriorated
Client B	12,453,750	12,453,750	100	Overdue, the counterparty's financial situation deteriorated
Client C	9,922,440	1,192,244	12	Overdue, the counterparty's financial situation deteriorated
Client D	8,974,092	8,974,092	100	Overdue, the counterparty's financial situation deteriorated
Client E	6,346,094	6,346,094	100	Overdue, the counterparty's financial situation deteriorated
Others	32,201,200	32,201,200	100	Overdue, the counterparty's financial situation deteriorated
Total	94,315,289	74,001,564		

(3) *Portfolios that aging analysis is used for bad debt provision:*

	As at 31 December 2018		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
Within 1 year	193,572,961	–	–
1 to 2 years	21,572,734	2,157,273	10
2 to 3 years	1,318,521	263,704	20
Over 3 years	5,906,034	2,362,414	40
Total	222,370,250	4,783,391	

(4) *Bad debt provision made, recovered or reversed in the reporting period*

Bad debt provision made in 2018 amounted to RMB55,100,989. Provision recovered or reversed was RMB2,978,198. There was no individually significant bad debt provision reversed. In addition, accounts receivables of RMB29,391,469 written off in 2018 are recovered in the current period.

(5) Top five entities with the largest balances of accounts receivable

Item	Accounts receivable at 31 December 2018	% of total balance	Bad debt provision at 31 December 2018
	RMB	*(%)*	*RMB*
Client A	24,417,713	4	12,834,184
Client F	15,382,370	2	568,691
Client B	14,575,837	2	–
Client G	12,453,750	2	12,453,750
Client H	12,000,471	2	–
Total	78,830,141	12	25,856,625

(6) Accounts receivable written off in the reporting period

Aging	As at 31 December 2018
	RMB
Accounts receivable written off	11,250,388

5.2 *Accounts receivable (after the first application of new financial instrument standards on January 1, 2019)*

(1) Accounts receivable classified by different creditability grouping

	As at 31 December 2019				
	Carrying amount		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Book value
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables that are individually significant and which bad debt provision is individually assessed	171,620,784	23	129,254,282	75	42,366,502
Receivables for which bad debt provision is collectively assessed on a portfolio basis	575,715,252	77	56,187,633	10	519,527,619
Total	747,336,036	100	185,441,915	25	561,894,121

	As at 31 December 2020				
	Carrying amount		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Book value
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables that are individually significant and which bad debt provision is individually assessed	113,760,104	14	91,331,013	80	22,429,091
Receivables for which bad debt provision is collectively assessed on a portfolio basis	687,822,992	86	57,032,304	8	630,790,688
Total	801,583,096	100	148,363,317	19	653,219,779

(2) *Receivables for which bad debt provision is individually assessed:*

	As at 31 December 2019			
Accounts receivable (by client)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
	RMB	*RMB*	*(%)*	
Client A	24,819,741	12,834,184	52	Possibility of recovery
Client B	12,453,750	12,453,750	100	Possibility of recovery
Client D	9,028,779	9,028,779	100	Possibility of recovery
Client I	6,047,509	6,047,509	100	Possibility of recovery
Client J	5,526,755	5,526,755	100	Possibility of recovery
Others	113,744,250	83,363,305	73	Possibility of recovery
Total	171,620,784	129,254,282	75	

	As at 31 December 2020			
Accounts receivable (by client)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
	RMB	*RMB*	*(%)*	
Client A	10,430,641	10,430,641	100	Recoverability
Client D	9,028,779	9,028,779	100	Recoverability
Client I	6,047,509	6,047,509	100	Recoverability
Client J	5,526,755	5,526,755	100	Recoverability
Client K	5,470,688	5,470,688	100	Recoverability
Others	77,255,732	54,826,641	71	Recoverability
Total	113,760,104	91,331,013	80	

(3) *Receivables for which bad debt provision is assessed on a portfolio basis:*

Category of cement receivable:

	As at 31 December 2019		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	80,313,260	–	–
6-12 months	21,560,084	1,724,807	8
1 to 2 years	42,927,790	8,585,558	20
2 to 3 years	4,338,761	1,735,505	40
Over 3 years	3,687,872	2,765,904	75
Total	152,827,767	14,811,774	

	As at 31 December 2020		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1- 6 months	93,030,874	2,106,516	2
6-12 months	1,150,471	64,450	6
1 to 2 years	6,688,774	678,457	10
2 to 3 years	10,429,963	2,126,050	20
Over 3 years	7,965,957	6,600,773	83
Total	119,266,039	11,576,246	

Category of concrete receivable:

	As at 31 December 2019		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	237,506,411	11,875,321	5
6-12 months	25,217,344	3,782,602	15
1 to 2 years	16,305,274	5,706,846	35
2 to 3 years	6,123,734	3,061,867	50
Over 3 years	15,220,236	12,176,189	80
Total	300,372,999	36,602,825	

	As at 31 December 2020		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	305,111,551	15,255,578	5
6-12 months	40,606,214	6,090,932	15
1 to 2 years	30,177,364	10,562,077	35
2 to 3 years	7,085,922	3,542,961	50
Over 3 years	7,041,456	5,633,165	80
Total	390,022,507	41,084,713	

Types of other receivables:

	As at 31 December 2019		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	92,817,873	–	–
6-12 months	2,243,976	67,319	3
1 to 2 years	19,703,553	1,970,355	10
2 to 3 years	7,633,181	2,671,613	35
Over 3 years	115,903	63,747	55
Total	122,514,486	4,773,034	

	As at 31 December 2020		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	164,218,427	680,747	–
6-12 months	2,412,039	144,536	6
1 to 2 years	2,242,926	224,293	10
2 to 3 years	6,194,446	1,415,135	23
Over 3 years	3,466,608	1,906,634	55
Total	178,534,446	4,371,345	

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

(4) *The aging analysis of accounts receivable is as follows*

	As at 31 December		As at 30 September
Aging	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*
1-6 months	419,372,748	563,211,099	1,150,500,043
6-12 months	76,476,818	44,891,100	180,340,093
1-2 years	98,479,124	55,070,681	86,678,498
2-3 years	34,629,139	43,490,378	27,264,145
Over 3 years	118,378,207	94,919,838	116,902,423
Sub-total	747,336,036	801,583,096	1,561,685,202
Less: Provision for credit loss	185,441,915	148,363,317	163,953,834
Total	561,894,121	653,219,779	1,397,731,368

(5) *Bad debt provision made, recovered or reversed in the reporting period*

Category	Changes for the year ended 31 December 2019				
	Opening balance	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Closing balance**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for account receivables	165,751,193	59,046,317	(29,806,504)	(9,549,091)	185,441,915
Total	165,751,193	59,046,317	(29,806,504)	(9,549,091)	185,441,915

Accounts receivable of RMB12,262,556 written off in previous years was recovered in the reporting period.

Category	Changes for the year ended 31 December 2020				
	Opening balance	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Closing balance**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for account receivables	185,441,915	26,215,031	(14,950,146)	(48,343,483)	148,363,317
Total	185,441,915	26,215,031	(14,950,146)	(48,343,483)	148,363,317

Accounts receivable of RMB215,883 written off in previous years was recovered in the current period.

Category	Changes for the period ended 30 September 2021				
	Opening balance	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Closing balance**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for account receivables	148,363,317	29,163,182	(7,634,241)	(5,938,424)	163,953,834
Total	148,363,317	29,163,182	(7,634,241)	(5,938,424)	163,953,834

(6) *Accounts receivable written off in the reporting period*

	As at 31 December		As at 30 September
Aging	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*
Accounts receivable written off	9,549,091	48,343,483	5,938,424

(7) *Top five entities with the largest balances of accounts receivable*

Item	**Accounts receivable at 31 December 2019**	**% of total balance**	**Bad debt provision at 31 December 2019**
	RMB	*(%)*	*RMB*
Client L	33,804,841	5	1,315,875
Client M	28,584,515	4	2,327,512
Client A	24,819,741	3	12,834,184
Client N	19,039,891	3	951,995
Client F	12,532,615	2	–
Total	118,781,603	17	17,429,566

Item	**Accounts receivable at 31 December 2020**	**% of total balance**	**Bad debt provision at 31 December 2020**
	RMB	*(%)*	*RMB*
Client L	39,390,761	5	1,144,138
Client N	26,749,933	3	1,517,918
Client M	16,207,703	2	2,072,440
Client O	15,897,832	2	803,101
Client P	13,020,799	2	1,698,146
Total	111,267,028	14	7,235,743

6. Financing with receivables

(1) Classification of financing with receivables

Item	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
	RMB	*RMB*	*RMB*
Bank acceptances	1,308,788,934	1,020,306,419	526,398,348
Total	1,308,788,934	1,020,306,419	526,398,348

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

Item	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
	RMB	*RMB*	*RMB*
Bank acceptances	132,337,715	94,904,632	118,541,576
Total	132,337,715	94,904,632	118,541,576

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

As at 31 December 2019:

Item	Derecognized amount	underrecognized amount
	RMB	*RMB*
Bank acceptance – endorsed but not yet expired	1,222,831,764	–

As at 31 December 2020:

Item	Derecognized amount	underrecognized amount
	RMB	*RMB*
Bank acceptance – endorsed but not yet expired	1,627,963,060	–

As at 30 September 2021:

Item	Derecognized amount	underrecognized amount
	RMB	*RMB*
Bank acceptance – endorsed but not yet expired	1,418,237,897	–

7. Prepayments

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

	31 December 2018		31 December 2019		31 December 2020		30 September 2021	
Item	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
	RMB	*(%)*	*RMB*	*(%)*	*RMB*	*(%)*	*RMB*	*(%)*
Within 1 year	296,332,894	92	224,482,793	87	356,458,523	94	518,607,392	96
Between 1 and 2 years	23,794,839	7	18,662,407	7	13,999,597	4	8,608,676	2
Between 2 and 3 years	2,798,180	1	14,262,313	6	1,669,076	–	6,132,042	1
Over 3 years	791,118	–	1,420,593	–	6,492,154	2	7,068,621	1
Total	323,717,031	100	258,828,106	100	378,619,350	100	540,416,731	100

(2) *Top five entities with the largest balances of prepayments*

	As at 31 December 2018	
Name of supplier	Amount	% of total balance
	RMB	%
Supplier A	76,820,149	24
Supplier B	31,207,857	10
Supplier C	26,133,785	8
Supplier D	25,933,353	8
Supplier E	24,400,000	8
Total	184,495,144	58

Name of supplier	As at 31 December 2019 Amount	% of total balance
	RMB	*%*
Supplier E	58,981,922	23
Supplier A	46,816,720	18
Supplier F	12,786,433	5
Supplier G	8,204,848	3
Supplier H	6,178,864	2
Total	132,968,787	51

Name of supplier	As at 31 December 2020 Amount	% of total balance
	RMB	*%*
Supplier E	72,559,151	19
Supplier A	46,360,538	12
Supplier I	31,921,017	8
Supplier J	26,833,590	7
Supplier K	10,527,309	3
Total	188,201,605	49

8. Other receivables

Disclosure by items

Item	As at 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Interest receivable	–	55,985	641,915
Dividends receivable	–	1,255,397	–
Other receivables	375,429,575	484,675,804	374,612,043
Total	375,429,575	485,987,186	375,253,958

Disclosure of other receivables by categories

	As at 31 December		
Nature	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Deposits	333,018,406	408,834,668	278,131,546
Advances or loans to others	78,861,154	135,509,761	152,945,422
Petty cash	6,659,335	6,887,220	3,381,797
Others	23,254,431	34,409,204	40,478,648
Total	441,793,326	585,640,853	474,937,413

8.1 Other receivables (before the first application of new financial instrument standards on January 1, 2019)

	As at 31 December 2018				
	Carrying amount		Bad debt provision		
Categories	**Amount**	**Proportion**	**Amount**	**Proportion of provision**	**Book value**
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables that are individually significant and for which bad debt provision is individually assessed	61,970,206	14	50,755,380	82	11,214,826
Receivables for which bad debt provision is collectively assessed on a portfolio basis	337,849,431	76	1,553,950	–	336,295,481
Portfolio 3	326,393,021	73	–	–	326,393,021
Portfolio 4	11,456,410	3	1,553,950	14	9,902,460
Receivable that are not individually significant but for which bad debt provision is individually assessed	41,973,689	10	14,054,421	33	27,919,268
Total	441,793,326	100	66,363,751	15	375,429,575

(1) *Other receivables that are individually significant and for which bad debt provision has been assessed individually:*

	As at 31 December 2018			
Other receivables (by client)	**Other receivables**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
	RMB	*RMB*	*(%)*	
Client V	27,027,341	27,027,341	100	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Client W	15,514,967	15,514,967	100	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Client X	7,700,000	2,880,000	37	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Client Y	6,324,101	1,264,820	20	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Others	5,403,797	4,068,252	75	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Total	61,970,206	50,755,380	82	

(2) *Portfolios that aging analysis is used for bad debt provision:*

	As at 31 December 2018		
Aging	**Other receivables**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
Within 1 year	5,262,716	–	–
1 to 2 years	2,145,092	214,509	10
2 to 3 years	1,400,000	280,000	20
Over 3 years	2,648,602	1,059,441	40
Total	11,456,410	1,553,950	

(3) Bad debt provision made, recovered or reversed in the current period

Bad debt provision made for 2018 amounted to RMB8,250,422. Provision recovered or reversed in the current year was RMB4,164,381. In addition, other receivables of RMB1,042,114 written off in prior years are recovered in the current period.

(4) Other receivables written off in the reporting period

Item	Write-off amount as at 31 December 2018
	RMB
Other receivables written off	683,167

(5) Top five entities with the largest balances of other receivables

Item	Other receivables at 31 December 2018	(%) of total balance	Aging	Bad debt provision at 31 December 2018
	RMB	*(%)*		*RMB*
Client S	38,927,223	9	1-2 year	–
Client T	29,599,227	7	Above 3 year	–
Client U	27,711,764	6	Above 3 year	–
Client V	27,027,341	6	Above 3 year	27,027,341
Client W	15,514,967	4	Above 3 year	15,514,967
Total	138,780,522	32		42,542,308

8.2 Other receivables (after the first application of new financial instrument standards on January 1, 2019)

(1) Disclosure by aging

	As at 31 December	
Aging	**2019**	**2020**
	RMB	*RMB*
Within 1 year	278,960,777	205,052,622
1 - 2 years	69,830,252	45,334,601
2 - 3 years	87,298,107	42,287,372
Over 3 years	149,551,717	182,262,818
Sub-total	585,640,853	474,937,413
Less: Credit loss allowance	100,965,049	100,325,370
Total	484,675,804	374,612,043

(2) Bad debt provision made, recovered or reversed in the current period

	Changes for the year ended 31 December 2019				
Category	**Opening balance**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Closing balance**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for other receivables	66,363,751	41,174,718	(5,695,690)	(877,730)	100,965,049
Total	66,363,751	41,174,718	(5,695,690)	(877,730)	100,965,049

	Changes for the year ended 31 December 2020				
Category	**Opening balance**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Closing balance**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for other receivables	100,965,049	6,054,595	(3,106,106)	(3,588,168)	100,325,370
Total	100,965,049	6,054,595	(3,106,106)	(3,588,168)	100,325,370

(3) *Other receivables written off in the reporting period*

Item	As at 31 December 2019 Write-off amount	As at 31 December 2020 Write-off amount
	RMB	*RMB*
Other receivables written off	877,730	3,588,168

(4) *Top five entities with the largest balances of other receivables*

Item	Nature of receivables	Other receivables at 31 December 2019	(%) of total balance	Aging	Bad debt provision at 31 December 2019
		RMB	*(%)*		*RMB*
Client Z	Deposits	164,439,280	28	Within 1 year	–
Client S	Advances or loans to others	38,927,223	7	2-3 years	38,927,223
Client T	Deposits	30,197,235	5	Over 3 years	–
Client U	Deposits	27,711,764	5	Over 3 years	–
Client V	Advances or loans to others	27,017,144	5	Over 3 years	27,027,342
Total		288,292,646	50		65,954,565

Item	Nature of receivables	Other receivables at 31 December 2020	(%) of total balance	Aging	Bad debt provision at 31 December 2020
		RMB	*(%)*		*RMB*
Client S	Advances or loans to others	38,927,223	8	Over 3 years	38,927,223
Client T	Deposits	30,575,048	6	Over 3 years	–
Client V	Advances or loans to others	27,027,341	6	Over 3 years	27,027,341
Client AA	Deposits	26,608,794	6	Within 1 year, 1-2 years, 2-3 years and over 3 years	22,349,477
Client AB	Deposits	20,000,000	4	Within 1 year	–
Total		143,138,406	30		88,304,041

9. Inventories

(1) Categories of inventories:

	As at 31 December 2018		
Item	**Carrying amount**	**Provision for decline in value of inventories**	**Book value**
	RMB	*RMB*	*RMB*
Raw materials	565,132,205	2,744,569	562,387,636
Semi-finished goods	374,387,985	165,122	374,222,863
Finished goods	789,006,981	–	789,006,981
Spare parts and auxiliary materials, etc	403,234,083	50,284,625	352,949,458
Total	2,131,761,254	53,194,316	2,078,566,938

	As at 31 December 2019		
Item	**Carrying amount**	**Provision for decline in value of inventories**	**Book value**
	RMB	*RMB*	*RMB*
Raw materials	695,890,209	2,901,035	692,989,174
Semi-finished goods	323,439,086	165,122	323,273,964
Finished goods	616,363,209	–	616,363,209
Spare parts and auxiliary materials, etc	441,197,229	76,827,800	364,369,429
Total	2,076,889,733	79,893,957	1,996,995,776

	As at 31 December 2020		
Item	**Carrying amount**	**Provision for decline in value of inventories**	**Book value**
	RMB	*RMB*	*RMB*
Raw materials	873,139,368	763,072	872,376,296
Work in progress	587,286,515	165,122	587,121,393
Finished goods	495,705,006	–	495,705,006
Spare parts and auxiliary materials, etc	481,868,753	87,915,259	393,953,494
Total	2,437,999,642	88,843,453	2,349,156,189

Item	As at 30 September 2021		
	Carrying amount	Provision for decline in value of inventories	Book value
	RMB	*RMB*	*RMB*
Raw materials	1,083,348,648	763,072	1,082,585,576
Work in progress	716,792,794	165,122	716,627,672
Finished goods	590,453,499	–	590,453,499
Spare parts and auxiliary materials, etc	564,347,572	90,001,331	474,346,241
Total	2,954,942,513	90,929,525	2,864,012,988

(2) Provision for decline in value of inventories

Item	1 January 2018	Increase	Decrease		31 December 2018
		Provision	Reversal	Write-off	
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Raw materials	2,426,954	317,615	–	–	2,744,569
Semi-finished goods	165,122	–	–	–	165,122
Spare parts	46,961,827	3,857,930	(455,951)	(79,181)	50,284,625
Total	49,553,903	4,175,545	(455,951)	(79,181)	53,194,316

Item	1 January 2019	Increase	Decrease		31 December 2019
		Provision	Reversal	Write-off	
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Raw materials	2,744,569	179,742	–	(23,276)	2,901,035
Semi-finished goods	165,122	–	–	–	165,122
Spare parts	50,284,625	32,270,640	(4,945,259)	(782,206)	76,827,800
Total	53,194,316	32,450,382	(4,945,259)	(805,482)	79,893,957

		Increase	Decrease		
Item	1 January 2020	Provision	Reversal	Write-off	31 December 2020
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Raw materials	2,901,035	743,042	(2,881,005)	–	763,072
Semi-finished goods	165,122	–	–	–	165,122
Spare parts	76,827,800	14,709,139	(3,214,647)	(407,033)	87,915,259
Total	79,893,957	15,452,181	(6,095,652)	(407,033)	88,843,453

(3) ***Inventories arising from construction contracts:***

	As at 31 December		
Item	2018	2019	2020
	RMB	*RMB*	*RMB*
Accumulated costs incurred	464,847,133	–	–
Accumulated gross profit recognized	21,387,131	–	–
Less: Amount for which settlement has been processed	474,382,062	–	–
Inventories arising from construction contracts	11,852,202	–	–

10. Other current assets

	As at 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Retained input VAT	125,573,949	302,332,525	377,511,753
Prepaid income tax	39,000,369	18,902,267	4,831,943
Other taxes prepaid	813,016	9,510,175	13,507,360
Payments related to equity merger and acquisition	–	–	236,071,742
Total	165,387,334	330,744,967	631,922,798

11. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	As at 31 December 2018 Carrying amount	Impairment provision	Book value
	RMB	*RMB*	*RMB*
Available-for-sale debt instruments	21,055,500	2,000,000	19,055,500
Available-for-sale equity instruments	44,207,419	2,775,600	41,431,819
At fair value	29,707,153	–	29,707,153
At cost	14,500,266	2,775,600	11,724,666
Total	65,262,919	4,775,600	60,487,319

(2) Available-for-sale financial assets measured at fair value at the end of the period

Categories of available-for -sale financial assets	Available for- sale equity instruments	Available for- sale debt instruments	Total
	RMB	*RMB*	*RMB*
Cost	3,861,725	21,055,500	24,917,225
Fair value	29,707,153	19,055,500	48,762,653
Cumulative changes in fair value recognized in other comprehensive income, net of tax	19,384,071	–	19,384,071
Impairment recognized	–	2,000,000	2,000,000

(3) Available-for-sale financial assets measured at cost at the end of the period

	Carrying amount				Impairment provision				
Item	1 January 2018	Increase	Decrease	31 December 2018	1 January 2018	Increase	Decrease	31 December 2018	Equity interest in investee
									(%)
Huangshi Power Generation Co., Ltd.	11,724,466	–	–	11,724,466	–	–	–	–	1.4988
Zhengzhou New Star Group Corporation	2,000,000	–	–	2,000,000	2,000,000	–	–	2,000,000	–
Hubei Building Materials Industry and Trade Group Corporation	505,800	–	–	505,800	505,600	–	–	505,600	–
Changjiang Economic Development Corporation	150,000	–	–	150,000	150,000	–	–	150,000	–
Pingdingshan Zhongnan Coal Company	100,000	–	–	100,000	100,000	–	–	100,000	–
Huaxin Group Yidu Company	20,000	–	–	20,000	20,000	–	–	20,000	–
Total	14,500,266	–	–	14,500,266	2,775,600	–	–	2,775,600	–

(4) Changes in the provision for impairment losses for available-for-sale financial assets during the reporting period

	As at 31 December 2018		
Categories of available-for- sale financial assets	**Available for-sale equity instruments**	**Available for-sale debt instruments**	**Total**
	RMB	*RMB*	*RMB*
Balance at the beginning of the year	2,775,600	–	2,775,600
Additions	–	2,000,000	2,000,000
Reductions	–	–	–
Balance at the end of the year	2,775,600	2,000,000	4,775,600

12. Long-term equity investments

		Changes for the period		
	1 January 2018	**Increase in investment**	**Investment income/losses under equity method**	**31 December 2018**
	RMB	*RMB*	*RMB*	*RMB*
I. Associates				
Shanghai Wan'an Huaxin Cement Co., Ltd.	162,618,952	–	436,641	163,055,593
Tibet High-tech Building Materials Group Co., Ltd.	269,473,964	–	71,881,760	341,355,724
Zhangjiajie Tianzi Concrete Co., Ltd.	2,910,515	–	(572,870)	2,337,645
Nanguang Huasen Environmental Engineering Co., Ltd.	–	5,720,528	–	5,720,528
Total	435,003,431	5,720,528	71,745,531	512,469,490

	Balance at 1 January 2019	Changes for the period: Increase in investment	Decrease in investment	Investment income/ losses under equity method	Other equity changes	Declared cash dividends	Balance at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Associates							
Tibet High-tech Building Materials Group Co., Ltd.	341,355,724	–	–	109,053,559	2,215,277	(165,550,000)	287,074,560
Shanghai Wan'an Huaxin Cement Co., Ltd.	163,055,593	–	(67,968,921)	(2,057,129)	–	–	93,029,543
Zhangjiajie Tianzi Concrete Co., Ltd.	2,337,645	–	–	885,066	–	–	3,222,711
Nanguang Huasen Environmental Engineering Co., Ltd.	5,720,528	2,299,887	–	–	–	–	8,020,415
Chenfeng Intelligent Equipment Hubei Co., Ltd.	–	45,000	–	–	–	–	45,000
II. Joint venture							
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	–	22,698,530	–	–	–	–	22,698,530
Total	512,469,490	25,043,417	(67,968,921)	107,881,496	2,215,277	(165,550,000)	414,090,759

	Balance at 1 January 2020	Changes for the period: Increase in investment	Decrease in investment	Investment income/losses under equity method	Other equity changes	Declared cash dividends	Balance at 31 December 2020
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Associates							
Tibet High-tech Building Materials Group Co., Ltd.	287,074,560	–	–	68,333,072	871,900	–	356,279,532
Shanghai Wan'an Huaxin Cement Co., Ltd.	93,029,543	–	–	(615,586)	–	–	92,413,957
Zhangjiajie Tianzi Concrete Co., Ltd.	3,222,711	–	–	(471,824)	–	–	2,750,887
Nanguang Huasen Environmental Engineering Co., Ltd. *(Note)*	8,020,415	–	(8,020,415)	–	–	–	
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	–	–	–	–	–	45,000
II. Joint venture							
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	22,698,530	28,301,470	–	9,791,825	–	–	60,791,825
Total	414,090,759	28,301,470	(8,020,415)	77,037,487	871,900	–	512,281,201

Note: The decrease in investment is the result of the Group's disposal of Nanguang Huasen Environmental Engineering Co., Ltd. in the current year.

	Balance at 1 January 2021	Changes for the period: Increase in investment	Decrease in investment	Investment income/losses under equity method	Other equity changes	Declared cash dividends	Balance at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Associates							
Tibet High-tech Building Materials Group Co., Ltd.	356,279,532	–	–	6,939,718	731,807	–	363,951,057
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,413,957	–	–	(255,036)	–	–	92,158,921
Zhangjiajie Tianzi Concrete Co., Ltd.	2,750,887	–	–	(826,708)	–	–	1,924,179
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	–	–	–	–	–	45,000
II. Joint venture							
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	60,791,825	–	–	8,497,131	–	–	69,288,956
Total	512,281,201	–	–	14,355,105	731,807	–	527,368,113

Note: On 18 January, 2021, the Group and Yangxin County Transportation Investment Co., Ltd. Jointly invested to set up Yangxin County Fuhua Handling Co., Ltd. The Group holds 35% of the shares and Yangxin County Transportation Investment Co., Ltd. holds 65% of the shares.

13. Other equity instrument investments

(1) *Other equity instrument investments*

	31 December	
	2019	2020
	RMB	*RMB*
Equity investment in unlisted companies No. 1	38,230,101	33,774,995
Equity investment in unlisted companies No. 2	2,775,600	2,775,600
Sub-total	41,005,701	36,550,595
Less: Impairment provision for equity investment in unlisted companies No. 2	2,775,600	2,775,600
Total	38,230,101	33,774,995

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

31 December 2019:

Item	Dividend income recognized for the year	Accumulated gains	Accumulated losses	Amount of retained earnings transferred from other comprehensive income	Reasons for the transfer
Investments in equity instruments	521,519	26,505,435	2,775,600	–	–
Total	521,519	26,505,435	2,775,600	–	–

31 December 2020:

Item	Dividend income recognized for the year	Accumulated gains	Accumulated losses	Amount of retained earnings transferred from other comprehensive income	Reasons for the transfer
Investments in equity instruments	1,133,360	22,050,329	2,775,600	–	–
Total	1,133,360	22,050,329	2,775,600	–	–

14. Other non-current financial assets

Item	As at 31 December 2019	As at 31 December 2020
	RMB	*RMB*
Investments in equity instruments	35,003,608	32,827,254
Total	35,003,608	32,827,254

15. Fixed assets

15.1 Categories

Item	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Fixed assets	16,116,628,188	16,714,775,889	19,174,711,857	19,873,739,440
Disposal of fixed assets	2,227,924	3,337,757	10,918,400	4,830,525
Total	16,118,856,112	16,718,113,646	19,185,630,257	19,878,569,965

15.2 Fixed assets

(1) Fixed assets

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount					
1. As at 1 January 2018	11,927,315,767	14,690,132,326	316,235,870	542,981,697	27,476,665,660
2. Addition	715,778,297	1,141,422,007	19,810,079	23,715,459	1,900,725,842
(1) Purchase	36,947,280	70,308,829	3,891,098	8,179,969	119,327,176
(2) Transferred from construction in progress	547,318,410	851,414,885	14,998,750	14,971,350	1,428,703,395
(3) Increase due to business combination	131,512,607	219,698,293	920,231	564,140	352,695,271
3. Reduction	126,113,453	208,414,437	38,419,398	41,066,101	414,013,389
(1) Disposal or retirement	126,113,453	208,414,437	38,419,398	41,066,101	414,013,389
4. Translation difference	102,943	23,541,777	308,266	159,951	24,112,937
5. As at 31 December 2018	12,517,083,554	15,646,681,673	297,934,817	525,791,006	28,987,491,050
II. Accumulated depreciation					
1. As at 1 January 2018	2,960,107,736	7,832,992,389	233,369,684	440,847,438	11,467,317,247
2. Addition	393,860,066	980,023,262	7,251,984	34,795,777	1,415,931,089
(1) Provision made during the year	393,860,066	980,023,262	7,251,984	34,795,777	1,415,931,089
3. Reduction	62,710,159	167,422,541	35,010,282	36,232,639	301,375,621
(1) Disposal or retirement	62,710,159	167,422,541	35,010,282	36,232,639	301,375,621
4. Translation difference	120,334	4,297,455	(928)	127,493	4,544,354
5. As at 31 December 2018	3,291,377,977	8,649,890,565	205,610,458	439,538,069	12,586,417,069
III. Provision for impairment					
1. As at 1 January 2018	113,598,062	138,735,194	73,548	–	252,406,804
2. Addition	21,068,441	14,001,157	4,082	–	35,073,680
(1) Provision made during the year	21,068,441	14,001,157	4,082	–	35,073,680
3. Reduction	511,645	2,509,049	13,997	–	3,034,691
(1) Disposal or retirement	511,645	2,509,049	13,997	–	3,034,691
4. As at 31 December 2018	134,154,858	150,227,302	63,633	–	284,445,793
IV. Net book value					
1. Book value as at 31 December 2018	9,091,550,719	6,846,563,806	92,260,726	86,252,937	16,116,628,188
2. Book value as at 1 January 2018	8,853,609,969	6,718,404,743	82,792,638	102,134,259	15,756,941,609

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount					
1. As at 1 January 2019	12,517,083,554	15,646,681,673	297,934,817	525,791,006	28,987,491,050
2. Addition	1,198,147,090	1,115,348,821	9,553,133	55,398,238	2,378,447,282
(1) Purchase	41,896,906	45,027,321	8,433,668	24,874,383	120,232,278
(2) Transferred from construction in progress	792,570,682	863,915,062	8,207,708	25,396,746	1,690,090,198
(3) Increase due to business combination	358,132,734	193,846,485	2,172,804	13,972,783	568,124,806
(4) Reclassification	5,546,768	12,559,953	(9,261,047)	(8,845,674)	–
3. Reduction	41,290,532	203,901,483	29,210,909	45,579,548	319,982,472
(1) Disposal or retirement	41,290,532	203,901,483	17,965,148	45,579,548	308,736,711
(2) Other reductions	–	–	11,245,761	–	11,245,761
4. Translation difference	(4,545,247)	3,570,677	92,357	(97,783)	(979,996)
5. As at 31 December 2019	13,669,394,865	16,561,699,688	278,369,398	535,511,913	31,044,975,864
II. Accumulated depreciation					
1. As at 1 January 2019	3,291,377,977	8,649,890,565	205,610,458	439,538,069	12,586,417,069
2. Addition	460,630,196	1,037,423,363	14,103,536	28,315,901	1,540,472,996
(1) Provision made during the year	456,669,319	1,027,189,983	20,601,447	36,012,247	1,540,472,996
(2) Reclassification	3,960,877	10,233,380	(6,497,911)	(7,696,346)	–
3. Reduction	20,346,311	118,853,840	17,167,974	42,601,353	198,969,478
(1) Disposal or retirement	20,346,311	118,853,840	17,167,974	42,601,353	198,969,478
4. Translation difference	(438,225)	753,487	40,784	(3,542)	352,504
5. As at 31 December 2019	3,731,223,637	9,569,213,575	202,586,804	425,249,075	13,928,273,091
III. Provision for impairment					
1. As at 1 January 2019	134,154,858	150,227,302	63,633	–	284,445,793
2. Addition	111,835,369	25,017,086	161,529	181,726	137,195,710
(1) Provision made during the year	108,787,823	28,070,892	190,548	146,447	137,195,710
(2) Reclassification	3,047,546	(3,053,806)	(29,019)	35,279	–
3. Reduction	4,638,889	15,046,882	28,848	–	19,714,619
(1) Disposal or retirement	4,638,889	15,046,882	28,848	–	19,714,619
4. As at 31 December 2019	241,351,338	160,197,506	196,314	181,726	401,926,884
IV. Net book value					
1. Book value as at 31 December 2019	9,696,819,890	6,832,288,607	75,586,280	110,081,112	16,714,775,889
2. Book value as at 1 January 2019	9,091,550,719	6,846,563,806	92,260,726	86,252,937	16,116,628,188

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount					
1. As at 1 January 2020	13,669,394,865	16,561,699,688	278,369,398	535,511,913	31,044,975,864
2. Addition	1,995,852,862	2,606,677,969	24,211,231	60,316,589	4,687,058,651
(1) Purchase	2,900,997	58,699,986	12,077,290	22,646,454	96,324,727
(2) Transferred from construction in progress	1,883,955,513	2,014,946,477	11,872,360	37,007,566	3,947,781,916
(3) Increase due to business combination	108,996,352	533,031,506	261,581	662,569	642,952,008
3. Reduction	250,777,077	492,092,997	13,233,190	96,463,282	852,566,546
(1) Disposal or retirement	51,584,024	253,210,531	12,029,602	95,392,640	412,216,797
(2) Disposal of subsidiaries	199,193,053	238,882,466	1,203,588	1,070,642	440,349,749
4. Translation difference	(207,575,479)	(233,509,585)	(2,506,226)	(12,682,206)	(456,273,496)
5. As at 31 December 2020	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
II. Accumulated depreciation					
1. As at 1 January 2020	3,731,223,637	9,569,213,575	202,586,804	425,249,075	13,928,273,091
2. Addition	466,314,753	1,042,096,193	19,472,025	51,494,815	1,579,377,786
(1) Provision made during the year	466,314,753	1,042,096,193	19,472,025	51,494,815	1,579,377,786
3. Reduction	91,367,210	384,405,275	11,850,645	99,081,327	586,704,457
(1) Disposal or retirement	20,274,736	211,181,276	10,918,777	98,348,237	340,723,026
(2) Disposal of subsidiaries	71,092,474	173,223,999	931,868	733,090	245,981,431
4. Translation difference	(37,289,875)	(71,775,302)	(1,887,505)	(9,009,622)	(119,962,304)
5. As at 31 December 2020	4,068,881,305	10,155,129,191	208,320,679	368,652,941	14,800,984,116
III. Provision for impairment					
1. As at 1 January 2020	241,351,338	160,197,506	196,314	181,726	401,926,884
2. Addition	25,494,159	33,942,680	–	30,018	59,466,857
(1) Provision made during the year	25,494,159	33,942,680	–	30,018	59,466,857
3. Reduction	3,425,612	10,362,153	66,396	41,080	13,895,241
(1) Disposal or retirement	3,425,612	10,362,153	66,396	41,080	13,895,241
4. As at 31 December 2020	263,419,885	183,778,033	129,918	170,664	447,498,500
IV. Net book value					
1. Book value as at 31 December 2020	10,874,593,981	8,103,867,851	78,390,616	117,859,409	19,174,711,857
2. Book value as at 1 January 2020	9,696,819,890	6,832,288,607	75,586,280	110,081,112	16,714,775,889

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount					
1. As at 1 January 2021	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
2. Addition	814,041,462	1,206,438,550	12,376,234	58,898,868	2,091,755,114
(1) Purchase	23,891,983	54,457,738	8,690,938	5,741,225	92,781,884
(2) Transferred from construction in progress	738,540,019	1,107,792,567	2,957,621	35,745,576	1,885,035,783
(3) Increase due to business combination	51,609,460	44,188,245	727,675	17,412,067	113,937,447
3. Reduction	19,949,746	96,412,687	2,190,470	44,749,807	163,302,710
(1) Disposal or retirement	18,258,844	96,207,355	2,042,565	44,749,807	161,258,571
(2) Disposal of subsidiaries	1,690,902	205,332	147,905	–	2,044,139
4. Translation difference	(21,599,569)	(26,102,036)	(179,037)	(1,130,295)	(49,010,937)
5. As at 30 September 2021	15,979,387,318	19,526,698,902	296,847,940.00	499,701,780.00	36,302,635,940
II. Accumulated depreciation					
1. As at 1 January 2021	4,068,881,305	10,155,129,191	208,320,679	368,652,941	14,800,984,116
2. Addition	384,125,187	885,020,661	13,710,996	35,759,910	1,318,616,754
(1) Provision made during the year	384,125,187	885,020,661	13,710,996	35,759,910	1,318,616,754
3. Reduction	6,379,127	81,610,523	2,047,394	42,552,231	132,589,275
(1) Disposal or retirement	5,158,598	81,466,041	1,915,528	42,552,231	131,092,398
(2) Disposal of subsidiaries	1,220,529	144,482	131,866	–	1,496,877
4. Translation difference	(5,127,043)	(18,011,454)	(155,910)	(833,109)	(24,127,516)
5. As at 30 September 2021	4,441,500,322	10,940,527,875	219,828,371	361,027,511	15,962,884,079
III. Provision for impairment					
1. As at 1 January 2021	263,419,885	183,778,033	129,918	170,664	447,498,500
2. Addition	16,791,806	2,679,864	104,647	22,351	19,598,668
(1) Provision made during the year	16,791,806	2,679,864	104,647	22,351	19,598,668
3. Reduction	48,379	1,023,213	13,155	–	1,084,747
(1) Disposal or retirement	48,379	1,023,213	13,155	–	1,084,747
4. As at 30 September 2021	280,163,312	185,434,684	221,410	193,015	466,012,421
IV. Net book value					
1. Book value as at 30 September 2021	11,257,723,684	8,400,736,343	76,798,159	138,481,254	19,873,739,440
2. Book value as at 1 January 2021	10,874,593,981	8,103,867,851	78,390,616	117,859,409	19,174,711,857

As at 31 December 2018, buildings and equipment with net book value of RMB557,430,713 (original carrying amount of RMB1,449,308,807) are used as the collateral for short-term borrowings and long-term borrowings. Details are set out in Note V. 21 and 30.

As at 31 December 2019, buildings and machinery and equipment with carrying amount of RMB208,437,226 (cost of RMB399, 733,642) are treated as the collateral for short-term and long-term borrowings. Details are set out in Note V. 21 and 30.

As at 31 December 2020, buildings and machinery and equipment with carrying amount of RMB5,896,890 (cost of RMB8,083,098) are treated as the collateral for short-term and long-term borrowings. Details are set out in Note V. 21 and 30.

As at 30 September 2021, buildings and machinery and equipment with carrying amount of RMB5,706,340 (cost of RMB8,083,098) are treated as the collateral for short-term borrowings (31 December 2020: buildings and machinery and equipment with the carrying amount of RMB5,896,890 and the cost of RMB8,083,098 are treated as the collateral for short-term borrowings and long-term borrowings). Details are set out in Note V. 21 and 30.

(2) *Fixed assets leased under finance lease*

Item	Book value	Accumulated depreciation	Impairment provision	Net book value
	RMB	*RMB*	*RMB*	*RMB*
Machinery and equipment (31 December 2018)	150,000,000	64,249,478	–	85,750,522

Item	Book value	Accumulated depreciation	Impairment provision	Net book value
	RMB	*RMB*	*RMB*	*RMB*
Machinery and equipment (31 December 2019)	290,000,000	116,388,889	–	173,611,111

Item	Book value	Accumulated depreciation	Impairment provision	Net book value
	RMB	*RMB*	*RMB*	*RMB*
Machinery and equipment (31 December 2020)	290,000,000	193,055,556	–	96,944,444

The above finance lease of fixed assets is a sale-leaseback transaction, and the Group has not derecognized the relevant fixed assets.

(3) Fixed assets leased out under operating lease

	Net book value		
	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Concrete batching plant	69,390,174	63,202,169	17,714,993

16. Construction in progress

16.1 Categories

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Construction in progress	1,194,218,803	3,945,642,522	2,967,890,214	4,519,658,789
Materials for construction of fixed assets	128,757,298	167,520,210	136,539,126	74,223,923
Total	1,322,976,101	4,113,162,732	3,104,429,340	4,593,882,712

16.2 Construction in progress

(1) Details of construction in progress are as follows:

	As at 31 December 2018		
	Carrying amount	Impairment provision	Net book value
	RMB	*RMB*	*RMB*
Kunming Chongde 4,000TPD Luquan Second Line Production Line Project	156,644,367	–	156,644,367
Huangshi Annual Production of 2.85 Million Tons of Cement Clinker Production Line Construction Project	133,398,311	–	133,398,311
Huaxin New Materials and Intelligent Equipment Manufacturing Technology Park Construction Project	78,613,958	–	78,613,958
Huaxin Environmental Engineering Series Project – Yunyang Waste Treatment Project	75,512,305	–	75,512,305
Tibet Shannan Hour Production of 1,000 Tons of Waste Rock Comprehensive Utilization Project	35,795,819	–	35,795,819
Changyang New Materials Annual Production of 6 Million Tons of Aggregate Production Line Project	32,721,226	–	32,721,226
Zhuzhou Environmental Hazardous Waste Disposal Plant Expands Production Capacity Investment Project	31,932,523	–	31,932,523
Huaxin Environmental Engineering Series Project – Municipal Waste Treatment Project	30,664,049	–	30,664,049
Huaxin Environmental Engineering Series Project – Changshankou Waste Disposal Project	–	–	–
Tibet Phase III Annual Production of 1.2 Million Tons Cement Production Line Construction Project	–	–	–
Huaxin Environmental Engineering Series Project – Shiyan Waste Treatment Project	–	–	–
Huaxin Building Material Yangxin Cement Powder Brick Production Line Construction Project	–	–	–
Huaxin Environmental Engineering Series Project – Yichang Waste Mud Treatment Project	–	–	–
Huaxin Environmental Engineering Series Project – Others	171,413,027	–	171,413,027
Others	457,395,772	9,872,554	447,523,218
Total	1,204,091,357	9,872,554	1,194,218,803

	As at 31 December 2019		
	Carrying amount	**Impairment provision**	**Net book value**
	RMB	*RMB*	*RMB*
Huangshi Cement Clinker Production Line	1,088,538,656	–	1,088,538,656
Dzizak Cement Clinker Production Line	493,274,606	–	493,274,606
Nepal Cement Clinker Production Line	399,497,295	–	399,497,295
Huaxin New Materials and Intelligent Equipment Manufacturing Technology Park Construction Project	194,615,779	–	194,615,779
Equipment Company Industrial Park Project	71,932,784	–	71,932,784
Luquan Phase II Project Cement Production Line	70,572,121	–	70,572,121
Seepage-proofing and Energy-saving Special New Materials Production Line	63,136,673	–	63,136,673
Health Protection Land Acquisition and Relocation Project of Yichang Company	43,000,000	–	43,000,000
Dock Renovation Project of Zhuzhou Company	38,538,540	–	38,538,540
Mine Construction of Tibet Company	37,074,960	–	37,074,960
Huaxin Environmental Engineering Series Project	375,781,020	–	375,781,020
Huaxin Aggregate Series Project	325,876,121	–	325,876,121
Vertical Mill Renovation Project	87,396,181	–	87,396,181
Huaxin Packaging Series Project	39,854,515	–	39,854,515
Huaxin Concrete Series Project	26,055,604	8,876,535	17,179,069
Others	601,022,420	1,648,218	599,374,202
Total	3,956,167,275	10,524,753	3,945,642,522

	As at 31 December 2020		
	Carrying amount	Impairment provision	Net book value
	RMB	*RMB*	*RMB*
Nepal Cement Clinker Production Line	562,494,489	–	562,494,489
Serial projects of Huaxin industrial park	327,767,990	–	327,767,990
Huaxin Environmental Engineering Series Project	308,876,320	–	308,876,320
Huaxin Aggregate Series Project	308,210,989	–	308,210,989
Huaxin Vertical Mill Renovation Project	118,677,090	–	118,677,090
1,000T/D lime production line of Huaxin (Lijiang)	112,088,904	–	112,088,904
Integrated commodity concrete project of Huaxin Fumin	72,564,104	–	72,564,104
Scope expansion of limestone mine of Sangzhi Company	63,240,716	–	63,240,716
Dock Renovation Project of Zhuzhou Company	41,457,553	–	41,457,553
Dzizak Cement Clinker Production Line	34,038,088	–	34,038,088
Health Protection Land Acquisition and Relocation Project of Yichang Company	30,000,000	–	30,000,000
Huaxin Concrete Series Project	5,992,598	–	5,992,598
Huangshi Cement Clinker Production Line	5,062,312	–	5,062,312
Production line of burning free standard brick made of mudstone with an annual capacity of 240 million pieces of bricks	–	–	–
Luquan Phase II Project Cement Production Line	–	–	–
Others	986,791,426	9,372,365	977,419,061
Total	2,977,262,579	9,372,365	2,967,890,214

	As at 30 September 2021		
	Carrying amount	**Impairment provision**	**Net book value**
	RMB	*RMB*	*RMB*
Nepal Cement Clinker Production Line	924,798,503	–	924,798,503
Huaxin Integrated series project	537,440,266	–	537,440,266
Huaxin Aggregate Series Project	436,007,270	–	436,007,270
Huaxin Huangshi Green building materials billion tons machine-made sand project	336,153,673	–	336,153,673
Huaxin Environmental Engineering Series Project	330,811,868	–	330,811,868
Serial projects of Huaxin industrial park	183,656,521	–	183,656,521
Fuchi Harbour project	182,023,806	–	182,023,806
Huaxin Packaging Series Project	171,820,587	–	171,820,587
Huangshi Cement Clinker Production Line	153,514,070	–	153,514,070
Marvini 1# production line transformation	109,228,165	–	109,228,165
Huaxin Vertical Mill Renovation Project	95,612,550	–	95,612,550
Huaxin Concrete Series Project	77,409,563	–	77,409,563
Yichang land acquisition health protection relocation project	50,000,000	–	50,000,000
1000T/D lime production line of Huaxin (Lijiang)	8,796,410	–	8,796,410
Others	931,762,118	9,376,581	922,385,537
Total	4,529,035,370	9,376,581	4,519,658,789

(2) Changes in significant construction in progress:

Project name	Budget	1 January 2018	Addition	Transferred to fixed assets	Other reduction	31 December 2018	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	%	
Tibet Phase III Annual Production of 1.2 Million Tons Cement Production Line Construction Project	460,000,000	89,240,326	344,830,590	434,070,916	–	–	100	100	–	–	–	Self-owned funds
Kunming Chongde 4,000TPD Luquan Second Line Production Line Project	669,320,000	11,753,981	144,890,386	–	–	156,644,367	23	23	–		–	Self-owned funds
Huangshi Annual Production of 2.85 Million Tons of Cement Clinker Production Line Construction Project	1,847,573,900	–	133,398,311	–	–	133,398,311	7	7	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project – Shiyan Waste Treatment Project	200,000,000	103,717,127	89,112,391	–	192,829,518	–	100	100	5,064,312	1,750,639	5.25	Self-owned funds and bank deposits
Huaxin New Materials and Intelligent Equipment Manufacturing Technology Park Construction Project	207,560,000	–	78,613,958	–	–	78,613,958	38	38	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project – Changshankou Waste Treatment Project	388,070,000	320,790,977	61,708,479	346,020,649	36,478,807	–	100	100	14,873,649	5,996,005	5.25	Self-owned funds and bank borrowings
Tibet Shannan Hour Production of 1,000 Tons of Waste Rock Comprehensive Utilization Project	74,820,000	–	35,795,819	–	–	35,795,819	48	48	–	–	–	Self-owned funds
Huaxin Building Materials Yangxin Cement Stone Powder Brick Production Line Construction Project	41,670,000	4,467,979	33,086,869	37,554,848	–	–	100	100	–	–	–	Self-owned funds
Changyang New Materials Annual Production of 6 Million Tons of Aggregate Production Line Project	230,000,000	–	32,909,205	187,979	–	32,721,226	14	14	–	–	–	Self-owned funds
Zhuzhou Environmental Hazardous Waste Disposal Plant Expands Production Capacity Investment Project	53,392,300	–	31,932,523	–	–	31,932,523	60	60	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project – Yichang Sludge Treatment Project	42,500,000	16,725,319	21,795,760	–	38,521,079	–	100	100	78,257	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project – Municipal Waste Treatment Project	40,000,000	11,808,380	18,855,669	–	–	30,664,049	77	77	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project – Yunyang Waste Treatment Project	79,800,000	54,123,228	21,389,077	–	–	75,512,305	95	95	734,516	–	–	Self-owned funds

Project name	Budget	1 January 2018	Addition	Transferred to fixed assets	Other reduction	31 December 2018	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	%	
Huaxin Environmental Engineering Series Project – Others	N/A	169,413,396	94,550,380	92,550,748	–	171,413,028	N/A	N/A	42,621,165	1,620,001	–	Self-owned funds and bank borrowings
Total others	N/A	466,044,116	587,642,124	518,318,255	87,844,768	447,523,217	N/A	N/A	–	–	–	Self-owned funds
Total	N/A	1,248,084,829	1,730,511,541	1,428,703,395	355,674,172	1,194,218,803	N/A	N/A	63,371,899	9,366,645	N/A	

Project name	Budget	1 January 2019	Addition	Transferred to fixed assets	Other reduction	31 December 2019	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
	RMB	RMB	RMB	RMB	RMB	RMB	%	%	RMB	RMB	%	
Huangshi Cement Clinker Production Line	1,847,573,900	172,950,311	951,107,157	–	35,518,812	1,088,538,656	59	59	29,208,311	29,208,311	4.24	Self-owned funds and bank borrowings
Dzizak Cement Clinker Production Line	688,000,000	–	496,493,149	1,831,243	1,387,300	493,274,606	72	72	253,563	253,563	4.24	Self-owned funds and bank borrowings
Nepal Cement Clinker Production Line	645,000,000	40,357,129	359,140,166	–	–	399,497,295	62	62	–	–	–	Self-owned funds and bank borrowings
New Materials and Intelligent Equipment Industrial Park	220,077,000	78,613,958	116,001,821	–	–	194,615,779	88	88	–	–	–	Self-owned funds
Equipment Company Industrial Park Project	194,690,300	–	71,932,784	–	–	71,932,784	37	37	–	–	–	Self-owned funds
Luquan Phase II Project Production Line	750,150,000	153,785,366	597,589,751	680,802,996	–	70,572,121	91	91	9,367,604	9,367,604	4.24	Self-owned funds and bank borrowings
Seepage-proofing and Energy-saving Special New Materials Production Line	70,260,000	–	63,136,673	–	–	63,136,673	90	90	–	–	–	Self-owned funds
Health Protection Land Acquisition and Relocation Project of Yichang Company	63,000,000	–	43,000,000	–	–	43,000,000	68	68	–	–	–	Self-owned funds
Dock Renovation Project of Zhuzhou Company	42,820,600	–	38,538,540	–	–	38,538,540	90	90	–	–	–	Self-owned funds
Mine Construction of Tibet Companies	43,617,600	–	37,074,960	–	–	37,074,960	85	85	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project	917,603,388	318,772,352	286,256,790	203,849,761	25,398,361	375,781,020	N/A	N/A	–	–	–	Self-owned funds
Huaxin Aggregate Series Project	1,229,111,700	82,361,048	390,896,414	132,502,529	14,878,812	325,876,121	N/A	N/A	120,069	120,069	4.24	Self-owned funds and bank borrowings
Vertical Mill Renovation Project	139,005,296	1,604,233	91,974,543	5,370,095	812,500	87,396,181	67	67	–	–	–	Self-owned funds
Huaxin Packaging Series Project	441,767,400	20,500,968	222,930,493	202,944,136	632,810	39,854,515	N/A	N/A	–	–	–	Self-owned funds
Huaxin Concrete Series Project	91,407,867	20,544,387	55,686,649	45,419,507	13,632,460	17,179,069	N/A	N/A	–	–	–	Self-owned funds
Total others	2,696,243,576	304,729,051	851,241,296	417,369,931	139,226,214	599,374,202	N/A	N/A	10,788,994	10,788,994	4.24	Self-owned funds and bank borrowings
Total	10,080,328,627	1,194,218,803	4,673,001,186	1,690,090,198	231,487,269	3,945,642,522	N/A	N/A	49,738,541	49,738,541	N/A	

Project name	Budget	1 January 2020	Addition	Transferred to fixed assets	Other reduction	31 December 2020	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
	RMB	RMB	RMB	RMB	RMB	RMB	%	%	RMB	RMB	%	
Nepal Cement Clinker Production Line	645,000,000	399,497,295	162,997,194	–	–	562,494,489	87	87	2,809,489	2,809,489	3.63	Self-owned funds and bank borrowings
Serial projects of Huaxin industrial park	440,077,000	266,548,563	61,219,427	–	–	327,767,990	N/A	N/A	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project	917,603,388	375,781,020	85,753,819	144,628,634	8,029,885	308,876,320	N/A	N/A	–	–	–	Self-owned funds
Huaxin Aggregate Series Project	1,285,101,700	325,876,121	331,834,367	347,304,399	2,195,100	308,210,989	N/A	N/A	1,341,680	1,221,611	3.84	Self-owned funds and bank borrowings
Huaxin Vertical Mill Renovation Project	139,005,296	87,396,181	68,504,729	37,223,820	–	118,677,090	N/A	N/A	–	–	–	Self-owned funds
1,000T/D lime production line of Huaxin (Lijiang)	148,973,733	3,531,286	108,557,618	–	–	112,088,904	75	75	–	–	–	Self-owned funds
Integrated commodity concrete project of Huaxin Fumin	92,782,500	–	72,564,104	–	–	72,564,104	78	78	–	–	–	Self-owned funds
Scope expansion of limestone mine of Sangzhi Company	441,767,400	39,854,515	23,386,201	–	–	63,240,716	N/A	N/A	–	–	–	Self-owned funds
Dock Renovation Project of Zhuzhou Company	42,820,600	38,538,540	2,919,013	–	–	41,457,553	97	97	–	–	–	Self-owned funds
Dzizak Cement Clinker Production Line	831,804,609	493,274,606	226,815,184	681,871,132	4,180,570	34,038,088	87	87	3,193,960	2,940,597	3.63	Self-owned funds and bank borrowings
Health Protection Land Acquisition and Relocation Project of Yichang Company	73,000,000	43,000,000	30,000,000	–	43,000,000	30,000,000	N/A	N/A	–	–	–	Self-owned funds
Huaxin Concrete Series Project	91,407,867	17,179,069	27,953,669	27,720,868	11,419,272	5,992,598	N/A	N/A	–	–	–	Self-owned funds
Huangshi Cement Clinker Production Line	1,847,573,900	1,088,538,656	605,007,935	1,645,205,341	43,278,938	5,062,312	97	97	56,984,826	27,776,515	3.84	Self-owned funds and bank borrowings
Production line of burning free standard brick made of mudstone with an annual capacity of 240 million pieces of bricks	159,162,676	30,235,477	128,927,199	119,391,467	39,771,209	–	100	100	–	–	–	Self-owned funds
Luquan Phase II Project Production Line	750,150,000	70,572,121	119,125,027	189,697,148	–	–	100	100	9,367,604	–	3.84	Self-owned funds and bank borrowings
Total others	N/A	665,819,072	1,081,942,357	754,739,107	15,603,261	977,419,061	N/A	N/A	11,537,902	748,708	3.84	Self-owned funds and bank borrowings
Total	N/A	3,945,642,522	3,137,507,843	3,947,781,916	167,478,235	2,967,890,214	N/A	N/A	85,235,461	35,496,920	N/A	

Project name	Budget	1 January 2021	Addition	Transferred to fixed assets	Other reduction	30 September 2021	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
	RMB	RMB	RMB	RMB	RMB	RMB	%	%	RMB	RMB	%	
Nepal Cement Clinker Production Line	953,353,800	562,494,489	362,304,014	–	–	924,798,503	97	97	2,809,489	–	–	Self-owned funds and bank borrowings
Huaxin Integrated series project	1,288,254,200	144,239,265	677,182,457	277,885,888	6,095,568	537,440,266	N/A	N/A	–	–	–	Self-owned funds
Huaxin Aggregate Series Project	1,710,885,700	308,210,988	560,556,434	244,431,495	188,328,657	436,007,270	N/A	N/A	10,216,972	5,285,035	3	Self-owned funds and bank borrowings
Huaxin Huangshi Green building materials billion tons machine-made sand project	9,957,000,000	–	336,820,151	666,478	–	336,153,673	3	3	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project	1,446,492,042	308,876,320	187,711,793	148,411,647	17,364,598	330,811,868	N/A	N/A	–	–	–	Self-owned funds
Serial projects of Huaxin industrial park	533,264,500	327,767,990	132,169,698	245,796,839	30,484,328	183,656,521	N/A	N/A	–	–	–	Self-owned funds
Fuchi Harbour project	404,497,350	–	182,023,806	–	–	182,023,806	45	45	–	–	–	Self-owned funds
Huaxin Packaging Series Project	402,542,300	83,433,469	95,240,981	6,494,593	359,270	171,820,587	N/A	N/A	–	–	–	Self-owned funds
Huangshi Cement Clinker Production Line	2,208,039,800	5,062,312	270,246,410	121,794,652	–	153,514,070	89	89	–	–	–	Self-owned funds and bank borrowings
Marvini 1# production line transformation	225,473,850	12,187,915	170,949,234	73,908,984	–	109,228,165	81	81	–	–	–	Self-owned funds
Huaxin Vertical Mill Renovation Project	309,373,940	118,677,090	7,759,465	3,366,176	27,457,829	95,612,550	N/A	N/A	–	–	–	Self-owned funds
Huaxin Concrete Series Project	323,142,567	5,992,597	76,366,314	4,949,348	–	77,409,563	N/A	N/A	–	–	–	Self-owned funds
Yichang land acquisition health protection relocation project	63,000,000	30,000,000	20,000,000	–	–	50,000,000	79	79	–	–	–	Self-owned funds
1000T/D lime production line of Huaxin (Lijiang)	155,011,387	112,088,905	49,001,249	152,293,744	–	8,796,410	100	100	–	–	–	Self-owned funds
Others	–	948,858,874	705,839,994	605,035,939	127,277,392	922,385,537	N/A	N/A	11,537,902	–	–	Self-owned funds and bank borrowings
Total	N/A	2,967,890,214	3,834,172,000	1,885,035,783	397,367,642	4,519,658,789	N/A	N/A	24,564,363	5,285,035	N/A	

Note: As there are many projects under construction of the same nature in some business segments, they are merged into a series of projects for disclosure. The budget, actual investment and project progress cannot be disclosed one by one, so the proportion of cumulative investment in the budget and project progress for a series of projects is "N/A". At the same time, the relevant capitalized interest amount is generated by the project with bank borrowings in the series of projects.

(3) Changes in provision for impairment losses for construction in progress are as follows:

Item	1 January 2018	Increase during the year	Decrease during the year	31 December 2018
	RMB	*RMB*	*RMB*	*RMB*
Qingshan Project of Huaxin Concrete	7,401,126	–	–	7,401,126
Lengshuijiang Project of Huaxin Concrete	940,164	–	–	940,164
Daoxian Project of Huaxin Concrete	–	277,395	–	277,395
Chibi Project of Huaxin Concrete	–	257,850	–	257,850
Others	996,019	–	–	996,019
Total	9,337,309	535,245	–	9,872,554

Item	1 January 2019	Increase during the year	Decrease during the year	31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
Qingshan Project of Huaxin Concrete	7,401,126	–	–	7,401,126
Lengshuijiang Project of Huaxin Concrete	940,164	–	–	940,164
Daoxian Project of Huaxin Concrete	277,395	–	–	277,395
Chibi Project of Huaxin Concrete	257,850	–	–	257,850
Huaxin Ywan Dangara Project	996,019	652,199	–	1,648,218
Total	9,872,554	652,199	–	10,524,753

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
Qingshan Project of Huaxin Concrete	7,401,126	–	7,401,126	–
Lengshuijiang Project of Huaxin Concrete	940,164	–	940,164	–
Daoxian Project of Huaxin Concrete	277,395	–	277,395	–
Chibi Project of Huaxin Concrete	257,850	–	257,850	–
Huaxin Ywan Dangara Project	1,648,218	–	1,648,218	–
Fangxian County Project of Huaxin Environment Engineering	–	1,520,583	–	1,520,583
Loudi Project of Huaxin Environment Engineering	–	5,473,353	–	5,473,353
Mining rights project of Enping Company	–	1,892,993	–	1,892,993
Mining rights of Heshangbao, Zigui	–	485,436	–	485,436
Total	10,524,753	9,372,365	10,524,753	9,372,365

16.3 Materials for construction of fixed assets

Item	As at 31 December 2018 Carrying amount	Impairment provision	Net book value
	RMB	*RMB*	*RMB*
Special equipment	128,757,298	–	128,757,298

Item	As at 31 December 2019 Carrying amount	Impairment provision	Net book value
	RMB	*RMB*	*RMB*
Special equipment	167,520,210	–	167,520,210

Item	As at 31 December 2020 Carrying amount	Impairment provision	Net book value
	RMB	*RMB*	*RMB*
Special equipment	136,539,126	–	136,539,126

17. Intangible assets

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. As at 1 January 2018	2,535,877,920	756,321,053	186,734,009	–	221,938,528	3,700,871,510
2. Addition	162,012,581	82,120,343	81,308,415	231,350,597	14,821,487	571,613,423
(1) Purchase	5,328,349	24,518,727	80,169,388	–	14,076,112	124,092,576
(2) Transferred from construction in progress	38,681,265	14,294,221	1,139,027	231,350,597	653,900	286,119,010
(3) Increase due to business combination	118,002,967	43,307,395	–	–	91,475	161,401,837
3. Reduction	69,744,454	15,318,660	15,306,444	–	1,798,229	102,167,787
(1) Disposal or retirement	15,467,005	15,318,660	5,407,009	–	1,798,229	37,990,903
(2) Others	54,277,449	–	9,899,435	–	–	64,176,884
4. As at 31 December 2018	2,628,146,047	823,122,736	252,735,980	231,350,597	234,961,786	4,170,317,146
II. Accumulated amortization						
1. As at 1 January 2018	318,310,077	139,532,456	52,426,953	–	163,848,540	674,118,026
2. Addition	57,626,433	30,439,447	5,953,713	2,528,618	16,934,322	113,482,533
(1) Provision	57,626,433	30,439,447	5,953,713	2,528,618	16,934,322	113,482,533
3. Reduction	15,070,256	–	4,041,179	–	1,785,623	20,897,058
(1) Disposal or retirement	6,210,165	–	1,713,948	–	1,785,623	9,709,736
(2) Others	8,860,091	–	2,327,231	–	–	11,187,322
4. As at 31 December 2018	360,866,254	169,971,903	54,339,487	2,528,618	178,997,239	766,703,501
III. Net book value						
1. As at 31 December 2018	2,267,279,793	653,150,833	198,396,493	228,821,979	55,964,547	3,403,613,645
2. As at 1 January 2018	2,217,567,843	616,788,597	134,307,056	–	58,089,988	3,026,753,484

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. As at 1 January 2019	2,628,146,047	823,122,736	252,735,980	231,350,597	234,961,786	4,170,317,146
2. Addition	118,979,699	641,439,187	2,489,373	–	(24,780,042)	738,128,217
(1) Purchase	20,914,743	200,531,354	1,382,872	–	3,369,548	226,198,517
(2) Transferred from construction in progress	58,903,678	95,696,356	–	–	12,523,280	167,123,314
(3) Increase due to business combination	15,229,821	326,597,427	1,106,501	–	1,872,637	344,806,386
(4) Reclassification	23,931,457	18,614,050	–	–	(42,545,507)	–
3. Reduction	12,940,049	8,435,798	–	63,150,000	4,913,054	89,438,901
(1) Disposal or retirement	12,940,049	8,435,798	–	–	4,913,054	26,288,901
(2) Others	–	–	–	63,150,000	–	63,150,000
4. As at 31 December 2019	2,734,185,697	1,456,126,125	255,225,353	168,200,597	205,268,690	4,819,006,462
II. Accumulated amortization						
1. As at 1 January 2019	360,866,254	169,971,903	54,339,487	2,528,618	178,997,239	766,703,501
2. Addition	64,593,126	67,461,401	10,336,549	17,073,757	7,249,356	166,714,189
(1) Provision	57,469,955	65,122,690	10,336,549	17,073,757	16,711,238	166,714,189
(2) Reclassification	7,123,171	2,338,711	–	–	(9,461,882)	–
3. Reduction	2,609,502	3,954,494	–	–	994,552	7,558,548
(1) Disposal or retirement	2,609,502	3,954,494	–	–	994,552	7,558,548
4. As at 31 December 2019	422,849,878	233,478,810	64,676,036	19,602,375	185,252,043	925,859,142
III. Impairment provision						
1. As at 1 January 2019	–	–	–	–	–	–
2. Addition	–	23,524,969	–	–	–	23,524,969
(1) Provision	–	23,524,969	–	–	–	23,524,969
3. As at 31 December 2019	–	23,524,969	–	–	–	23,524,969
IV. Net book value						
1. As at 31 December 2019	2,311,335,819	1,199,122,346	190,549,317	148,598,222	20,016,647	3,869,622,351
2. As at 1 January 2019	2,267,279,793	653,150,833	198,396,493	228,821,979	55,964,547	3,403,613,645

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. As at 1 January 2020	2,734,185,697	1,456,126,125	255,225,353	168,200,597	205,268,690	4,819,006,462
2. Addition	88,235,640	518,001,947	58,907,795	–	16,839,178	681,984,560
(1) Purchase	68,483,925	486,545,981	57,731,592	–	1,330,793	614,092,291
(2) Transferred from construction in progress	19,751,715	31,455,966	1,176,203	–	15,508,385	67,892,269
3. Reduction	54,280,034	–	–	–	2,345,275	56,625,309
(1) Disposal of subsidiaries	54,280,034	–	–	–	1,836,089	56,116,123
(2) Disposal and retirement	–	–	–	–	509,186	509,186
4. Translation differences of financial statements denominated in foreign currencies	(552,743)	(51,216,564)	–	–	(4,706,367)	(56,475,674)
5. As at 31 December 2020	2,767,588,560	1,922,911,508	314,133,148	168,200,597	215,056,226	5,387,890,039
II. Accumulated amortization						
1. As at 1 January 2020	422,849,878	233,478,810	64,676,036	19,602,375	185,252,043	925,859,142
2. Addition	52,462,709	77,952,485	19,399,846	14,632,368	19,617,464	184,064,872
(1) Provision	52,462,709	77,952,485	19,399,846	14,632,368	19,617,464	184,064,872
3. Reduction	8,848,003	–	–	–	2,304,639	11,152,642
(1) Disposal of subsidiaries	8,848,003	–	–	–	1,836,089	10,684,092
(2) Disposal or retirement	–	–	–	–	468,550	468,550
4. Translation differences of financial statements denominated in foreign currencies	(56,695)	(494,868)	–	–	(862,920)	(1,414,483)
5. As at 31 December 2020	466,407,889	310,936,427	84,075,882	34,234,743	201,701,948	1,097,356,889
III. Impairment provision						
As at 1 January 2020 and as at 31 December 2020	–	23,524,969	–	–	–	23,524,969
IV. Net book value						
1. As at 31 December 2020	2,301,180,671	1,588,450,112	230,057,266	133,965,854	13,354,278	4,267,008,181
2. As at 1 January 2020	2,311,335,819	1,199,122,346	190,549,317	148,598,222	20,016,647	3,869,622,351

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. As at 1 January 2021	2,767,588,560	1,922,911,508	314,133,148	168,200,597	215,056,226	5,387,890,039
2. Addition	191,131,723	1,134,341,030	9,452,013	–	5,540,725	1,340,465,491
(1) Purchase	157,084,790	1,065,935,457	9,452,013	–	385,977	1,232,858,237
(2) Transfer from construction in progress	2,557,339	68,405,573	–	–	5,110,950	76,073,862
(3) Increase due to business combination	31,489,594	–	–	–	43,798	31,533,392
3. Reduction	235,771	–	–	–	1,182,308	1,418,079
(1) Disposal of subsidiaries	235,771	–	–	–	125,191	360,962
(2) Disposal or retirement	–	–	–	–	1,057,117	1,057,117
4. Translation differences of financial statements denominated in foreign currencies	(52,993)	(8,870,519)	–	–	(402,489)	(9,326,001)
5. As at 30 September 2021	2,958,431,519	3,048,382,019	323,585,161	168,200,597	219,012,154	6,717,611,450
II. Accumulated amortization						
1. As at 1 January 2021	466,407,889	310,936,427	84,075,882	34,234,743	201,701,948	1,097,356,889
2. Addition	47,310,042	144,595,883	10,222,377	10,975,666	14,518,399	227,622,367
(1) Provision	47,310,042	144,595,883	10,222,377	10,975,666	14,518,399	227,622,367
3. Reduction	72,309	–	–	–	1,172,844	1,245,153
(1) Disposal of subsidiaries	72,309	–	–	–	125,191	197,500
(2) Disposal or retirement	–	–	–	–	1,047,653	1,047,653
4. Translation differences of financial statements denominated in foreign currencies	(4,217)	(663,148)	–	–	(54,952)	(722,317)
5. As at 30 September 2021	513,641,405	454,869,162	94,298,259	45,210,409	214,992,551	1,323,011,786
III. Impairment provision						
As at 1 January 2021 and as at 30 September 2021	–	23,524,969	–	–	–	23,524,969
IV. Net book value						
1. As at 30 September 2021	2,444,790,114	2,569,987,888	229,286,902	122,990,188	4,019,603	5,371,074,695
2. As at 1 January 2021	2,301,180,671	1,588,450,112	230,057,266	133,965,854	13,354,278	4,267,008,181

As at 31 December 2018, the land use right with a net book value of RMB14,272,894 (original carrying amount of RMB24,274,843) is used as the collateral for short-term borrowing and long-term bank borrowing. Details are set out in Note V. 21 and 30.

As at 31 December 2019, the land use rights with net book value of RMB9,660,241 (original carrying amount of RMB12,997,487) are treated as collaterals for short-term borrowings and long-term bank borrowings. Details are set out in Note V. 21 and 30.

As at 31 December 2020, the land use rights with net book value of RMB6,254,797 (original carrying amount of RMB8,497,487) are treated as collaterals for short-term borrowings. Details are set out in Note V. 21.

As at 30 September 2021, the land use rights with net book value of RMB11,122,390 (original carrying amount of RMB13,836,187) are treated as collaterals for short-term borrowings. Details are set out in Note V. 21.

18. Goodwill

(1) Original carrying amount of goodwill

Item	1 January 2018 & 31 December 2018
	RMB
Huaxin Cement (Daye) Co., Ltd.	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135
Huaxin Cement (Nantong) Co., Ltd.	9,469,146
Total	517,030,260

		Addition	Reduction	
Item	1 January 2019	Goodwill arising from business combinations	Cancellation of subsidiaries	31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
Huaxin Cement (Daye) Co., Ltd.	189,057,605	–	–	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	–	–	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	–	–	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	–	–	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	–	–	21,492,135
Huaxin Cement (Nantong) Co., Ltd.	9,469,146	–	9,469,146	–
NETNIX LIMITED	–	59,573,587	–	59,573,587
Total	517,030,260	59,573,587	9,469,146	567,134,701

Item	1 January 2020	Addition: Goodwill arising from business combinations	Reduction: Cancellation of subsidiaries	31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
Huaxin Cement (Daye) Co., Ltd.	189,057,605	–	–	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	–	–	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	–	–	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	–	–	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	–	–	21,492,135
NETNIX LIMITED	59,573,587	–	–	59,573,587
Total	567,134,701	–	–	567,134,701

(2) ***Provision for impairment of goodwill***

Item	1 January 2018 & 31 December 2018
	RMB
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768

Item	1 January 2019	Provision	Reduction	31 December 2019
	RMB	*RMB*	*RMB*	*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
Total	69,557,768	21,492,135	–	91,049,903

Item	1 January 2020	Provision	Reduction	31 December 2020
	RMB	*RMB*	*RMB*	*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
Total	91,049,903	–	–	91,049,903

(3) ***The recoverable amounts of asset groups are based on the five-year budget approved by the management and adopt the cash flow forecast method in calculation. Expected future cash flows adopt the following key assumptions as the basis:***

2018:

Sales growth rate	-2%-5%
Gross margin	19%-38%
Discount rate	16%

2019:

Sales growth rate	0%
Gross margin	9%-52%
Discount rate	16%-18%

(4) ***Describes the goodwill impairment test process, key parameters and the recognition method of goodwill impairment loss***

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Huaxin Cement (Daye) Co., Ltd. The recoverable amount of the asset group of Huaxin Cement (Daye) Co., Ltd was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow for the next five years is based on the financial budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remaining unchanged, and using the discount rate of 16%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill.

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd. The recoverable amount of the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd. was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow for the next five years is based on the financial budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remaining unchanged, and using the discount rate of 18%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill.

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. The recoverable amount of the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow for the next five years is based on the financial budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remaining unchanged, and using the discount rate of 16%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill.

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of NETNIX LIMITED and its subsidiaries. The recoverable amount of the asset group of NETNIX LIMITED and its subsidiaries was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow for the next five years is based on the financial budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remaining unchanged, and using the discount rate of 18%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill.

19. Long-term prepaid expenses

Item	1 January 2018	Increase in the period	Amortization in the period	31 December 2018
	RMB	*RMB*	*RMB*	*RMB*
Mine development cost	268,514,332	90,625,079	69,020,411	290,119,000
Others	12,547,101	80,217,794	6,675,857	86,089,038
Total	281,061,433	170,842,873	75,696,268	376,208,038

Item	1 January 2019	Increase in the period	Amortization in the period	31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
Mine development cost	290,119,000	21,780,443	47,864,833	264,034,610
Others	86,089,038	6,928,356	28,412,475	64,604,919
Total	376,208,038	28,708,799	76,277,308	328,639,529

Item	1 January 2020	Increase in the period	Amortization in the period	31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
Mine development cost	264,034,610	54,000,000	42,661,940	275,372,670
Others	64,604,919	42,133,458	18,350,273	88,388,104
Total	328,639,529	96,133,458	61,012,213	363,760,774

20. Deferred tax assets and liabilities

(1) Details of deferred tax assets before offsetting:

Item	31 December 2018 Deductible temporary differences and deductible tax losses	31 December 2018 Deferred tax assets
	RMB	*RMB*
Provision for impairment of assets	153,712,730	36,190,239
Difference between the fair value and the tax base of identifiable assets of business combination	407,227,793	84,965,817
Temporary difference arising from expense recognition	353,760,365	83,953,404
Unrealized profit arising from elimination of intra-group transactions	230,131,456	57,532,864
Deductible tax losses	17,887,695	4,191,002
Provision for staff welfare	137,546,941	25,590,852
Others	880,788	132,118
Total	1,301,147,768	292,556,296

Item	31 December 2019 Deductible temporary differences and deductible tax losses	31 December 2019 Deferred tax assets
	RMB	*RMB*
Provision for impairment of assets	250,333,410	59,969,494
Difference between the fair value and the tax base of identifiable assets of business combination	228,769,356	48,830,303
Temporary difference arising from expense recognition	337,181,332	79,411,837
Unrealized profit arising from elimination of intra-group transactions	232,790,617	58,197,654
Deductible tax losses	96,880,897	24,178,276
Provision for staff welfare	362,703,340	81,250,089
Others	5,891,591	1,384,819
Total	1,514,550,543	353,222,472

Item	31 December 2020 Deductible temporary differences and deductible tax losses	Deferred tax assets
	RMB	*RMB*
Provision for impairment of assets	330,765,172	67,387,562
Difference between the fair value and the tax base of identifiable assets of business combination	663,906,512	194,457,607
Temporary difference arising from expense recognition	394,662,984	92,044,072
Unrealized profit arising from elimination of intra-group transactions	224,685,679	56,171,420
Deductible tax losses	54,756,858	13,689,215
Provision for staff welfare	63,638,841	13,973,057
Others	56,275,616	12,831,370
Total	1,788,691,662	450,554,303

(2) Details of deferred tax liabilities before offsetting:

Item	31 December 2018 Taxable temporary differences	Deferred tax liabilities
	RMB	*RMB*
Capitalization of general borrowing interest	57,023,917	14,255,979
Changes in fair value of available-for-sale financial assets	25,845,428	6,461,356
Valuation appreciation on assets in business combination not involving enterprises under common control	207,168,666	46,198,066
Depreciation difference of fixed assets between accounting and tax basis	439,386,715	82,138,044
Others	159,754,485	22,429,471
Total	889,179,211	171,482,916

Item	31 December 2019 Taxable temporary differences	Deferred tax liabilities
	RMB	*RMB*
Capitalization of general borrowing interest	48,952,364	12,238,091
Changes in fair value of other equity instrument investments	26,505,435	6,626,359
Changes in fair value of other non-current assets	31,141,882	7,785,470
Valuation appreciation on assets in business acquisitions	930,044,363	174,059,439
Depreciation difference of fixed assets between accounting and tax basis	505,399,853	91,133,267
Others	155,195,629	22,244,168
Total	1,697,239,526	314,086,794

Item	31 December 2020 Taxable temporary differences	Deferred tax liabilities
	RMB	*RMB*
Capitalization of general borrowing interest	77,046,476	19,261,619
Changes in fair value of other equity instrument investments	22,050,329	5,512,583
Changes in fair value of other non-current assets	28,965,529	7,241,382
Valuation appreciation on assets in business acquisitions	801,224,558	153,428,806
Depreciation difference of fixed assets between accounting and tax basis	511,353,931	91,833,095
Others	154,374,699	20,397,083
Total	1,595,015,522	297,674,568

(3) Deferred tax assets or liabilities presented at net amount after offsetting:

Item	As at 31 December 2018 The amount offset at the end of the period	Deferred tax assets or liabilities after offset at the end of the period
	RMB	*RMB*
Deferred tax assets	9,284,181	283,272,115
Deferred tax liabilities	9,284,181	162,198,735

Item	As at 31 December 2019 The amount offset at the end of the period	As at 31 December 2019 Deferred tax assets or liabilities after offset at the end of the period
	RMB	*RMB*
Deferred tax assets	14,411,829	338,810,643
Deferred tax liabilities	14,411,829	299,674,965

Item	As at 31 December 2020 The amount offset at the end of the period	As at 31 December 2020 Deferred tax assets or liabilities after offset at the end of the period
	RMB	*RMB*
Deferred tax assets	12,753,965	437,800,338
Deferred tax liabilities	12,753,965	284,920,603

(4) Breakdown of unrecognized deferred tax assets

	As at 31 December		
Item	2018	2019	2020
	RMB	*RMB*	*RMB*
Deductible temporary differences	2,480,110,976	3,039,336,630	2,891,063,013
Deductible tax losses	987,933,080	883,645,739	794,131,021
Total	3,468,044,056	3,922,982,369	3,685,194,034

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

	As at 31 December		
Year	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
2019	155,549,091	–	–
2020	332,035,821	221,195,435	–
2021	242,972,073	177,724,435	148,438,766
2022	180,277,056	219,977,336	153,614,289
2023	77,099,039	98,405,619	85,361,238
2024	–	166,342,914	144,409,755
2025	–	–	218,197,292
2026	–	–	–
2029	–	–	15,592,131
2030	–	–	28,517,550
Total	987,933,080	883,645,739	794,131,021

21. Short-term borrowings

(1) Category of short-term borrowings

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Mortgaged bank borrowings *(Note 1)*	31,000,000	13,000,000	13,000,000	13,000,000
Unsecured bank borrowings *(Note 2)*	590,000,000	184,000,000	612,000,000	509,000,000
Total	621,000,000	197,000,000	625,000,000	522,000,000

Note 1: As at 31 December 2018, parts of buildings, machinery and equipment (Note V. 15) and land use rights (Note V. 17) of the Group are the collateral of the mortgaged bank borrowings of RMB31,000,000.

Note 2: As at 31 December 2018, unsecured bank borrowings included borrowings of RMB141,000,000 guaranteed by the Company for its subsidiaries within the Group.

As at 31 December 2018, the interest rate of short-term borrowings ranges from 2.35% to 4.35% per annum.

The Group has no overdue short-term borrowings as at 31 December 2018.

Note 3: As at 31 December 2019, part of buildings, machinery and equipment (Note V. 15) and land use rights (Note V. 17) of the Group were mortgaged for the borrowing of RMB13,000,000.

Note 4: As at 31 December 2019, unsecured bank borrowings included RMB84,000,000 guaranteed by the Company for its subsidiaries within the Group. As at 31 December 2019, the interest rate of short-term borrowings ranges from 2.15% to 4.79% per annum.

The Group has no overdue short-term borrowings as at 31 December 2019.

Note 5: As at 31 December 2020, part of buildings, machinery and equipment (Note V. 15) and land use rights (Note V. 17) of the Group were mortgaged for the borrowing of RMB13,000,000.

Note 6: As at 31 December 2020, unsecured bank borrowings included RMB612,000,000 guaranteed by the Company for its subsidiaries within the Group.

As at 31 December 2020, the interest rate of short-term borrowings ranges from 1.85% to 4.35% per annum.

The Group has no overdue short-term borrowings as at 31 December 2020.

Note 7: As at 30 September 2021, part of buildings, machinery and equipment (Note V (15)) and land use rights (Note V 17) of the Group were mortgaged for the borrowings of RMB13,000,000.

Note 8: As at 30 September 2021, unsecured bank borrowings included RMB409,000,000 guaranteed by the Company for its subsidiaries within the Group.

As at 30 September 2021, the interest rate of short-term borrowings ranges from 1.85% to 4.35% per annum.

22. Notes payable

Item	As at 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Bank acceptance notes	–	191,505,647	472,696,537

23. Accounts payable

Item	As at 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Payables for raw materials	2,371,944,417	2,435,484,466	3,060,796,236
Payables for construction and equipment	934,700,160	2,138,300,132	1,653,357,986
Payables for transportation services	191,881,135	246,620,150	243,774,082
Payables for utility charges	92,984,125	120,335,475	140,332,638
Others	197,814,232	180,168,685	199,372,828
Total	3,789,324,069	5,120,908,908	5,297,633,770

Item	As at 30 September 2021
	RMB
Payables for production	3,981,558,195
Payables for construction	2,581,669,577
Total	6,563,227,772

(1) *Significant accounts payable over one year*

Item	As at 31 December 2018	Reasons for being outstanding or carried forward
	RMB	
Construction and equipment payables and construction warranty payable	561,207,244	Part of project has not performed acceptance procedures, so related amounts have not been settled
Total	561,207,244	

Item	As at 31 December 2019	Reasons for being outstanding or carried forward
	RMB	
Construction and equipment payables and construction warranty payable	301,492,621	Part of project has not performed acceptance procedures, so related amounts have not been settled
Total	301,492,621	

Item	As at 31 December 2020	Reasons for being outstanding or carried forward
	RMB	
Construction and equipment payables and construction warranty payable	123,974,443	Part of project has not performed acceptance procedures, so related amounts have not been settled
Total	123,974,443	

24. Receipts in advance

(1) Receipts in advance

Item	As at 31 December 2018	As at 31 December 2019
	RMB	*RMB*
Advance from customers	638,732,781	616,086,758
Total	638,732,781	616,086,758

25. Contract liabilities

Item	As at 31 December 2020	As at 30 September 2021
	RMB *(Note 1)*	*RMB* *(Note 2)*
Advance from customers	830,492,042	859,779,636

(1) Contract liabilities are mainly the advances received by the Group in accordance with the sales contract of building materials, and the relevant income of the contract will be recognized after the Group performs its obligations.

(2) The contract liabilities at the end of the period are expected to be recognized as revenue within the next year.

26. Employee benefits payable

(1) Summary of employee benefits payable

Item	As at 1 January 2018	Addition	Reduction	As at 31 December 2018
	RMB	*RMB*	*RMB*	*RMB*
1. Short-term employee benefits payable	257,049,545	2,134,844,941	2,019,531,314	372,363,172
2. Defined contribution plan	6,235,758	201,123,090	200,924,060	6,434,788
3. Defined benefit plan (the portion payable within one year)	4,748,365	4,029,385	4,748,365	4,029,385
4. Termination benefits payable	13,053,736	9,346,211	13,053,736	9,346,211
Total	281,087,404	2,349,343,627	2,238,257,475	392,173,556

Item	As at 1 January 2019	Addition	Reduction	As at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
1. Short-term employee benefits payable	372,363,172	2,512,728,645	2,499,327,165	385,764,652
2. Defined contribution plan	6,434,788	221,906,464	223,924,497	4,416,755
3. Long-term employee benefits payable within one year	13,375,596	96,367,318	15,459,054	94,283,860
Total	392,173,556	2,831,002,427	2,738,710,716	484,465,267

Item	As at 1 January 2020	Addition	Reduction	As at 31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
1. Short-term employee benefits payable	385,764,652	2,365,456,918	2,338,340,270	412,881,300
2. Defined contribution plan	4,416,755	52,490,036	45,214,655	11,692,136
3. Long-term employee benefits payable within one year	94,283,860	107,908,169	96,887,544	105,304,485
Total	484,465,267	2,525,855,123	2,480,442,469	529,877,921

(2) Short-term employee benefits

Item	As at 1 January 2018	Addition	Reduction	As at 31 December 2018
	RMB	*RMB*	*RMB*	*RMB*
1. Salaries or wages, bonuses and allowances	224,570,063	1,649,541,088	1,546,176,464	327,934,687
2. Staff welfare	2,979,986	193,342,715	183,808,420	12,514,281
3. Social insurance	7,237,968	146,129,836	142,626,256	10,741,548
Including: Medical insurance	5,718,476	128,378,857	124,758,413	9,338,920
Injury insurance	1,084,997	12,611,337	12,590,343	1,105,991
Maternity insurance	434,495	5,139,642	5,277,500	296,637
4. Housing funds	11,031,704	104,099,459	109,208,632	5,922,531
5. Labor union funds and employee education fee	11,229,824	41,731,843	37,711,542	15,250,125
Total	257,049,545	2,134,844,941	2,019,531,314	372,363,172

Item	As at 1 January 2019	Addition	Reduction	As at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
1. Salaries or wages, bonuses and allowances	327,934,687	1,949,253,425	1,923,204,971	353,983,141
2. Staff welfare	12,514,281	211,577,099	222,544,810	1,546,570
3. Social insurance	10,741,548	174,891,624	177,804,455	7,828,717
Including: Medical insurance	9,338,920	156,985,535	159,046,084	7,278,371
Injury insurance	1,105,991	11,909,276	12,508,862	506,405
Maternity insurance	296,637	5,996,813	6,249,509	43,941
4. Housing funds	5,922,531	122,904,939	126,701,800	2,125,670
5. Labor union funds and employee education fee	15,250,125	54,101,558	49,071,129	20,280,554
Total	372,363,172	2,512,728,645	2,499,327,165	385,764,652

Item	As at 1 January 2020	Addition	Reduction	As at 31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
1. Salaries or wages, bonuses and allowances	353,983,141	1,796,400,508	1,764,329,591	386,054,058
2. Staff welfare	1,546,570	224,611,267	226,040,252	117,585
3. Social insurance	7,828,717	145,887,066	149,902,120	3,813,663
Including: Medical insurance	7,278,371	141,801,108	145,750,449	3,329,030
Injury insurance	506,405	2,333,746	2,411,309	428,842
Maternity insurance	43,941	1,752,212	1,740,362	55,791
4. Housing funds	2,125,670	156,025,824	156,847,830	1,303,664
5. Labor union funds and employee education fee	20,280,554	42,532,253	41,220,477	21,592,330
Total	385,764,652	2,365,456,918	2,338,340,270	412,881,300

(3) Defined contribution plan

Item	As at 1 January 2018	Addition	Reduction	As at 31 December 2018
	RMB	*RMB*	*RMB*	*RMB*
1. Basic pension insurance	4,102,991	195,683,019	194,571,263	5,214,747
2. Unemployment insurance	2,132,767	5,440,071	6,352,797	1,220,041
Total	6,235,758	201,123,090	200,924,060	6,434,788

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, the Group pays monthly expenses to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively. In addition to the above monthly deposit expenses, the Group shall not undertake any further payment obligations. The corresponding expenditure is recorded into the current profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB195,683,019 and RMB5,440,071 (2017: RMB168,299,632 and RMB5,408,342) to the basic pension insurance and unemployment insurance plans respectively this year. As at 31 December 2018, the Group has outstanding expenses of RMB5,214,746 and RMB1,220,041 (31 December 2017: RMB4,102,991 and RMB2,132,767) which has not been paid to the pension insurance and unemployment insurance plans, but relevant outstanding expenses have been paid after the reporting period.

Item	As at 1 January 2019	Addition	Reduction	As at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
1. Basic pension insurance	5,214,747	214,474,239	216,003,803	3,685,183
2. Unemployment insurance	1,220,041	7,432,225	7,920,694	731,572
Total	6,434,788	221,906,464	223,924,497	4,416,755

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, the Group contributes monthly to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively. In addition to the above monthly contributions, the Group shall not undertake any further payment obligations. The corresponding expenditure is recognized in the current profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB214,474,239 and RMB7,432,225 (2018: RMB195,683,019 and RMB5,440,071) to the basic pension insurance and unemployment insurance plans respectively for the current year. As at 31 December 2019, the Group has outstanding contributions to pension insurance and unemployment plans that is due as at the reporting period amounting to RMB3,685,183 and RMB731,572 (31 December 2018: RMB5,214,746 and RMB1,220,041). The relevant outstanding expenses have been paid after the reporting period.

Item	As at 1 January 2020	Addition	Reduction	As at 31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
1. Basic pension insurance	3,685,183	50,769,493	43,534,481	10,920,195
2. Unemployment insurance	731,572	1,720,543	1,680,174	771,941
Total	4,416,755	52,490,036	45,214,655	11,692,136

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, except for the reduction for social assurance in some months based on the national policy, the Group contributes to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively in the rest month in 2020. In addition to the above monthly contributions, the Group shall not undertake any further payment obligations. The corresponding expenditure is recognized in the current profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB50,769,493 and RMB1,720,543 (2019: RMB214,474,239 and RMB7,432,225) to the basic pension insurance and unemployment insurance plans respectively for the current year. As at 31 December 2020, the Group has outstanding contributions to pension insurance and unemployment plans that is due as at the reporting period amounting to RMB10,920,195 and RMB771,941 (31 December 2019: RMB3,685,183 and RMB731,572). The relevant outstanding expenses have been paid after the reporting period.

27. Taxes payable

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Enterprise income tax	623,436,893	616,807,673	662,119,248
VAT	187,394,897	174,845,435	223,034,704
Flood prevention fee	18,862,548	18,480,513	–
Resource tax	17,691,208	22,086,424	28,857,087
Environment tax	18,424,841	26,111,393	28,299,652
Individual income tax	17,604,530	21,164,788	28,505,648
Others	52,321,809	86,080,518	215,349,804
Total	935,736,726	965,576,744	1,186,166,143

28. Other payables

28.1 Categories of other payables

Item	As at 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Interests payable	70,507,991	21,770,866	30,026,120
Dividends payable	160,590,225	34,268,915	63,842,709
Other payables	666,555,147	623,409,083	692,377,410
Total	897,653,363	679,448,864	786,246,239

28.2 Dividends payable

Item	As at 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Ordinary share	10,737,338	576,326	23,821,382
Minority interests			
– Gede Hong Kong International Investment & Development Co., Ltd.	–	–	40,021,327
– Yunnan Hongta Dianxi Cement Co., Ltd.	–	–	–
– Hanjiang Water Conservancy and Hydropower (Group) Co., LTD.	–	–	–
– Fumin Shengwei Industrial Co., LTD.	–	–	–
– Tibet Changsheng Road & Bridge Construction Co., Ltd.	87,518,955	–	–
– Gayur Liability Limited Company	62,332,731	33,692,589	–
– Diqing Rongshunlin Product Development Co., Ltd.	1,201	–	–
Total	160,590,225	34,268,915	63,842,709

28.3 Other payables

(1) Other payables by nature

Item	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
	RMB	*RMB*	*RMB*
Payables for acquisition of equity interests	249,207,680	113,940,515	218,043,450
Amounts due to minority interests	141,011,960	220,227,757	187,605,900
Deposits	126,722,501	158,737,322	178,109,274
Collected or paid for others	32,527,298	29,289,163	13,628,805
Amounts due to government	30,637,244	9,012,411	5,000,000
Others	86,448,464	92,201,915	89,989,981
Total	666,555,147	623,409,083	692,377,410

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

Item	As at 31 December 2018	Reasons for being outstanding or carried forward
	RMB	
Payables for acquisition of equity interests, amounts due to minority interests, and deposits paid by contractors and large projects to the Group	497,245,936	Payment criteria for acquisition of equity yet to be archived; final settlement of related project has not been processed.

Item	As at 31 December 2019	Reasons for being outstanding or carried forward
	RMB	
Payables for acquisition of equity interests, amounts due to minority interests, and deposits paid by contractors and large projects to the Group	444,812,446	Payment criteria for acquisition of equity yet to be archived; final settlement of related project has not been processed.

Item	As at 31 December 2020	Reasons for being outstanding or carried forward
	RMB	
Amount due to minority shareholders	187,605,900	Payment criteria as agreed by the agreement is not met
Payables for acquisition of equity interests	94,272,136	Payment criteria of equity acquisition is not met

29. Non-current liabilities due within one year

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Long-term borrowings due within one year *(Note V. 30)*	741,592,004	676,748,733	524,266,910	720,078,229
Bonds payable due within one year *(Note V. 31)*	2,100,000,000	–	1,199,284,590	–
Long-term payables due within one year *(Note V. 32)*	35,625,200	92,936,978	150,932,659	202,431,488
Lease liability due within one year	–	–	–	25,984,647
Total	2,877,217,204	769,685,711	1,874,484,159	948,494,364

30. Long-term borrowings

(1) Categories of long-term borrowings

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Unsecured bank borrowings *(Note 1)*	2,236,234,785	2,030,189,670	3,501,684,221	4,416,167,149
Pledged bank borrowings *(Note 2)*	737,500,000	639,000,000	526,140,000	428,710,000
Mortgaged bank borrowings *(Note 3)*	208,500,000	45,000,000	–	3,061,767
Guaranteed bank borrowings *(Note 4)*	3,546,310	2,102,259	722,662	–
Less: Long-term borrowings due within one year				
Unsecured bank borrowings	478,173,480	516,487,227	415,684,248	597,218,229
Pledged bank borrowings	98,500,000	113,860,000	107,860,000	122,860,000
Mortgaged bank borrowings	163,500,000	45,000,000	–	–
Guaranteed bank borrowings	1,418,524	1,401,506	722,662	–
Total	2,444,189,091	2,039,543,196	3,504,279,973	4,127,860,687

Note 1: As at 31 December 2018, unsecured bank borrowings included long-term borrowings of RMB635,550,000 guaranteed by the Company for subsidiaries within the Group and USD-denominated borrowings being equivalent to RMB243,643,600 (31 December 2017: long-term borrowings of RMB495,810,000 and USD-denominated borrowings being equivalent to RMB930,466,631). Such unsecured bank borrowings will be repaid in installments from 2019 to 2022.

Note 2: As at 31 December 2018, pledged bank borrowings of RMB737,500,000 (31 December 2017: RMB612,500,000) were secured by the equity of some of the Group's subsidiaries. Such pledged bank borrowings will be repaid in installments from 2019 to 2024.

Note 3: As at 31 December 2018, mortgaged bank borrowings of RMB208,500,000 (31 December 2017: RMB160,500,000) were secured by some of the Group's buildings, machinery and equipment (Note V (15)) and land use rights (Note V (17)).

Note 4: As at 31 December 2018, long-term borrowings were DKK-denominated borrowings, being equivalent to RMB3,546,310 (31 December 2017: RMB4,914,604) and guaranteed by China Construction Bank Hubei Provincial Branch and Hubei Provincial Planning Commission. Such guaranteed bank borrowings bore the interest rate of 0% and will be repaid in installments from 2019 to 2021.

As at 31 December 2018, the interest rates of long-term borrowings ranged from 2.90% to 6.89% (31 December 2017: 2.77% to 6.65%).

Note 1: As at 31 December 2019, unsecured bank borrowings included long-term borrowings of RMB1,149,638,888 guaranteed by the Company for subsidiaries within the Group and USD-denominated borrowings being equivalent to RMB347,465,733 (31 December 2018: long-term borrowings of RMB635,550,000 and USD-denominated borrowings being equivalent to RMB243,643,600). Such unsecured bank borrowings will be repaid in installments from 2020 to 2027.

Note 2: As at 31 December 2019, pledged bank borrowings of RMB639,000,000 (31 December 2018: RMB737,500,000) were secured by the equity of some of the Group's subsidiaries. Such pledged bank borrowings will be repaid in installments from 2020 to 2025.

Note 3: As at 31 December 2019, mortgaged bank borrowings of RMB45,000,000 (31 December 2018: RMB208,500,000) were secured by some of the Group's buildings, machinery and equipment (Note V (15)) and land use rights (Note V (17)).

Note 4: As at 31 December 2019, long-term borrowings were DKK-denominated borrowings, being equivalent to RMB2,102,259 (31 December 2018: RMB3,546,310) and guaranteed by China Construction Bank Hubei Provincial Branch and Hubei Provincial Planning Commission, with repayments to be made in installments from 2020 to 2021.

As at 31 December 2019, the interest rates of long-term borrowings ranged from 2.90% to 6.72% (31 December 2018: 2.90% to 6.89%).

Note 1: As at 31 December 2020, unsecured bank borrowings included long-term borrowings of RMB930,341,766 guaranteed by the Company for subsidiaries within the Group and USD-denominated borrowings being equivalent to RMB156,261,623 (31 December 2019: long-term borrowings of RMB1,149,638,888 and USD-denominated borrowings being equivalent to RMB347,465,733). Such unsecured bank borrowings will be repaid in installments from 2021 to 2027.

Note 2: As at 31 December 2020, pledged bank borrowings of RMB526,140,000 (31 December 2019: RMB639,000,000) were secured by the equity of some of the Group's subsidiaries. Such pledged bank borrowings will be repaid in installments from 2021 to 2025.

Note 3: As at 31 December 2020, the Group had no mortgaged bank borrowings (31 December 2019: long-term borrowings of RMB45,000,000 were secured by the Group's buildings, machinery and equipment (Note V (15)) and land use rights (Note V (17)).

Note 4: As at 31 December 2020, long-term borrowings were DKK-denominated borrowings, being equivalent to RMB722,662 (31 December 2019: RMB2,102,259) and guaranteed by China Construction Bank Hubei Provincial Branch and Hubei Provincial Planning Commission, with repayments to be made in 2021.

As at 31 December 2020, the interest rates of long-term borrowings ranged from 2.90% to 5.70% (31 December 2019: 2.90% to 6.72%).

Note 1: As at 30 September 2021, bank borrowings on credit of RMB4,416,167,149 include long-term borrowings of RMB1,864,437,856 guaranteed by the Company for subsidiaries of the Group and borrowings in USD equivalent to RMB1,317,729,293 (31 December 2020: bank borrowings on credit of RMB3,501,684,221 include long-term borrowings of RMB93,341,766 guaranteed by the Company for subsidiaries of the Group and borrowings in USD equivalent to RMB156,261,623). Such bank borrowings on credit shall be repaid batch-by-batch during the period from 2021 to 2028.

Note 2: As at 30 September 2021, the pledged assets for pledged borrowings of RMB428,710,000 (31 December 2020: RMB526,140,000) are equity of the Group's certain subsidiaries. Such mortgaged borrowings shall be repaid in batches during the period from 2021 to 2025.

Note 3: As at 30 September 2021, the mortgage assets for mortgaged bank borrowings of RMB3,061,767 (31 December 2020: Nil) are part of the Group's mining rights. Such mortgaged bank borrowings shall be repaid in 2023.

Note 4: As at 30 September 2021, the Group has no long-term guaranteed borrowings (31 December 2020: RMB722,662).

As at 30 September 2021, the interest rates of long-term borrowings ranged from 1.10% to 5.10% (31 December 2020: 2.90% to 5.70%).

31. Bonds payable

(1) Bonds payable

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Phase-I corporate bonds issued in 2016	1,196,831,761	1,198,058,176	–	–
Bonds issued publicly in 2021	–	–	–	1,297,597,907
Preference shares *(Note 1)*	–	–	–	131,943,768
Overseas bonds issued in 2020	–	–	1,943,763,447	1,933,990,714
Total	1,196,831,761	1,198,058,176	1,943,763,447	3,363,532,389

Note 1: The principal terms of the preference shares are as follows:

- *Redemption terms:*

If a subsidiary of the Group triggers a specific event (such as a breach of the provisions of the transaction documents or a change of control or the expiration of the eighth year after the settlement date), the preferred shareholders may submit a written request to a subsidiary of the Group to redeem the preferred shares.

- *Equity transfer term*

Preferred shareholders shall have the right to convert their preferred shares into ordinary shares at any time between the settlement date and the expiration date without payment of any consideration by application. From the settlement date to the third year after the settlement date (inclusive), the preferred shareholders shall have the right to convert their preferred shares into ordinary shares at a ratio of 1:1. From the third year of the settlement date to the sixth year after the settlement date (inclusive), the preferred shareholders shall have the right to convert their preferred shares into ordinary shares at a ratio of 1:0.8571428. From the sixth year after the settlement date until the expiration date, the preferred shareholders shall have the right to convert their preferred shares into ordinary shares at a ratio of 1:0.7142857.

Preferred shares and other financial instruments

Other financial instruments, such as preferred shares issued by the Group, are classified as equity instruments if:

(1) The financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;

(2) Where the financial instrument is to be settled in the future with or available to the enterprise's own equity instrument, if the financial instrument is a non-derivative instrument, the contractual obligation to deliver a variable number of its own equity instruments for settlement is not included; in the case of derivatives, the Group may settle the financial instrument only by exchanging a fixed amount of cash or other financial assets with a fixed number of its own equity instruments.

Preferred shares issued by the Group that do not meet the above conditions are classified as financial liabilities.

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

(2) *Changes in bonds payable*

Name of bond	Par Value	Issue date	Term of bond	Issue amount	As at 1 January 2018	Amortization of premium or discount	Transfer to non-current liabilities due within one year	As at 31 December 2018	Interests by par value
	RMB			*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
2012 Issued Corporate Bonds I (*Note I*)	1,000,000,000	17/05/2012	7 Years	1,000,000,000	1,000,000,000	–	1,000,000,000	–	56,500,000
2012 Issued Corporate Bonds II (*Note I*)	1,100,000,000	09/11/2012	7 Years	1,100,000,000	1,100,000,000	–	1,100,000,000	–	64,900,000
2016 Issued Corporate Bonds I (*Note II*)	1,200,000,000	19/08/2016	5 Years	1,200,000,000	1,195,605,346	1,226,415	–	1,196,831,761	57,480,000
Total	3,300,000,000			3,300,000,000	3,295,605,346	1,226,415	2,100,000,000	1,196,831,761	178,880,000

Note I: Pursuant to the relevant approval ([2012] 615) from China Securities Regulatory Commission, the Company issued two batches of corporate bonds on 17 May 2012 and 9 November 2012 respectively.

The principal of first batch of corporate bonds amounted to RMB2 billion, of which 1 billion had been paid on 17 May 2017, and another RMB1 billion was issued with a term of seven years and the rate of 5.65% on the basis of annual simple interest that would be paid once a year. The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the fifth year. On 17 May 2017, no bond holder executed the redemption option. The corporate bonds will be repaid on 17 May 2019, and had been reclassified into non-current liabilities due within one year.

The second tranche of corporate bonds were issued at the amount of RMB1.1 billion, with a term of seven years and the rate of 5.90% on the basis of annual simple interest that would be paid once a year. The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the fifth year. On 9 November 2017, no investors executed the early redemption option. The corporate bonds will be repaid on 19 November 2019, and had been reclassified into non-current liabilities due within one year.

Note II: Pursuant to the relevant approval ([2016] 1255) from China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds at the amount of RMB1.2 billion on 19 August 2016, with a term of five years and the rate of 4.79% on the basis of annual simple interest that would be paid once a year.

Name of bond	Par Value	Issue date	Term of bond	As at 31 December 2018	Amortization of premium or discount	Repayments	As at 31 December 2019	Interests by par value
	RMB			*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Phase-I corporate bonds issued in 2012 *(Note I)*	1,000,000,000	17/05/2012	7 Years	1,000,000,000	–	1,000,000,000	–	–
Phase- II corporate bonds issued in 2012 *(Note I)*	1,100,000,000	09/11/2012	7 Years	1,100,000,000	–	1,100,000,000	–	–
Phase-I corporate bonds issued in 2016 *(Note II)*	1,200,000,000	19/08/2016	5 Years	1,196,831,761	1,226,415	–	1,198,058,176	20,756,667
Less: Bonds payable due within one year	–			2,100,000,000	–	2,100,000,000	–	–
Total	3,300,000,000			1,196,831,761	1,226,415	–	1,198,058,176	20,756,667

Note I: Pursuant to Zheng Jian Xu Ke [2012] No.615 approved by China Securities Regulatory Commission, the Company issued two phases of corporate bonds on 17 May 2012 and 9 November 2012 respectively.

The total issuance of the phase-I corporate bonds amount to RMB2 billion, RMB1 billion of which has been repaid on 17 May 2017, and the rest RMB1 billion was repaid on 17 May 2019 at maturity.

The total issuance of the phase-II corporate bonds amount to RMB1.1 billion at the interest rate of 5.90% and with a period of seven years. The corporate bonds are calculated at simple annual interest which is paid on an annual basis. The corporate bonds were repaid as they expired on 9 November 2019.

Note II: Pursuant to Zheng Jian Xu Ke [2016] No.1255 approved by China Securities Regulatory Commission, the Company issued a total amount of RMB1.2 billion of phase-I corporate bonds on 19 August 2016 at a coupon rate of 4.79%. The corporate bonds are calculated at simple annual interest which is paid on an annual basis and with a period of five years.

Name of bond	Par Value	Issue date	Term of bond	As at 31 December 2019	Amortization of premium or discount	Issuance during the period	Exchange gain or loss	As at 31 December 2020	Interests by par value
	RMB			*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Phase-I corporate bonds issued in 2016 *(Note I)*	1,200,000,000	19/08/2016	5 Years	1,198,058,176	–	1,226,414	–	1,199,284,590	20,756,666
Overseas bond issued in 2020	1,973,460,000	19/11/2020	5 Years	–	1,959,330,026	309,756	(15,876,335)	1,943,763,447	5,138,359
Less: Bonds payable due within one year	–			–	–	–	–	1,199,284,590	–
Total	3,173,460,000			1,198,058,176	1,959,330,026	1,536,170	(15,876,335)	1,943,763,447	25,895,025

Note I: Pursuant to Zheng Jian Xu Ke [2016] No. 1255 approved by China Securities Regulatory Commission, the Company issued a total amount of RMB1.2 billion of phase-I corporate bonds on 19 August 2016 at a coupon rate of 4.79%. The corporate bonds are calculated at simple annual interest which is paid on an annual basis and with a period of five years.

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

Name of bond	Par Value	Issue date	Term of bond	Issue amount	As at 31 December 2020	Issuance in current period	Amortization of premium or discount	Exchange gain or loss	Repayment in current period	As at 30 September 2021	Interests by par value
	RMB			*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Phase-I corporate bonds issued in 2016 *(Note II)*	100	19/08/2016	5 Years	1,200,000,000	1,199,284,590	–	613,209	–	1,199,897,799	–	–
Overseas bonds issued in 2020	100	19/11/2020	5 Years	1,973,460,000	1,943,763,447	–	2,000,364	(11,773,097)	–	1,933,990,714	16,051,365
Bonds issued publicly in 2021 *(Note III)*	100	25/08/2021	3 Years	1,300,000,000	–	1,297,504,000	93,907	–	–	1,297,597,907	4,238,000
Less:Bonds payable due within one year	–			–	1,199,284,590	–	613,209	–	1,199,897,799	–	–
Total	/			4,473,460,000	1,943,763,447	1,297,504,000	2,094,271	(11,773,097)	–	3,231,588,621	20,289,365

Note I: Pursuant to Zheng Jian Xu Ke [2016] No. 1255 of China Securities Regulatory Commission, the Company issued a total amount of RMB1.2 billion of corporate bonds on 19 August 2016 at a coupon rate of 4.79%. The corporate bonds are calculated at simple annual interest which is paid on an annual basis and with a period of five years.

Note II: As filed by Fa Gai Ban Wai Zi Bei [2020] No. 160 of the National Development and Reform Commission of China, the Company issued a total amount of USD 300 million of corporate bonds at Singapore Exchange (SGX) on 19 November 2020 at a coupon rate of 2.25%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of five years.

Note III: As approved by the Zheng Jian Xu Ke [2021] No. 2628 Document issued by China Securities Regulatory Commission, the Company issued corporate bonds totalling RMB1.3 billion on 25 August 2021 with a coupon rate of 3.26%. The corporate bonds are calculated at a simple annual interest which is paid on an annual basis and with a period of three years.

32. Long-term payables

32.1 Categories of long-term payables

Item	The year ended 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Long-term payables	71,032,113	81,962,612	191,011,663
Special payables	190,664,328	–	–
Total	261,696,441	81,962,612	191,011,663

32.2 Long-term payables

(1) Long-term payables by nature

Item	The year ended 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Transaction fees of mining right paid by installments	–	–	253,712,506
Finance lease payables	103,910,917	173,216,301	84,155,203
Others	2,746,396	1,683,289	4,076,613
Less: Finance lease payables due within one year	35,625,200	92,936,978	63,550,150
Transaction fees of mining right paid by installments due within one year	–	–	87,382,509
Total	71,032,113	81,962,612	191,011,663

As at 31 December, 2018, finance lease payables amounted to RMB103,910,917 and were secured by guarantee deposits of RMB15,000,000 (Note V. 1).

As at 31 December 2019, finance lease payables amounted to RMB173,216,301 which were guaranteed by guarantee deposits of RMB15, 000,000 (Note V. 1).

As at 31 December 2020, finance lease payables amounted to RMB84,155,203 which were guaranteed by finance lease deposits of RMB15,000,000 (Note V. 1).

Finance lease payables represent the balance by deducting the unrecognized finance costs from the minimum lease payments of fixed assets leased by the Group through financing. The future payment plan of finance lease payables is as follows:

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
1st year subsequent to the balance sheet date	34,306,813	92,936,978	63,550,150
2nd year subsequent to the balance sheet date	32,936,978	63,550,150	23,258,673
3rd year subsequent to the balance sheet date	31,550,150	23,258,673	–
Subsequent periods	15,258,676	–	–
Total Minimum lease payments	114,052,617	179,745,801	86,808,823
Unrecognized finance costs	10,141,700	6,529,500	2,653,620
Finance lease payables	103,910,917	173,216,301	84,155,203
Including: Finance lease payables due within one year	35,625,200	92,936,978	63,550,150
Finance lease payables due after one year	68,285,717	80,279,323	20,605,053

32.3 ***Special payables***

(1) *Special payables by nature*

Item	**As at 1 January 2018**	**Increase**	**Decrease**	**As at 31 December 2018**
	RMB	*RMB*	*RMB*	*RMB*
Compensation for relocation of subsidiaries	–	264,100,000	73,435,672	190,664,328

Item	As at 1 January 2019	Increase	Decrease	As at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
Compensation for relocation of subsidiaries	190,664,328	13,900,000	204,564,328	–

Note: Due to ecological restoration request in Wushan Zone of Nantong City and the Binjiang Area, the People's Government of Chongzhou District of Nantong City and Huaxin Cement (Nantong) Co., Ltd. ("Nantong Plant") entered into the relocation compensation agreement under which the Nantong Plant agreed to cease production, migrate from the plant area and apply for the cancellation registration of property right and the local government agreed to provide a compensation of RMB278,000,000. As at 31 December 2019, Nantong Plant has received the full compensation of RMB278,000,000 with industrial and commercial deregistration being completed (Note VI. 2). The difference between the compensation and the relocation loss of RMB198,188,843 is recognized as gains on disposal of assets.

33. Long-term employee benefits payable

(1) Long-term employee benefits payable by nature

Item	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
	RMB	*RMB*	*RMB*
Retired staff compensation payable *(Note 1)*	34,174,068	30,751,848	29,834,608
Early-retired employee benefits payable *(Note 2)*	37,194,506	34,353,338	30,917,902
Long-term employee incentives *(Note 3)*	66,178,366	153,734,094	171,757,079
Sub-total	137,546,940	218,839,280	232,509,589
Less: To be paid in one year	13,375,596	94,283,860	105,304,485
Total	124,171,344	124,555,420	127,205,104

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

Management determine the provision for employee benefits based on expected accumulated benefit unit method.

At the balance sheet date, the key assumptions for the calculation of Group's retired staff compensation payable are as follows:

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Discount rate	2.60%~3.70%	2.36%~3.75%	2.36%~3.75%
Salary/wage growth rate	10%	10%	10%
Average life expectancy	77	77	77

Note 2: Early-retired employee benefits: early-retired employee benefit programs. Pursuant to the Group's policies, the Company and certain subsidiaries are obliged to pay a defined amount of salaries to early-retired employees in advance and pay the basic social insurance on behalf of them, until the employee reached the statutory retirement age.

Note 3: Long-term employee incentives: Long-term employee incentives payable represents a long-term incentive plan with three-year tenure (2017-2019) for core management. The amount of awards granted to the core management under this incentive plan is based on the virtual performance shares that take the Company's shares as the underlying asset.

34. Provisions

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Provision for mine restoration	238,237,421	191,569,208	230,271,485
Provision for pending litigation	521,800	521,802	3,121,801
Total	238,759,221	192,091,010	233,393,286

35. Deferred income

Item	**As at 1 January 2018**	**Addition**	**Reduction**	**As at 31 December 2018**	**Underlying reason**
	RMB	*RMB*	*RMB*	*RMB*	
Government grants	252,146,422	39,371,097	29,085,330	262,432,189	Government grants related to assets

Items involving government grants:

Grant item	As at 1 January 2018	Subsidies increased for the period	Amount recognized in non-operating income for the period	Amount recognized in other income for the period	As at 31 December 2018	Related to assets/income
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	
Cement kiln line infrastructure	158,678,821	37,714,897	205,802	15,320,201	180,867,715	Related to assets
Energy saving technological transformation	93,467,601	1,656,200	–	13,559,327	81,564,474	Related to assets
Total	252,146,422	39,371,097	205,802	28,879,528	262,432,189	

Item	As at 31 December 2018	Addition	Reduction	As at 31 December 2019	Underlying reason
	RMB	*RMB*	*RMB*	*RMB*	
Government grants	262,432,189	86,458,387	31,749,882	317,140,694	Government grants related to assets

Items involving government grants:

Grant item	As at 31 December 2018	Subsidies increased for the period	Amount recognized in non-operating income for the period	Amount recognized in other income for the period	As at 31 December 2019	Related to assets/income
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	
Cement kiln line infrastructure	180,867,715	80,858,387	444,188	17,871,738	243,410,176	Related to assets
Energy saving technological transformation	81,564,474	5,600,000	–	13,433,956	73,730,518	Related to assets
Total	262,432,189	86,458,387	444,188	31,305,694	317,140,694	

Item	As at 31 December 2019	Addition	Reduction	As at 31 December 2020	Underlying reason
	RMB	*RMB*	*RMB*	*RMB*	
Government grants	317,140,694	19,097,236	34,838,164	301,399,766	Government grants related to assets

Items involving government grants:

Grant item	As at 31 December 2019	Subsidies increased for the period	Amount recognized in non-operating income for the period	Amount recognized in other income for the period	Reduction in disposal of subsidiaries	As at 31 December 2020	Related to assets/income
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	
Cement kiln line infrastructure	243,410,176	18,597,099	177,600	21,755,499	1,171,131	238,903,045	Related to assets
Energy saving technological transformation	73,730,518	500,137	–	11,517,934	216,000	62,496,721	Related to assets
Total	317,140,694	19,097,236	177,600	33,273,433	1,387,131	301,399,766	

36. Share capital

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Listed shares without restriction of trading – RMB-denominated ordinary shares	972,771,325	1,361,879,855	1,361,879,855
Overseas listed foreign shares	524,800,000	734,720,000	734,720,000
Total share capital	1,497,571,325	2,096,599,855	2,096,599,855

37. Treasury share

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Treasury share for equity incentive plan	–	–	610,051,971

As at 31 December 2020, the Company has accumulatively repurchased 22,689,338 shares and accumulatively paid RMB610,051,971 for the employee incentive plan.

38. Capital reserve

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Share premium	2,410,355,433	1,811,326,903	1,811,326,903
Share option incentive plan	4,146,565	4,146,565	33,373,950
Transferred from capital reserve recognized under the previous accounting system	45,377,303	45,377,303	45,377,303
Compensation from government for plant relocation	7,553,919	7,553,919	7,553,919
Government grants for capital investments	42,818,800	42,818,800	42,818,800
Changes in special reserve of associates	–	2,215,277	3,087,177
Total	2,510,252,020	1,913,438,767	1,943,538,052

39. Other comprehensive income

Item	As at 1 January 2018	Amount for the current period: Amount for the period before tax	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to the minority interest after tax	31 December 2018
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Items that may be subsequently reclassified to profit or loss	(20,053,747)	18,112,144	2,177,889	11,029,864	9,260,169	(9,023,883)
Including: Gains or losses on changes in fair value of available-for-sale financial assets	25,917,737	(8,711,555)	2,177,889	(6,533,666)	–	19,384,071
Exchange differences on translation of financial statements denominated in foreign currencies	(45,971,484)	26,823,699	–	17,563,530	9,260,169	(28,407,954)
Total	(20,053,747)	18,112,144	2,177,889	11,029,864	9,260,169	(9,023,883)

Item	As at 31 December 2018	Adjustments on changes in accounting policies	As at 1 January 2019	Amount for the current period: Amount for the period before tax	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to the minority interest after tax	31 December 2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Other comprehensive income that cannot be reclassified to profit or loss	–	24,633,296	24,633,296	(10,039,761)	2,509,941	(7,529,820)	–	17,103,476
Including: Changes in fair value of other equity instrument investments	–	24,633,296	24,633,296	(10,039,761)	2,509,941	(7,529,820)	–	17,103,476
II. Other comprehensive income that will be reclassified to profit or loss	(9,023,883)	(19,384,071)	(28,407,954)	(6,781,188)	–	(6,111,734)	669,454	(34,519,688)
Including: Gains or losses on changes in fair value of available-for-sale financial assets	19,384,071	(19,384,071)	–	–	–	–	–	–
Exchange differences on translation of financial statements denominated in foreign currencies	(28,407,954)	–	(28,407,954)	(6,781,188)	–	(6,111,734)	669,454	(34,519,688)
Total	(9,023,883)	5,249,225	(3,774,658)	(16,820,949)	2,509,941	(13,641,554)	669,454	(17,416,212)

Item	As at 31 December 2019	Amount for the current period: Amount for the period before tax	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to the minority interest after tax	31 December 2020
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Other comprehensive income that cannot be reclassified to profit or loss	17,103,476	(4,455,106)	1,113,776	(3,341,330)	–	13,762,146
Including: Changes in fair value of other equity instrument investments	17,103,476	(4,455,106)	1,113,776	(3,341,330)	–	13,762,146
II. Other comprehensive income that will be reclassified to profit or loss	(34,519,688)	(355,814,384)	–	(254,535,221)	(101,279,163)	(289,054,909)
Including: Gains or losses on changes in fair value of available-for-sale financial assets	–	–	–	–	–	–
Exchange differences on translation of financial statements denominated in foreign currencies	(34,519,688)	(355,814,384)	–	(254,535,221)	(101,279,163)	(289,054,909)
Total	(17,416,212)	(360,269,490)	1,113,776	(257,876,551)	(101,279,163)	(275,292,763)

40. Surplus reserve

Item	As at 1 January 2018	Increase	Decrease	31 December 2018
	RMB	*RMB*	*RMB*	*RMB*
Statutory surplus reserve	697,884,573	191,220,760	–	889,105,333
Discretionary surplus reserve	63,580,329	–	–	63,580,329
Total	761,464,902	191,220,760	–	952,685,662

Item	As at 31 December 2018	Increase	Decrease	31 December 2019
	RMB	*RMB*	*RMB*	*RMB*
Statutory surplus reserve	889,105,333	159,194,595	–	1,048,299,928
Discretionary surplus reserve	63,580,329	–	–	63,580,329
Total	952,685,662	159,194,595	–	1,111,880,257

Item	As at 31 December 2019	Increase	Decrease	31 December 2020
	RMB	*RMB*	*RMB*	*RMB*
Statutory surplus reserve	1,048,299,928	–	–	1,048,299,928
Discretionary surplus reserve	163,580,329	–	–	63,580,329
Total	1,111,880,257	–	–	1,111,880,257

2018:

In accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, the Company appropriated 10% of net profit for the year for the statutory surplus reserve, being RMB191,220,760 (2017: appropriation at the rate of 10% of net profit, totaling RMB172,819,749). The statutory surplus reserve can be used to offset losses or to increase the share capital after approval.

The amount of provision for discretionary surplus reserve of the Company is proposed by the board of directors and approved by the shareholders' meeting. The discretion surplus reserve can be used to make losses of previous years or increase the share capital after approval. The Company has no appropriation for discretionary surplus reserve in 2018 (2017: Nil).

2019:

In accordance with the Company Law of the People's Republic of China and Articles of Association of the Company, the Company makes provision for statutory surplus reserve at 10% of the net annual profit of the Company. When the accumulated amount of the Company's statutory surplus reserve reaches more than 50% of the registered capital, further appropriation is not required. In the current year, the Company makes provision for statutory surplus reserve of RMB159,194,595 (2018: appropriated at 10% of the net profit, amounting to RMB191,220,760). Statutory surplus reserve can be used for offsetting losses or increasing share capital after approval.

The amount of provision for discretionary surplus reserve of the Company is proposed by the board of directors and approved by the shareholders meeting. Any discretionary surplus reserve can be used for offsetting losses of previous years or increasing share capital after approval. In the current year, the Company makes no discretionary surplus reserves (2018: Nil).

2020:

In accordance with the Company Law of the People's Republic of China and Articles of Association of the Company, the Company makes provision for statutory surplus reserve at 10% of the net annual profit of the Company. When the accumulated amount of the Company's statutory surplus reserve reaches more than 50% of the registered capital, further appropriation is not required. The Company's accumulated amount of the statutory surplus reserve reaches more than 50% of the registered capital, thus no provision for statutory surplus reserve is made in 2020 (2019: provision for statutory surplus reserve amounting to RMB159,194,595). Statutory surplus reserve can be used for offsetting losses or increasing share capital after approval.

The amount of provision for discretionary surplus reserve of the Company is proposed by the board of directors and approved by the shareholders meeting. Any discretionary surplus reserve can be used for offsetting losses of previous years or increasing share capital after approval. In the current year, the Company makes no discretionary surplus reserves (2019: Nil).

41. Retained profits

	The year ended 31 December			The period ended 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Opening balance of retained profits before adjustments	7,150,569,774	11,721,477,654	16,204,540,023	19,304,701,887
Adjustments of total opening balance of retained profits *(Note III(34))*	–	22,159,671	–	–
Adjusted opening balance of retained profits	7,150,569,774	11,743,637,325	16,204,540,023	19,304,701,887
Add: Net profit attributable to the shareholders of the Company	5,181,448,611	6,342,304,317	5,630,598,812	3,563,345,363
Less: Appropriation of statutory surplus reserve	191,220,760	159,194,595	–	–
Dividends payable for ordinary shares *(Note)*	419,319,971	1,722,207,024	2,530,436,948	2,262,545,868
Closing balance of retained profits	11,721,477,654	16,204,540,023	19,304,701,887	20,605,501,382

Note: According to the shareholders' meeting on 24 April 2018, the Company distributed cash dividends of RMB2.80 for every 10 shares to all shareholders. Based on the number of issued shares, being 1,497,571,325, the distribution of cash dividends totaled RMB419,319,971.

Note: According to shareholders' meeting on 25 April 2019, the Company distributed a total of RMB1,722,207,024 of cash dividends to all shareholders.

Note: According to shareholders' meeting on 3 June 2020, the Company distributed a total of RMB2,530,436,948 of cash dividends to all shareholders.

Note: According to the shareholders' meeting on 28 April 2021, the Company distributed a total of RMB2,262,545,868 of cash dividends to all shareholders.

42. Operating income and operating costs

42.1 Operating income (before the first application of the new income standard on January 1, 2020)

	The year ended 31 December 2018	
Item	**Income**	**Cost**
	RMB	*RMB*
Principal operation	27,322,893,020	16,503,935,133
Other operation	143,151,461	71,279,404
Total	27,466,044,481	16,575,214,537

Item	The year ended 31 December 2019	
	Income	**Cost**
	RMB	*RMB*
Principal operation	31,253,630,498	18,564,525,926
Other operation	185,584,102	60,780,295
Total	31,439,214,600	18,625,306,221

Income from principal operations is presented by products:

Item	The year ended 31 December 2018	
	Income	**Cost**
	RMB	*RMB*
Sales of cement	23,106,659,496	13,677,266,820
Sales of concrete	1,354,687,191	1,035,753,582
Sales of clinker	777,558,830	542,868,436
Sales of aggregate	826,953,578	299,057,941
Others	1,257,033,925	948,988,354
Total	27,322,893,020	16,503,935,133

Item	The year ended 31 December 2019	
	Income	**Cost**
	RMB	*RMB*
Sales of cement	26,472,168,851	15,459,145,372
Sales of concrete	1,810,661,745	1,388,339,846
Sales of clinker	787,174,626	551,188,596
Sales of aggregate	1,033,205,789	364,076,920
Others	1,150,419,487	801,775,192
Total	31,253,630,498	18,564,525,926

External revenue by geographical area of source:

	The year ended 31 December	
Item	**2018**	**2019**
	RMB	*RMB*
China	26,174,297,748	29,901,542,015
Central Asia	741,902,205	851,193,003
Cambodia	549,844,528	686,479,582
Tanzania	–	–
Total	27,466,044,481	31,439,214,600

42.2 *Operating income (after the first application of the new income standard on January 1, 2020)*

	The year ended 31 December 2020	
Item	**Income**	**Cost**
	RMB	*RMB*
Principal operation	29,151,495,160	17,358,466,931
Other operation	205,020,531	81,764,829
Total	29,356,515,691	17,440,231,760

	The period ended 30 September 2020	
Item	**Income**	**Cost**
	RMB	*RMB*
Principal operation	20,289,283,247	12,142,318,057
Other operation	122,391,683	37,755,355
Total	20,411,674,930	12,180,073,412

	The period ended 30 September 2021	
Item	**Income**	**Cost**
	RMB	*RMB*
Principal operation	22,304,465,731	14,199,533,343
Other operation	149,397,285	61,035,749
Total	22,453,863,016	14,260,569,092

Income from principal operations is presented by products:

	The year ended 31 December 2020	
Item	**Income**	**Cost**
	RMB	*RMB*
Sales of cement	23,632,070,676	14,012,683,630
Sales of concrete	1,879,572,334	1,352,602,357
Sales of clinker	1,312,805,606	902,627,538
Sales of aggregate	1,183,140,339	442,572,944
Others	1,143,906,205	647,980,462
Total	29,151,495,160	17,358,466,931

	The period ended 30 September 2020	
Item	**Income**	**Cost**
	RMB	*RMB*
Sales of cement	16,518,871,957	9,843,623,571
Sales of concrete	1,226,856,587	885,594,709
Sales of clinker	909,074,114	630,893,965
Sales of aggregate	793,545,847	284,099,378
Others	840,934,742	498,106,434
Total	20,289,283,247	12,142,318,057

	The period ended 30 September 2021	
Item	**Income**	**Cost**
	RMB	*RMB*
Sales of cement	16,694,256,398	10,866,861,672
Sales of concrete	1,975,083,705	1,415,733,167
Sales of clinker	1,206,412,184	920,760,800
Sales of aggregate	1,470,117,522	514,921,633
Others	958,595,922	481,256,071
Total	22,304,465,731	14,199,533,343

Significant performance obligation:

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

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

External revenue by geographical area of source:

	Amount for the year ended 31 December	
Item	**2019**	**2020**
	RMB	*RMB*
China	29,901,542,015	27,555,709,343
Central Asia	851,193,003	1,215,963,422
Cambodia	686,479,582	513,508,171
Tanzania	–	71,334,755
Total	31,439,214,600	29,356,515,691

	The period ended 30 September	
Item	**2020**	**2021**
	RMB	*RMB*
China	19,202,610,175	20,573,877,787
Central Asia	778,593,742	1,280,746,612
Cambodia	430,471,013	422,069,241
Tanzania	–	177,169,376
Total	20,411,674,930	22,453,863,016

43. Taxes and levies

	The Year ended 31 December			The period ended 30 September	
Item	**2018**	**2019**	**2020**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Resource tax	129,241,898	138,237,185	189,756,969	115,716,371	197,991,686
City maintenance and construction tax	96,665,340	89,734,180	75,539,756	52,422,968	45,283,339
Environmental protection tax	78,729,020	87,777,013	81,388,161	55,036,237	60,190,695
Educational surcharge	55,852,817	52,810,817	42,923,291	29,469,638	25,934,340
Land holding tax	51,295,647	47,386,024	40,685,125	27,564,555	43,148,006
Property tax	32,386,384	37,389,093	28,521,057	19,053,236	28,614,403
Others	56,003,849	76,660,836	51,615,913	34,545,032	37,628,120
Total	500,174,955	529,995,148	510,430,272	333,808,037	438,790,589

44. Selling and distribution expenses

	The year ended 31 December			The period ended 30 September	
Item	**2018**	**2019**	**2020**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Transportation, carriage and handling labor expenses	482,436,151	586,330,193	595,029,706	468,605,816	617,797,166
Material costs	478,153,904	603,695,332	641,829,261	394,738,294	366,888,965
Staff costs	366,038,216	440,147,383	375,034,320	251,339,985	318,298,153
Utilities expenses	72,188,289	80,121,077	81,427,135	58,790,669	59,930,757
Depreciation and amortization expenses	69,185,564	69,650,835	77,265,289	56,834,414	65,341,109
Entertainment expenses	46,462,570	44,908,938	39,335,236	23,434,588	30,471,346
Traveling expenses	44,776,104	40,374,002	34,059,225	21,273,209	25,151,923
Rental expenses	15,137,055	17,440,193	10,544,582	7,695,823	10,222,716
Repair expenses	42,822,836	65,510,351	40,610,435	23,534,780	21,872,602
Others	84,637,437	100,315,671	127,572,653	77,715,685	86,729,789
Total	1,701,838,126	2,048,493,975	2,022,707,842	1,383,963,263	1,602,704,526

45. General and administrative expenses

	The year ended 31 December			The period ended 30 September	
Item	**2018**	**2019**	**2020**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Staff costs	731,160,152	911,358,295	909,623,652	616,962,353	656,718,600
Depreciation and amortization expenses	111,735,935	122,147,250	167,694,797	134,392,366	137,012,084
Entertainment expenses	58,372,291	62,815,867	60,658,244	33,266,417	43,357,435
Traveling expenses	43,602,949	50,105,140	40,858,657	25,428,695	29,979,191
Office and meeting expenses	43,340,517	48,507,643	43,415,695	29,751,233	26,054,104
Outsourced labor expenses	37,242,963	36,929,280	39,672,040	29,729,347	30,384,955
Intermediary service expenses	36,898,566	59,917,803	96,846,072	–	–
Rental expenses	30,572,443	31,387,120	32,402,196	–	–
Consulting and audit expenses	–	–	–	56,627,478	37,601,647
Utilities expenses	19,196,164	18,374,172	18,893,371	15,050,395	12,377,974
Property insurance expenses	14,778,615	12,677,920	13,636,775	8,612,207	11,785,650
Environmental protection costs	–	–	–	5,176,067	16,119,702
Pollution expenses	12,748,172	23,361,124	16,452,209	–	–
Communication expenses	7,092,074	6,201,478	6,888,866	8,713,276	8,162,099
Services fees	6,226,415	6,226,415	6,226,415	–	–
Others	183,853,572	168,478,201	151,431,528	113,315,694	133,992,869
Total	1,336,820,828	1,558,487,708	1,604,700,517	1,077,025,528	1,143,546,310

46. Financial expenses

Item	The year ended 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Interest expenses	451,222,378	246,117,048	200,578,230
Less: interest income	37,891,458	62,443,270	63,827,091
Exchange losses	28,242,923	18,404,683	143,400,502
Others	24,049,906	6,076,260	25,553,868
Total	465,623,749	208,154,721	305,705,509

47. Other income

Item	The year ended 31 December 2018	2019	2020	Related to assets/income
	RMB	*RMB*	*RMB*	
Tax refunds from sales of goods having utilized waste natural materials	183,944,112	170,419,262	137,780,455	Related to income
Amortization of deferred income (V. 35) *(Note)*	28,879,528	31,305,694	33,273,433	Related to assets
Other government grants *(Note)*	44,156,641	39,791,487	68,330,061	Related to income
Total	256,980,281	241,516,443	239,383,949	

48. *Impairment losses on credit*

Item	The year ended 31 December 2019	2020
	RMB	*RMB*
Bad debt provision for accounts receivable	16,977,257	11,049,002
Bad debt provision for other receivables	4,329,209	2,948,489
Total	21,306,466	13,997,491

49. Investment income

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Share of profits from long-term equity investments under equity method	71,745,531	107,881,496	77,037,487
Losses on disposal of long-term equity investments	(3,043,880)	(9,469,146)	36,754,077
Investment income of financial assets at fair value through profit or loss during the hold period	12,266,445	–	–
Investment income of available-for-sale financial assets during the hold period	1,103,937	–	–
Investment income of held-for-trading financial assets during the hold period	–	7,438,572	1,339,145
Dividend income of other equity instrument investments during the hold period	–	521,519	1,133,360
Dividend income of other non-current financial assets during the hold period	–	1,255,397	1,408,167
Investment income from disposal of subsidiaries	–	–	–
Interest income of debt investments during the holding period	–	900,000	900,000
Others	1,440,223	–	–
Total	83,512,256	108,527,838	118,572,236

50. Gains from changes in fair values

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Other non-current financial assets	–	5,296,455	(2,176,354)
Held-for-trading financial liabilities	–	–	–
Held-for-trading financial assets	–	–	4,581,752
Financial assets at FVTPL			
– Including: Money market fund	3,631,393	–	–
Others	(46,619)	–	–
Total	3,584,774	5,296,455	2,405,398

51. Gains/(Losses) on disposal of assets

Item	The year ended 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Gains (losses) on disposal of fixed assets	12,210,125	167,264,182	14,013,082
Gains (losses) on disposal of intangible assets	5,414,339	21,590,404	–
Total	17,624,464	188,854,586	14,013,082

52. Non-operating income

Item	The year ended 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Gains on disposal of fixed assets	–	16,997,763	3,387,478
Government grants	351,593	3,846,295	289,064
Negative goodwill	4,489,836	3,823,563	–
Accounts payable without required payment	–	27,966,601	48,021,990
Others	15,827,562	23,339,384	13,569,284
Total	20,668,991	75,973,606	65,267,816

53. Non-operating expenses

Item	The year ended 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Total losses on retirement of non-current assets	34,995,388	39,301,583	26,413,678
Includes: Losses on retirement of fixed assets	34,995,388	39,301,583	26,413,678
Donations	8,967,686	16,654,180	28,893,355
Compensation losses	–	15,945,509	14,833,033
Others	15,832,180	31,923,025	30,424,237
Total	59,795,254	103,824,297	100,564,303

54. Income tax expenses

(1) *Income tax expenses*

Item	The year ended 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Income tax expenses for the current period	1,314,563,048	1,744,172,954	1,407,809,653
Deferred income taxes	111,013,106	(48,844,242)	82,242,453
Total	1,425,576,154	1,695,328,712	1,490,052,106

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

Item	The year ended 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Profit before tax	7,131,070,969	8,716,122,114	7,663,645,289
Income tax expense calculated based on 25%	1,782,767,742	2,179,030,529	1,915,911,322
Effect of preferential tax rates applicable to subsidiaries	(224,304,523)	(375,476,479)	(343,053,455)
Non-taxable income	(17,936,383)	(27,109,047)	(20,012,710)
Effect of non-deductible cost, expense and loss	8,200,697	46,315,394	17,661,184
Effect of utilizing deductible losses and deductible temporary differences not recognized for deferred tax assets for prior period	(175,552,127)	(147,787,955)	(130,836,559)
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	22,005,749	46,867,537	70,159,199
Negative goodwill	(1,122,459)	(955,891)	–
Others	31,517,458	(25,555,376)	(19,776,875)
Income tax expenses	1,425,576,154	1,695,328,712	1,490,052,106

55. Notes to the items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	The year ended 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Receipt of deposits	14,187,416	53,623,226	54,431,205
Receipt of government grants	83,673,529	192,801,981	87,538,762
Interest income	37,891,458	62,443,270	63,827,091
Others	22,356,024	51,436,847	13,576,900
	158,108,427	360,305,324	219,373,958

(2) Other cash payments relating to operating activities

Item	The year ended 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Traveling expenses	88,385,853	90,479,142	74,917,882
Petty cash and deposits	7,579,048	110,060,852	113,500,775
Pollution expenses	12,748,172	23,361,124	16,452,209
Entertainment expenses	104,834,861	107,724,805	99,993,480
Agency and other service charges	43,124,981	59,917,803	96,846,072
Low value consumables	56,799,404	63,891,066	59,779,746
Environmental maintenance expenses	48,562,684	49,016,921	44,975,210
Office and meeting expenses	43,340,517	48,507,643	43,415,695
Rental expenses	45,709,498	48,827,313	42,946,778
Premiums for property insurance	14,778,615	12,677,920	13,636,775
Donations and other social responsibility expenses	69,852,368	55,111,644	57,681,606
Others	193,696,872	241,098,405	186,119,617
Total	729,412,873	910,674,638	850,265,845

(3) Other cash payments relating to investing activities

Item	The year ended 31 December 2018	2019	2020
	RMB	*RMB*	*RMB*
Payments related to equity merger and acquisition	–	–	–
Other	5,720,528	–	–
Total	5,720,528	–	–

(4) Other cash receipts relating to financing activities

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Receipt of leaseback finance lease payments	–	137,900,000	–
Cash advances from non-financial enterprises	–	–	–
Receipt of government loans and grants	18,163,077	–	–
Total	18,163,077	137,900,000	–

(5) Other cash payments relating to financing activities

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Repayments of cash advances to non-financial enterprises	–	46,650,000	–
Payments for repurchasing long-term incentive stocks	–	–	610,051,971
Fees and underwriting fees	–	–	–
Repayments for principal and deposit of finance lease	181,400,938	74,306,814	92,936,980
Payments for the purchase of minority equity in previous years	–	44,983,690	–
Payment of lease	–	–	–
Repayments of government borrowings	–	21,624,833	4,012,411
Reduction in capital contributions from minority shareholders	–	16,200,000	–
Payment of share repurchases	–	–	–
Others	–	–	–
Total	181,400,938	203,765,337	707,001,362

56. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	The year ended 31 December 2018	2019	2020	The period ended 30 September 2020	2021
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Reconciliation of net profit to cash flows from operating activities					
Net profit	5,705,494,815	7,020,793,402	6,173,593,183	4,430,554,054	3,894,413,344
Add: Provision for asset impairment	67,103,768	210,370,136	78,195,751	12,464,424	23,699,983
Allowance for credit impairment	–	21,306,466	13,997,491	26,214,188	23,908,265
Depreciation of fixed assets	1,415,931,089	1,540,472,996	1,579,377,786	1,242,325,904	1,318,616,754
Depreciation of right-of-use assets	–	–	–	–	24,094,222
Amortization of intangible assets	113,482,533	166,714,189	184,064,872	117,905,411	227,622,367
Amortization of long-term prepaid expenses	75,696,268	76,277,308	61,012,213	37,090,291	46,044,567
Amortization of deferred income	(29,085,330)	(31,749,882)	(33,451,033)	(25,175,225)	(20,258,446)
(Gains) losses on disposal of fixed assets, intangible assets and other long-term assets	(17,624,464)	(188,854,586)	(14,013,082)	(10,114,587)	1,763,916
Losses on retirement of fixed assets	34,995,388	22,303,820	23,026,200	13,325,264	9,542,247
Gains from changes in fair value	(3,584,774)	(5,296,455)	(2,405,398)	6,359,274	21,981,729
Financial expenses	451,222,378	246,117,048	200,578,230	139,794,935	191,389,998
Investment income	(83,512,256)	(108,527,838)	(118,572,236)	(113,457,395)	(32,477,209)
Negative goodwill	(4,489,836)	(3,823,563)	–	–	–
Decrease in deferred income tax asset	94,770,336	(53,028,587)	97,540,904	40,564,325	19,412,480
Increase in deferred tax liabilities (decrease is indicated by "-")	16,242,770	4,184,345	(15,298,451)	(22,703,424)	(8,380,407)
Increase in inventories	(438,030,568)	110,360,027	(363,434,701)	(560,237,713)	(512,864,824)
Decrease in operating receivables (increase is indicated by "-")	230,507,908	21,130,461	(198,626,001)	(346,519,356)	(845,731,002)
Increase in operating payables	270,486,080	630,436,578	739,887,032	663,675,046	(815,727,668)
Others	–	–	–	–	–
Net cash flows from operating activities	7,899,606,105	9,679,185,865	8,405,472,760	5,652,065,416	3,567,050,316
II. Net changes in cash and cash equivalents:					
Closing balance of cash	5,236,222,134	4,918,296,452	8,420,246,369	5,482,770,098	7,587,298,656
Less: Opening balance of cash	3,532,308,895	5,236,222,134	4,918,296,452	4,918,296,452	8,420,246,369
Net increase (decrease) in cash	1,703,913,239	(317,925,682)	3,501,949,917	564,473,646	(832,947,713)

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

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Cash or cash equivalents paid for business combination in the current period	253,300,000	679,925,046	654,895,782
Less: Cash and cash equivalents held by subsidiary at the date of purchase	79,599,708	60,097,878	5,606,521
Add: Cash and cash equivalents paid in the current period for business combination incurred in the prior period	–	8,633,345	35,401,470
Net cash paid to acquisition of subsidiaries	173,700,292	628,460,513	684,690,731

(3) Net cash receipts from disposals of subsidiaries and other business units

	The year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Cash or cash equivalent received in the current period from disposal of subsidiaries in current period	1,500,000	–	210,000,000
Less: Cash and cash equivalents held by subsidiaries on the date of loss of control	16,825	–	38,067,161
Cash or cash equivalents received in the current period from disposal of subsidiaries in the prior period	–	1,500,000	–
Net cash paid for disposal of subsidiaries	1,483,175	1,500,000	171,932,839

(4) The composition of cash and cash equivalents

	As at 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
I. Cash	5,236,222,134	4,918,296,452	8,420,246,369
Including: Cash in hand	1,014,354	518,847	620,098
Cash at bank without restriction	5,235,207,780	4,917,777,605	8,419,626,271
II. Closing balance of cash	5,236,222,134	4,918,296,452	8,420,246,369

57. Assets with limited ownership

Item	As at 31 December 2018	2019	2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Cash at bank *(Note V, 1)*	90,539,777	189,217,971	221,366,478	246,616,836
Notes receivable *(Note V, 3)*	27,510,016	8,700,000	7,000,000	38,000,000
Financing with receivables *(Note V, 5)*	-	132,337,715	94,904,632	118,541,576
Fixed assets *(Note V, 15)*	557,430,713	208,437,226	5,896,890	5,706,340
Intangible assets *(Note V, 17)*	14,272,894	9,660,241	6,254,797	11,122,390
Right-of-use assets	–	–	–	163,124,435
Total	689,753,400	548,353,153	335,422,797	583,111,577

In addition, the equity of some subsidiaries of the Group is pledged to the bank for long-term borrowing (Note V. 30). As at 31 December 2018, the book value of net asset corresponding to such equity amounted to approximately RMB1,431,358,551 (31 December 2017: RMB581,176,475).

In addition, the equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note V. 30). As at 31 December 2019, the book value of net asset corresponding to such equity amounted to approximately RMB4,904,996,818.

In addition, the equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note V. 30). As at 31 December 2020, the book value of net asset corresponding to such equity amounted to approximately RMB4,526,129,297.(31 December 2019: approximately RMB4,904,996,818).

The equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note V(31)). As at 30 September 2021, the book value of net asset corresponding to such equity amounted to approximately RMB5,030,717,496 (31 December 2020: approximately RMB4,526,129,297).

58. Foreign currency monetary items

(1) Foreign currency monetary items

Item	As at 31 December 2018 Foreign currency	Exchange rate	RMB balance
			RMB
Cash at bank and in hand			
Including: USD	54,064,565	6.8632	371,055,923
EUR	130,104	7.8473	1,020,965
HKD	62,207	0.8762	54,506
Other payables			
Including: HKD	17,030,340	0.8762	14,921,984
Non-current liabilities due within one year			
Including: USD	45,540,000	6.8632	312,550,128
DKK	1,340,000	1.0586	1,418,524
Long-term borrowings			
Including: USD	52,300,000	6.8632	358,945,360
DKK	2,010,000	1.0586	2,127,786

	As at 31 December 2019		
Item	Foreign currency	Exchange rate	RMB balance
			RMB
Cash at bank and in hand			
Including: USD	58,713,938	6.9856	410,154,431
TJS	8,453,914	0.7216	6,100,345
NPR	79,323,825	0.0614	4,870,483
EUR	129,642	7.8155	1,013,215
HKD	66,811	0.8958	59,848
UZS	1,475,704	0.1001	147,702
Accounts receivable			
Including: USD	3,995,730	6.9856	27,912,731
Other receivables			
Including: USD	25,058,592	6.9856	175,050,305
UZS	2,341,947	0.1001	234,403
Accounts payable			
Including: USD	4,777,098	6.9856	33,371,085
UZS	1,318,498	0.1001	131,967
Other payables			
Including: USD	178,221	6.9856	1,244,990
Non-current liabilities due within one year			
Including: USD	11,400,000	6.9856	79,636,296
DKK	1,340,000	1.0459	1,401,506
Long-term borrowings			
Including: USD	38,340,000	6.9856	267,829,437
DKK	670,000	1.0459	700,753

	As at 31 December 2020		
Item	Foreign currency	Exchange rate	RMB balance
			RMB
Cash at bank and in hand			
Including: USD	177,727,736	6.5249	1,159,655,707
RMB	11,619,564	1.0000	11,619,564
EUR	55,802	8.0250	447,812
HKD	64,338	0.8418	54,161
Accounts payable			
Including: USD	228,455	6.5249	1,490,643
RMB	19,430	1.0000	19,430
Other payables			
Including: USD	360,005	6.5249	2,348,997
RMB	126,993	1.0000	126,993
HKD	14,026,770	0.8418	11,807,934
Non-current liabilities due within one year			
Including: USD	16,510,000	6.5249	107,726,099
DKK	670,000	1.0786	722,662
Long-term borrowings			
Including: USD	7,430,000	6.5249	48,480,007

(2) The Group's major operation is carried out inside China and majority of its transactions are denominated in RMB. Please refer to Note III (4) for the functional currency of the significant overseas subsidiaries of the Group.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Changes in scope of consolidation for other reasons (As at 30 September 2021)

New companies established and purchased during the period mainly include: Fumin Park New Building Co., Ltd, Huaxin Concrete (Shishou) Co., Ltd., Huaxin Concrete (Suizhou) Co., Ltd, Huaxin New Material (Enshi) Co., Ltd., Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd, Huaxin New Building Materials (Yidu) Co., Ltd, Hainan Baihuitong Supply Chain Technology Co., Ltd., and Huaxin Cambodia Trading Co., Ltd, Yangxin County Fuhua Handling Co., Ltd.

In January 2021, Yangxin County Fuhua Handling Co., Ltd. 陽新縣富華裝卸有限公司 ("Fuhua Handling") was jointly set up by Huaxin Aggregate Co., Ltd. ("Huaxin Aggregate"), a subsidiary of the Group, and a third party of the Group, Yangxin County Transportation Investment Co., Ltd. ("Yangxin Transportation Investment"), the paid-in capital of Fuhua Handling is RMB200 million, of which RMB130 million contributed by Yangxin Transportation Investment was paid in physical assets of Fuchi Comprehensive Port and RMB70 million contributed by Huaxin Aggregate was paid by cash. The Group only held 35% interest of Fuhua Handling and treated it as an investment in associate at that time. In August 2021, Huangshi Green Building Materials Industry Co., Ltd., another subsidiary of the Group, further acquired the remaining 65% interest of Fuhua Handling from Yangxin Transportation Investment at a consideration of RMB130 million, the Group held the 100% interest of Fuhua Handling and since then, it was consolidated as a subsidiary. Due to the Fuchi Comprehensive Port, as the main asset of Fuhua Handling, was still under construction at the acquisition date, the Group regards this acquisition as a purchase of assets.

2. Disposal of subsidiary

On 1 December 2018, the Company sold 100% of the equity of Tongbai Xingshan Mining Co.,Ltd. held by the Group to its minority shareholders for RMB5,000,000.

The Company's subsidiary, Huaxin Cement (Nantong) Co., Ltd., was deregistered on 18 December 2019.

On 26 August 2020, the Group entered into an equity transfer agreement with Hunan Fanyi Environmental Protection Technology Co., Ltd. to sell 60% equity interest of Hunan Huaxin Xianggang Cement Co., Ltd. in aggregate held by the Group at a consideration of RMB210,000,000. Hunan Huaxin Xianggang Cement Co., Ltd. and its subsidiary Hunan Huaxiang Environmental Protection Development Co., Ltd. will be no longer included in the consolidation scope. Gains from such disposal of RMB37,521,174 are recognized in investment income.

On 14 January 2021, the Group entered into an equity transfer agreement with Yidu Baishui Port Industry and Trade Co., Ltd. to sell 100% equity interest of Huaxin Yidu Packaging Co., Ltd. in aggregate held by the Group. Huaxin Yidu Packaging Co., Ltd. will be no longer included in the consolidation scope. Gains from such disposal of RMB2,499,787 are recognized in investment income.

3. Business combination not involving enterprises under common control

(1) Business combination not involving enterprises under common control in the current period

31 December 2018:

Name of acquiree	Acquisition consideration	Proportion of equity interest acquired	Acquisition method	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net loss of the acquiree from the date of acquisition to the period-end
	RMB					*RMB*	*RMB*
Chongqing Huaxin Cantian Cement Co., Ltd. (Original name: Chongqing Lafarge Shui On Cantian Cement Co., Ltd.)	253,300,000	100%	Cash	1 April 2018	Date of change in control	585,510,369	248,923,927

31 December 2019:

Name of acquiree	Acquisition consideration	Proportion of equity interest acquired	Acquisition method	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net loss of the acquiree from the date of acquisition to the period-end
	RMB					*RMB*	*RMB*
Yunwei Baoshan Organic Chemical Co., Ltd.	20,000,000	80%	Cash	24 December 2019	Date of change in control	–	–
NETNIX LIMITED *(Note)*	659,925,046	100%	Cash	5 December 2019	Date of change in control	2,233,443	(7,417,777)

Note: Main asset of NETNIX LIMITED is 100% equity interest in Yuzhno-Kyrgyzskyi Cement CJSC.

31 December 2020:

Name of acquiree	Acquisition consideration	Proportion of equity interest acquired	Acquisition method	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net loss of the acquiree from the date of acquisition to the period-end
	RMB					*RMB*	*RMB*
Maweni Limestone Ltd	149,528,257	100%	Cash	12 October 2020	Date of change in control	71,334,755	10,823,538

30 September 2021:

Name of acquiree	Acquisition consideration	Proportion of equity interest acquired	Acquisition method	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net loss of the acquiree from the date of acquisition to the period-end
	RMB					*RMB*	*RMB*
Yidu Honghua Xintong Logistics Co., LTD.	58,800,000	100%	Cash	9 March 2021	Date of change in control	6,992,223	361,162
Hainan Xinhongda Building Materials Co., Ltd	186,696,200	100%	Cash	5 February 2020	Date of change in control	50,358,522	9,773,861

(2) Acquisition consideration and goodwill

31 December 2018:

Acquisition consideration	**Chongqing Huaxin Cantian Cement Co., Ltd.**
	RMB
– Cash	253,300,000
Total consideration	253,300,000
Less: Fair value of net identifiable assets acquired	257,789,836
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	(4,489,836)

31 December 2019:

Acquisition consideration	**Yunwei Baoshan Organic Chemical Co., Ltd.**
	RMB
– Cash	20,000,000
Total consideration	20,000,000
Less: Fair value of identifiable net assets acquired	23,823,563
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	3,823,563

Acquisition consideration	**NETNIX LIMITED**
	RMB
– Cash	659,925,046
Total consideration	659,925,046
Less: Fair value of identifiable net assets acquired	600,351,459
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	59,573,587

31 December 2020:

Acquisition consideration	**Maweni Limestone Ltd**
	RMB
– Cash	21,500,793
– Amounts expected to be paid *(Note)*	128,027,464
Total consideration	149,528,257
Less: Fair value of identifiable net assets acquired	149,528,257
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	–

Note: On 6 September 2019, the Group entered into an equity acquisition agreement with ARM Cement Plc (hereinafter referred to as "ARM"), MESSRS MUNIU THOITHI AND GEORGE WERU to acquire 100% equity interest of Maweni Limestone Ltd which is held by ARM and under trust of MESSRS MUNIU THOITHI AND GEORGE WERU as well as a creditor's right of ARM due from Maweni Limestone Ltd. The Group totally paid USD116 million associated with the acquisition to the co-managed account of ARM and the Group, the residual amount of such payment after paying the third-party debts of Maweni Limestone Ltd will be used as the acquisition consideration of equity and debts. As of 31 December 2020, there was an amount of USD36,180,132 (equivalent to RMB236,071,742) (Note V-10) which have not been paid yet in the co-managed account. The Group's management estimates and reasonably considers that after deducting the amount due to the third party, the amount which shall be paid to the original shareholder ARM is USD18,799,645 (equivalent to RMB128,027,464).

30 September 2021:

Acquisition consideration	**Yidu Honghua Xintong Logistics Co., LTD.**
	RMB
– Cash	56,574,700
– Fair value of liabilities assumed	2,225,300
Total combination consideration	58,800,000
Less: Share of fair value of identifiable net asset acquired	58,800,000
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	–

Acquisition consideration	**Hainan Xinhongda Building Materials Co., Ltd**
	RMB
– Cash	177,361,390
– Fair value of liabilities assumed	9,334,810
Total combination consideration	186,696,200
Less: Share of fair value of identifiable net asset acquired	51,730,886
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	134,965,314

(3) ***Assets and liabilities of acquiree on the acquisition date:***

31 December 2018:

Item	**Chongqing Huaxin Cantian Cement Co., Ltd. Fair value on the acquisition date**
	RMB
Assets:	
Cash and bank balances	79,599,708
Notes receivable	28,326,416
Accounts receivable	11,761,089
Prepayments	15,964,742
Other receivables	10,947,096
Inventories	22,773,219
Fixed assets	352,695,271
Construction in progress	1,016,629
Intangible assets	161,401,837

Item	Chongqing Huaxin Cantian Cement Co., Ltd. Fair value on the acquisition date
	RMB
Liabilities:	
Short-term borrowings	214,641,246
Accounts payable	142,611,374
Receipts in advance	21,449,502
Employee benefits payable	2,247,375
Taxes payable	11,413,176
Interests payable	4,473,707
Other payables	17,221,931
Provisions	2,516,095
Deferred income tax liabilities	10,121,765
Net assets	257,789,836

The Group applied valuation techniques to determine the fair value of assets acquired and liabilities assumed. The valuation method of major assets and key assumptions are as below:

The valuation method of fixed assets is replacement cost method: the asset's fair value will be its current replacement cost deducting all relevant costs;

Intangible assets mainly include land use rights and mining rights. Fair value of land use rights is determined by using benchmark land price method. The mining rights is mainly evaluated by discounted cash flow method. In order to calculate the present value of future cash flow, the management predicts and estimates the selling price of mineral resources, mining cost, operating cost and applicable discount rate of mineral resources in the future years.

31 December 2019:

	Yunwei Baoshan Organic Chemical Co., Ltd.	
Item	**Fair value on the acquisition date**	**Carrying amount on the acquisition date**
	RMB	*RMB*
Assets:		
Cash and bank balances	112	112
Prepayments	2,135,846	2,237,846
Other receivables	882,536	882,536
Fixed assets	288,072,530	42,985,352
Intangible assets	90,419,738	15,229,821
Long-term deferred expenses	5,187,700	–
Other non-current assets	10,272,819	10,272,819
Liabilities:		
Accounts payable	131,456,823	143,319,824
Receipts in advance	531,152	531,152
Employee benefits payable	7,206,009	7,206,009
Taxes payable	(24,411,118)	(24,411,118)
Other payables	168,102,512	168,102,512
Deferred income tax liabilities	84,306,449	–
Net assets	29,779,454	(223,139,893)
Less: Minority interests	5,955,891	(44,627,979)
Net assets acquired	23,823,563	(178,511,914)

NETNIX LIMITED

Item	**Fair value on the acquisition date**	**Carrying amount on the acquisition date**
	RMB	*RMB*
Assets:		
Cash and bank balances	60,097,766	60,097,766
Accounts receivable	213,460	213,460
Prepayments	2,641,617	2,641,617
Other receivables	1,638,796	1,638,796
Inventories	56,293,988	52,528,713
Fixed assets	280,052,276	146,067,812
Construction in progress	1,673,089	1,673,089
Intangible assets	254,386,648	2,458,712
Other non-current assets	16,013,988	16,013,988
Liabilities:		
Accounts payable	6,004,065	6,004,065
Receipts in advance	23,700,675	23,700,675
Employee benefits payable	1,713,156	1,713,156
Taxes payable	302,314	302,314
Other payables	83,332	83,332
Provisions	1,007,491	1,007,491
Deferred income tax liabilities	39,849,136	881,369
Net assets	600,351,459	249,641,551
Less: Minority interests	–	–
Net assets acquired	600,351,459	249,641,551

The Group applied valuation techniques to determine the fair value of assets acquired and liabilities assumed. The valuation method of major assets and key assumptions are as follows:

The valuation method of fixed assets is replacement cost method: the asset's fair value will be its current replacement cost deducting all relevant costs;

Intangible assets mainly include land use rights and mining rights. Fair value of land use rights is determined by using benchmark land price method. The mining rights is mainly evaluated by discounted cash flow method. In order to calculate the present value of future cash flow, the management predicts and estimates the selling price of mineral resources, mining cost, operating cost and applicable discount rate of mineral resources in the future years.

31 December 2020:

Item	Maweni Limestone Ltd Fair value on the acquisition date	 Carrying amount on the acquisition date
	RMB	*RMB*
Assets:		
Cash and bank balances	5,606,521	5,606,521
Prepayments	15,067,102	15,067,102
Other receivables	198,005	198,005
Inventories	14,566,184	14,566,184
Fixed assets	642,952,008	1,243,094,672
Construction in progress	15,613,419	15,613,419
Deferred income tax assets	180,042,799	–
Liabilities:		
Short-term borrowings	406,130	406,130
Accounts payable	58,142,716	58,142,716
Contract liabilities	2,428,642	2,428,642
Employee benefits payable	1,876,512	1,876,512
Taxes payable	131,567,241	131,567,241
Other payables	530,096,540	1,695,656,783
Net assets	149,528,257	(595,932,121)
Less: Minority interests	–	–
Net assets acquired	149,528,257	(595,932,121)

The Group engaged a third-party expert to determine fair value of assets and liabilities of Maweni Limestone Ltd on the date of acquisition. The discrepancy between carrying amount and fair value of other payables on the date of acquisition is mainly because the Group has waived part of the debts due to the original shareholder ARM during the acquisition.

30 September 2021:

Item	Yidu Honghua Xintong Logistics Co., Ltd. Fair value on the acquisition date	Carrying amount on the acquisition date
	RMB	*RMB*
Assets:		
Cash and bank balances	239,549	239,549
Accounts receivable	6,960,110	6,960,110
Prepayments	1,132,550	1,132,550
Other receivables	1,208,144	1,208,144
Inventories	3,131,977	3,131,977
Fixed assets	44,617,394	30,955,579
Intangible assets	8,383,300	2,566,663
Liabilities:		
Taxes payable	242,935	242,935
Other payables	1,760,476	1,760,476
Deferred income tax liabilities	4,869,613	–
Net assets	58,800,000	44,191,161

	Hainan Xinhongda Building Materials Co., Ltd	
Item	**Fair value on the acquisition date**	**Carrying amount on the acquisition date**
	RMB	*RMB*
Assets:		
Cash and bank balances	2,433,934	2,433,934
Accounts receivable	48,879,096	48,879,096
Other receivables	100,745	100,745
Prepayments	1,338,893	1,338,893
Inventories	3,020,488	3,020,488
Fixed assets	69,320,053	44,994,124
Construction in progress	3,262,397	3,262,397
Intangible assets	23,150,092	10,883,635
Deferred income tax assets	–	1,292,272
Liabilities:		
Short-term borrowings	2,000,000	2,000,000
Accounts payable	15,252,259	15,252,259
Contract liabilities	3,332,680	3,332,680
Employee benefits payable	339,863	339,863
Taxes payable	1,267,966	1,267,966
Other payables	64,929,505	64,929,505
Long-term borrowings	8,446,638	8,446,638
Deferred income tax liabilities	4,205,901	–
Net assets	51,730,886	20,636,673

The Group is in the process of evaluating the apportion of the acquisition consideration to determine the fair value of the assets and liabilities of the target company on the acquisition date, and the fair value on the acquisition date listed above is the Group's best estimate at present.

VII. EQUITY INTERESTS IN OTHER ENTITIES

1. Equity interests in subsidiaries

(1) Components of the Group

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Fumin Park New Building Co., Ltd. *(Note 4)*	Fumin	Fumin	Production and sale of new materials	–	70	Set up
Huaxin Concrete (Shishou) Co., Ltd. *(Note 4)*	Shishou	Shishou	Production and sale of cement	–	100	Set up
Huaxin Concrete (Suizhou) Co., Ltd. *(Note 4)*	Suizhou	Suizhou	Production and sale of cement	–	100	Set up
Huaxin New Material (Enshi) Co., Ltd. *(Note 4)*	Enshi	Enshi	Production and sale of new materials	–	100	Set up
Hainan Xinhongda Building Materials Co., Ltd. *(Note 4)*	Haikou	Haikou	Production and sale of new materials	–	100	Business combination
Yidu Honghua Xintong Logistics Co., LTD. *(Note 4)*	Yidu	Yidu	Loading and unloading, warehousing and other services	–	100	Business combination
Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd. *(Note 4)*	Huangshi	Huangshi	Production and sale of aggregate	–	51	Set up
Huaxin New Building Materials (Yidu) Co., Ltd. *(Note 4)*	Yidu	Yidu	Production and sale of new materials	–	100	Set up
Hainan Baihuitong Supply Chain Technology Co., Ltd. *(Note 4)*	Haikou	Haikou	Loading and unloading, warehousing and other services	–	100	Set up
Huaxin Cambodia Trading Co., LTD. *(Note 4)*	Cambodia	Cambodia	Cement import and export trade	–	100	Set up
Huangshi Huaxin Green Building Materials Co., Ltd. *(Note 3)*	Huangshi	Huangshi	Production and sale of aggregate	60	–	Set up
Maweni limestone limited *(Note 3)*	Tanzania	Tanzania	Production and sale of cement	–	100	Business combination
Huaxin Concrete (Huanggang) Co., Ltd. *(Note 3)*	Huanggang	Huanggang	Production and sale of cement	–	100	Set up
Huaxin Concrete (Macheng) Co., Ltd. *(Note 3)*	Macheng	Macheng	Production and sale of cement	–	100	Set up
Chongqing Huaxin Renewable Resource Utilization Co., Ltd. *(Note 3)*	Chongqing	Chongqing	Industrial solid wastes	–	100	Set up
Huaxin Environmental Engineering (Hefeng) Co., Ltd *(Note 3)*	Hefeng	Hefeng	Environmental design and construction and waste disposal	–	100	Set up
Huaxin New Building Materials (Luonan) Co., Ltd. *(Note 3)*	Luonan	Luonan	Production and sale of new materials	–	55	Set up
Cambodia Concrete Chakrey Ting Co., Ltd. *(Note 3)*	Cambodia	Cambodia	Production and sale of cement	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Changzhou Huaxin Concrete Co., Ltd. *(Note 3)*	Changzhou	Changzhou	Production and sale of cement	–	100	Set up
Huaxin Cement International Finance Company Limited *(Note 3)*	Hong Kong	Hong Kong	Investment	–	100	Set up
Huaxin New Building Materials (Kunming) Co., Ltd. *(Note 3)*	Kunming	Kunming	Production and sale of new materials	–	100	Set up
Huaxin (Hainan) Investment Co., Ltd. *(Note 3)*	Haikou	Haikou	Investment	60	40	Set up
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	100	–	Set up
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement	100	–	Set up
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of cement	100	–	Set up
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	100	–	Set up
Huaxin Cement (Xiangyang) Co.,Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	–	Set up
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	67	33	Set up
Huaxin Cement (Zhaotong) Co.,Ltd.	Zhaotong	Zhaotong	Production and sale of cement	60	40	Set up
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sale of cement	79	–	Set up
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	70	30	Set up
Huaxin Cement (Xiantao) Co., Ltd.	Xiantao	Xiantao	Production and sale of cement	80	–	Set up
Huaxin Cement (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of cement	100	–	Set up
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	100	–	Set up
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sale of cement	100	–	Set up
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	100	–	Set up
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of cement	100	–	Set up
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sale of cement	100	–	Set up
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sale of cement	51	–	Business combination
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	–	Set up
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sale of cement	100	–	Set up
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of cement	100	–	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sale of cement	100	–	Set up
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sale of cement	51	–	Business combination
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of cement	100	–	Business combination
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	100	–	Set up
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sale of cement	100	–	Set up
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of cement	100	–	Business combination
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sale of cement	70	–	Business combination
Huaxin Cement (Danjiangkou) Co., Ltd.	Danjiangkou	Danjiangkou	Production and sale of cement	–	70	Business combination
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sale of cement	90	–	Set up
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sale of cement	69	–	Business combination
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sale of cement	80	–	Business combination
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sale of cement	60	–	Business combination
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Sangzhi	Production and sale of cement	80	–	Set up
Huaxin Yovon Cement LLC	Tajikistan	Tajikistan	Production and sale of cement	–	75	Set up
Huaxin Gayur (Sogd) Cement Co., Ltd.	Tajikistan	Tajikistan	Production and sale of cement	–	95	Set up
Huaxin Gayur Logistics Co., Ltd.	Tajikistan	Tajikistan	Loading and unloading, warehousing and other services	–	100	Set up
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sale of cement	70	–	Business combination
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of cement	70	–	Business combination
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sale of cement	0.20	99.80	Business combination
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sale of cement	–	68	Business combination
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of cement	–	100	Business combination
Yunnan Huaxin Dongjun Co., Ltd.	Kunming	Kunming	Production and sale of cement	–	100	Business combination
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sale of cement	–	100	Business combination
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sale of cement	–	100	Business combination

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Chuxiong	Production and sale of cement	–	100	Business combination
Yanshan County Yuanda Honghe Co., Ltd.	Honghe	Honghe	Production and sale of cement	–	100	Business combination
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sale of cement	–	100	Business combination
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sale of cement	–	100	Business combination
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sale of cement	–	100	Business combination
Panzhihua Huaxin Cement Co., Ltd.	Panzhihua	Panzhihua	Production and sale of cement	–	100	Business combination
Kunming Chongde Cement Co., Ltd.	Kunming	Kunming	Production and sale of cement	–	100	Business combination
Yunnan State-owned Cement Kunming Co., Ltd.	Kunming	Kunming	Production and sale of cement	–	100	Business combination
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	80	–	Business combination
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	97	–	Business combination
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	–	Business combination
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	–	100	Business combination
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	–	70	Business combination
Huaxin Narayani Cement Co., Ltd.	Narayani	Narayani	Production and sale of cement	–	100	Set up
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of cement	80	20	Set up
Wuhan Wugang Huaxin Cement Co., Ltd. *(Note 1)*	Wuhan	Wuhan	Production and sale of cement and scoria	50	–	Set up
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	100	–	Set up
Huaxin Concrete (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of cement	–	100	Set up
Huaxin Concrete (Jingmen) Co., Ltd.	Jingmen	Jingmen	Production and sale of cement	–	100	Business combination
Xinyang Huaxin Concrete Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	–	100	Set up
Tibet Huaxin Construction Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	–	71.43	Set up
Jiujiang Huaxin Concrete Co., Ltd.	Jiujiang	Jiujiang	Production and sale of cement	–	100	Set up
Jiujiang Rongda Energy Saving and Environmental Protection Building Materials Co., Ltd.	Jiujiang	Jiujiang	Production and sale of cement	–	100	Set up
Huaxin Concrete (Xiaogan) Co., Ltd.	Xiaogan	Xiaogan	Production and sale of cement	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Concrete Xiangyang Fancheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	–	100	Set up
Huaxin Building Materials Xiangyang Xiangcheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	–	100	Set up
Huaxin Concrete (Xiangyang Nanzhang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	–	100	Business combination
Zaoyang Huaxin Concrete Co., Ltd.	Zaoyang	Zaoyang	Production and sale of cement	–	100	Business combination
Huaxin Concrete (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of cement	–	100	Set up
Huaxin Concrete (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	–	100	Set up
Hubei Zhushen Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	–	100	Business combination
Huaxin Concrete (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	–	100	Set up
Huaxin Concrete (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of cement	–	100	Set up
Huaxin Concrete (Jianli) Co., Ltd.	Jianli	Jianli	Production and sale of cement	–	100	Set up
Huaxin Concrete (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of cement	–	100	Set up
Huaxin Concrete (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sale of cement	–	51	Business combination
Huaxin Concrete (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	–	100	Set up
Huaxin Concrete (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of cement	–	100	Set up
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	–	84	Business combination
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	–	Business combination
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	–	Business combination
Huaxin Concrete Yangxin New Material Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	–	100	Set up
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	100	–	Set up
Huaxin Environment Engineering (Huangshi) Co., Ltd.	Huangshi	Huangshi	Environmental design and construction and waste disposal	–	70	Set up
Huaxin Environment Engineering (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Xinyang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Fengjie) Co., Ltd.	Fengjie	Fengjie	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Zhuha) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	–	80	Set up
Huaxin Environment Engineering (Fangxian) Co., Ltd.	Fangxian	Fangxian	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (E'zhou) Co., Ltd.	Ezhou	Ezhou	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yingcheng) Co., Ltd.	Yingcheng	Yingcheng	Environmental design and construction and waste disposal	–	100	Set up
Enping Huaxin Environment Engineering Co., Ltd.	Enping	Enping	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Zigui) Co., Ltd.	Zigui	Zigui	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Youxian) Co., Ltd.	Youxian	Youxian	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Daye) Co., Ltd.	Daye	Daye	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Loudi	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yunyang) Co., Ltd.	Yunyang	Yunyang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	–	100	Business combination
Wuhan Dragon Mouth Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Environment Engineering (Yidu) Co., Ltd.	Yidu	Yidu	Environmental design and construction and waste disposal	–	100	Set up
Chongqing Fulin Huaxin Environment Engineering Co., Ltd.	Chongqing	Chongqing	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Lijiang) Co., Ltd.	Lijiang	Lijiang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environment Engineering (Yichang) Co., Ltd.	Yichang	Yichang	Environmental design and construction and waste disposal	100	–	Set up
Huaxin Environment (Shiyan) Renewable Resources Utilization Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	–	100	Set up
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	–	80	Set up
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., Ltd.	Yangxin	Yangxin	Environmental design and construction and waste disposal	–	100	Set up
Huaxin (Nanzhang) Renewable Resources Utilization Co., Ltd.	Nanzhang	Nanzhang	Industrial solid waste, hazardous waste disposal and recycling	–	100	Set up
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of aggregate	–	100	Set up
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of aggregate	–	100	Set up
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	100	–	Set up
Chongqing Huaxin New Building Materials Co., Ltd.	Chongqing	Chongqing	Production and sale of new materials	–	100	Set up
Huaxin New Building Materials (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	–	60	Set up
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of new materials	–	100	Set up
Huaxin New Building Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	–	65	Set up
Huangshi Huaxin New Packaging Co., Ltd.	Huangshi	Huangshi	Production, sale of cement packaging bags	100	–	Set up
Huaxin Packaging (Chibi) Co., Ltd.	Chibi	Chibi	Production, sale of cement packaging bags	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Packaging (Yidu) Co., Ltd	Yidu	Yidu	Production, sale of cement packaging bags	–	100	Set up
Huaxin Packaging (E'zhou) Co., Ltd	Ezhou	Ezhou	Production, sale of cement packaging bags	–	100	Set up
Huaxin Packaging (Zhuzhou) Co., Ltd	Zhuzhou	Zhuzhou	Production, sale of cement packaging bags	–	100	Set up
Huaxin Packaging (Nanzhang) Co., Ltd	Nanzhang	Nanzhang	Production, sale of cement packaging bags	–	100	Set up
Huaxin Packaging (Quxian) Co., Ltd	Quxian	Quxian	Production, sale of cement packaging bags	–	100	Set up
Cambodia Zoretta Packaging Co., Ltd.	Cambodia	Cambodia	Production, sale of cement packaging bags	–	100	Set up
Huaxin Cement (Huangshi) Bulk Storage And Transportation Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	–	Set up
Xiangyang Huaxin Logistics Co., Ltd.	Xiangyang	Xiangyang	Loading and unloading, warehousing and other services	–	100	Set up
Kunming Huaxin Logistics Co., Ltd.	Kunming	Kunming	Loading and unloading, warehousing and other services	–	100	Business combination
Chongqing Huaxin Logistics Co., Ltd.	Chongqing	Chongqing	Loading and unloading, warehousing and other services	–	100	Business combination
Huaxin Logistics (Zigui) Co., Ltd.	Zigui	Zigui	Loading and unloading, warehousing and other services	–	100	Set up
Zhuzhou Huaxin Logistics Co., Ltd.	Zhuzhou	Zhuzhou	Loading and unloading, warehousing and other services	–	100	Set up
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Wuhan	Investment	100	–	Set up
Huaxin Concrete Co., Ltd.	Wuhan	Wuhan	Investment	100	–	Set up
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	100	–	Set up
Huaxin (Hong Kong) International Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment	100	–	Set up
Success Eagle Cement (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Investment	–	65	Business combination
Huaxin Hong Kong (Cambodia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
Huaxin Hong Kong (Central Asia) Investment Co., Ltd. *(Note 2)*	Hong Kong	Hong Kong	Investment	–	51	Set up
Huaxin Narayani Investment (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100	–	Set up
Yunnan Huaxin Building Materials Investment Co., Ltd.	Kunming	Kunming	Investment	100	–	Business combination
Somerset Mauritius Investment Co., Ltd.	Mauritius	Mauritius	Investment	100	–	Business combination
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	Huangshi	Huangshi	Building materials engineering design, etc.	99	–	Set up
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100	–	Set up
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	–	100	Set up
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance And installation of mechanical & electrical tools	100	–	Set up
Huaxin Xincai Landscape Engineering (Wuhan) Co., Ltd.	Wuhan	Wuhan	Building materials wholesale, Construction consulting	–	100	Set up
Nanzhang Huaxin Xinrui Hotel Management Co., Ltd.	Nanzhang	Nanzhang	Accommodation services	–	99	Set up
Huaxin Cement Dzizak Co., Ltd.	Uzbekistan	Uzbekistan	Production and sale of cement	–	100	Set up
Wuhan South Taizihu Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Environmental Engineering (Badong) Co., Ltd.	Badong	Badong	Environmental design and construction and waste disposal	–	100	Set up
Shannan Huaxin Environmental Engineering Co., Ltd.	Shannan	Shannan	Environmental design and construction and waste disposal	–	100	Set up
Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Aggregate (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of aggregate	–	70	Set up
Huaxin Hongkong Tanzania Co., Ltd.	Hong Kong	Hong Kong	Investment	–	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Wuhan Huaxin Changshankou Logistics Co., Ltd.	Wuhan	Wuhan	Loading and unloading, warehousing and other services	–	100	Set up
Huaxin (Huangshi) Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	–	Set up
Huaxin New Building Materials Xiangyang Co., Ltd.	Xiangyang	Xiangyang	Production and sale of new materials	–	100	Set up
Huaxin Seepage-proofing and Energy-saving Special New Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	–	100	Set up
Huaxin Concrete (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	–	100	Set up
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd.	Lijiang	Lijiang	Production and sale of new materials	–	70	Set up
Huaxin Environmental Engineering (Yunnan) Co., Ltd	Kunming	Kunming	Environmental design and construction and waste disposal	–	100	Set up
Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of new materials	–	100	Set up
HX International (Tanzania) Limited.	Tanzania	Tanzania	Investment	–	100	Set up
NETNIX LIMITED	Cyprus	Cyprus	Investment	–	100	Business combination
Yuzhno-Kyrgyzskyi Cement CJSC	Kyrgyzstan	Kyrgyzstan	Production and sale of cement	–	100	Business combination
Stone Group LLC	Kyrgyzstan	Kyrgyzstan	Management and staff dispatch services	–	100	Business combination
Power Assets LLC	Kyrgyzstan	Kyrgyzstan	Land and house lease services	–	100	Business combination
Hubei Huaxin Environmental Logistics Co., LTD	Huangshi	Huangshi	Loading and unloading, warehousing, transporting, and other services	–	100	Set up
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Baoshan	Production and sale of cement	–	80	Business combination
Huaxin Cement (Songming) Co., Ltd.	Songming	Songming	Production and sale of cement	–	100	Set up
Huaxin Environmental Engineering (Changyang) Co., Ltd.	Changyang	Changyang	Environmental design and construction and waste disposal	–	100	Set up
Huaxin (Changyang) Renewable Resource Utilization Co., Ltd.	Changyang	Changyang	Environmental design and construction and waste disposal	–	100	Set up

Other explanations:

Note 1: Wuhan Wugang Huaxin Cement Co., Ltd. is included in the scope of consolidation since the Group has the right to govern its operation decision making.

Note 2: The Group effectively holds 51% equity interest of Huaxin Hong Kong (Central Asia) Investment Co., Ltd. The approval mechanism of the board of directors of Huaxin Hong Kong (Central Asia) Investment Co., Ltd. is simple majority, and the Group is eligible to assign three out of the five directors. Hence, the Group obtains control of Huaxin Hong Kong (Central Asia) Investment Co., Ltd.

Note 3: These companies are established or acquired by the Group in 2020, and are included in the scope since 2020.

Note 4: These companies are established or acquired by the Group in 2021, and are included in the scope since 2021.

(2) ***Significant non-wholly subsidiaries***

Subsidiaries	**Shareholding proportion by minority interests**	**Profit or loss attributable to minority interests for the current period**	**Dividends announced for distribution to minority interests in the current period**	**Balance at 31 December 2018 of minority interest**
	(%)	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49%	77,812,247	–	261,463,967
Cambodia Cement Charkrey Ting Factory Co., Ltd.	32%	49,608,979	–	218,477,836
Huaxin Cement (Daye) Co.,Ltd.	30%	47,133,441	–	178,198,926
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49%	72,486,075	36,197,566	176,596,640
Huaxin Cement (Tibet) Co.,Ltd.	21%	46,225,963	42,000,000	166,471,878

Subsidiaries	**Shareholding proportion by minority interests**	**Profit or loss attributable to minority interests for the current period**	**Dividends announced for distribution to minority interests in the current period**	**Balance at 31 December 2019 of minority interest**
	(%)	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49%	172,541,851	32,213,613	361,786,387
Cambodia Cement Charkrey Ting Factory Co., Ltd.	32%	48,065,702	–	270,678,737
Huaxin Cement (Daye) Co.,Ltd.	30%	47,009,898	27,000,000	198,208,824
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49%	100,526,229	65,237,467	211,885,402
Huaxin Cement (Tibet) Co.,Ltd.	21%	80,298,134	60,332,837	186,437,175

Subsidiaries	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Balance at 31 December 2020 of minority interest
	(%)	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49%	58,588,035	84,142,594	327,078,268
Cambodia Cement Charkrey Ting Factory Co., Ltd.	32%	9,131,734	–	279,810,471
Huaxin Cement (Daye) Co.,Ltd.	30%	37,350,881	24,000,000	211,559,705
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49%	86,868,813	90,473,606	210,399,585
Huaxin Cement (Tibet) Co.,Ltd.	21%	82,683,339	63,000,000	207,791,362

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

	As at 31 December 2018					
Subsidiaries	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	202,217,956	1,047,548,702	1,249,766,658	474,533,039	326,619,795	801,152,834
Cambodian Cement Charkrey Ting Factory Co., Ltd.	137,337,777	723,016,683	860,354,460	139,687,486	37,923,737	177,611,223
Huaxin Cement (Daye) Co., Ltd.	336,544,315	466,930,308	803,474,623	186,997,363	22,480,841	209,478,204
Huaxin Hongta Cement (Jinghong) Co., Ltd.	112,220,857	336,239,846	448,460,703	76,106,899	7,628,055	83,734,954
Huaxin Cement (Tibet) Co., Ltd.	452,630,670	944,081,887	1,396,712,557	472,251,708	173,261,153	645,512,861

	As at 31 December 2019					
Subsidiaries	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	258,399,432	975,025,764	1,233,425,196	442,324,003	199,749,995	642,073,998
Cambodian Cement Charkrey Ting Factory Co., Ltd.	303,439,896	792,998,853	1,096,438,749	118,263,631	132,304,066	250,567,697
Huaxin Cement (Daye) Co., Ltd.	359,678,403	482,462,381	842,140,784	160,235,029	21,209,677	181,444,706
Huaxin Hongta Cement (Jinghong) Co., Ltd.	206,590,121	354,973,429	561,563,550	117,772,313	7,047,609	124,819,922
Huaxin Cement (Tibet) Co., Ltd.	455,473,107	1,039,323,642	1,494,796,749	396,530,609	240,821,221	637,351,830

Subsidiaries	As at 31 December 2020 Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	207,532,325	730,317,128	937,849,453	295,648,501	93,283,897	388,932,398
Cambodian Cement Charkrey Ting Factory Co., Ltd.	422,874,468	682,474,348	1,105,348,816	121,479,377	109,461,716	230,941,093
Huaxin Cement (Daye) Co., Ltd.	479,269,499	452,929,272	932,198,771	206,517,942	20,481,810	226,999,752
Huaxin Hongta Cement (Jinghong) Co., Ltd.	210,695,237	349,301,834	559,997,071	124,121,015	6,489,148	130,610,163
Huaxin Cement (Tibet) Co., Ltd.	545,698,696	992,800,571	1,538,499,267	412,211,505	176,226,162	588,437,667

Subsidiaries	Amount for the year ended 31 December 2018 Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
	RMB	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	741,902,205	125,746,194	125,746,194	163,893,902
Cambodian Cement Charkrey Ting Factory Co., Ltd.	549,844,528	123,661,664	155,028,058	197,573,712
Huaxin Cement (Daye) Co., Ltd.	777,794,727	157,111,471	157,111,471	261,723,411
Huaxin Hongta Cement (Jinghong) Co., Ltd.	479,852,429	147,930,766	147,930,766	147,228,095
Huaxin Cement (Tibet) Co., Ltd.	949,412,429	216,038,213	216,038,213	274,944,941

Subsidiaries	Amount for the year ended 31 December 2019 Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
	RMB	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	849,347,632	239,833,541	234,610,488	446,728,565
Cambodian Cement Charkrey Ting Factory Co., Ltd.	686,479,582	150,205,318	163,127,816	175,578,830
Huaxin Cement (Daye) Co., Ltd.	829,570,335	156,699,659	156,699,659	204,715,200
Huaxin Hongta Cement (Jinghong) Co., Ltd.	637,752,058	205,155,569	205,155,569	280,833,197
Huaxin Cement (Tibet) Co., Ltd.	1,369,670,670	379,874,968	379,874,968	572,060,531

	Amount for the year ended 31 December 2020			
Subsidiaries	**Operating income**	**Net profit**	**Total comprehensive income**	**Cash flows from operating activities**
	RMB	*RMB*	*RMB*	*RMB*
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	855,278,792	213,684,099	79,537,210	351,253,662
Cambodian Cement Charkrey Ting Factory Co., Ltd.	586,349,404	88,847,570	28,536,670	180,317,151
Huaxin Cement (Daye) Co., Ltd.	734,842,960	124,502,937	124,502,937	239,163,936
Huaxin Hongta Cement (Jinghong) Co., Ltd.	577,536,237	177,283,292	177,283,292	212,526,592
Huaxin Cement (Tibet) Co., Ltd.	1,435,017,145	394,423,378	394,423,378	476,122,534

2. Equity interests in joint ventures or associates

(1) Significant joint ventures or associates

Associates or joint ventures	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Direct	Proportion of ownership interest (%) Indirect	Accounting treatment for investment in associates or joint ventures
Tibet High-tech Building Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	43	–	Equity method

(2) *Key financial information of significant associates*

	As at 31 December/ Amount for the year ended 31 December		
Tibet High-tech Building Materials Co., Ltd.	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Current assets	395,860,084	476,474,203	709,248,857
Non-current assets	945,180,958	935,092,069	877,725,350
Total assets	1,341,041,042	1,411,566,272	1,586,974,207
Current liabilities	288,735,068	333,191,184	347,374,337
Non-current liabilities	112,136,081	300,626,941	270,793,670
Total liabilities	400,871,149	633,818,125	618,168,007
Minority interests	127,513,564	95,229,778	125,346,036
Equity interest attributable to the shareholders of the parent company	812,656,329	682,518,369	843,460,164
Share of net assets calculated based on the proportion of shareholding	349,442,221	293,482,899	362,687,871
Adjustment	(8,086,497)	(6,408,339)	(6,408,339)
– Unrealized profits from internal transactions	(8,086,497)	(6,408,339)	(6,408,339)
Carrying amount of equity investments in associates	341,355,724	287,074,560	356,279,532
Operating income	727,375,879	1,048,004,677	1,075,707,112
Net profit	167,166,883	253,612,930	158,914,122
Total comprehensive income	167,166,883	253,612,930	158,914,122
Dividends received from associates in the current year	–	165,550,000	–

(3) Summarized financial information of insignificant joint ventures or associates

	As at 31 December/ Amount for the year ended 31 December		
	2018	**2019**	**2020**
	RMB	*RMB*	*RMB*
Joint ventures			
Gross carrying amount of investments	–	22,698,530	60,791,825
Total amounts calculated based on proportion of ownership interest			
– Net profit	–	–	9,791,825
– Total comprehensive income	–	–	9,791,825
Associates			
Gross carrying amount of investments	171,113,766	104,317,669	95,209,844
Total amounts calculated based on proportion of ownership interest			
– Net profit	(136,229)	(1,172,063)	(1,087,410)
– Total comprehensive income	(136,229)	(1,172,063)	(1,087,410)

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments include monetary funds, held-for-trading financial assets, notes receivable, financing with receivables (used after 1 January 2019), accounts receivable, other receivables, available-for-sale financial assets, debt investment (used after 1 January 2019), long-term receivables, other equity instrument investment (used after 1 January 2019), other non-current financial assets (used after 1 January 2019), borrowings, trading financial liabilities (used after 1 January 2021), notes payable, accounts payable, other payables, bonds payable and long-term payables. Details of these financial instruments are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

	As at 31 December		
	2018	**2019**	**2020**
	RMB	*RMB*	*RMB*
Financial assets			
Measured at FVTPL			
Held-for-trading financial assets	207,144,438	–	1,004,581,752
Other non-current financial assets	/	35,003,608	32,827,254
Measured at FVTOCI			
Financing with receivables	/	1,308,788,934	1,020,306,419
Available-for-sale financial assets	60,487,319	–	–
Other equity instrument investments	/	38,230,101	33,774,995
Measured at amortized cost			
Notes receivable	1,548,929,075	97,734,290	79,939,117
Accounts receivable	524,536,351	561,894,121	653,219,779
Other receivables	375,429,575	485,987,186	375,253,958
Debt investments	/	7,500,000	7,500,000
Long-term receivables	29,279,695	29,148,833	29,141,216
Financial liabilities			
Measured at FVTPL			
Held-for-trading financial liabilities	–	–	–
Measured at amortized cost			
Short-term borrowings	621,000,000	197,000,000	625,000,000
Notes payable	–	191,505,647	472,696,537
Accounts payable	3,789,324,069	5,120,908,908	5,297,633,770
Other payables	897,653,363	679,448,864	786,246,239
Non-current liabilities due within one year	2,877,217,204	769,685,711	1,874,484,159
Long-term borrowings	2,444,189,091	2,039,543,196	3,504,279,973
Bonds payable	1,196,831,761	1,198,058,176	1,943,763,447
Long-term payables	261,696,441	81,962,612	191,011,663

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the followings are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

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

1.1 Market risk

1.1.1. Currency risk

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

The finance department of the headquarter of the Group monitors the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, to minimize the foreign exchange risks; therefore, the Group is likely to avoid currency risks by signing forward foreign exchange contracts or currency swaps. In 2018, 2019 and 2020, the Group did not enter into any forward foreign exchange contracts or currency swaps.

As at 31 December 2018, 31 December 2019 and 31 December 2020, for companies the Group whose functional currency is not USD, the financial assets and financial liabilities denominated in USD are translated into RMB as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB	*RMB*	*RMB*
Cash and bank balances	371,055,925	410,154,431	1,159,655,707
Accounts receivable	–	27,912,731	–
Other receivables	–	175,050,305	–
Accounts payable	–	33,371,085	1,490,643
Other payables	–	1,244,990	2,348,997
Borrowings	671,495,488	347,465,733	156,206,106

Sensitivity analysis on currency risk

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

		For the year ended 31 December 2018	
Item	**Change in exchange rate**	**Effect on profit before tax**	**Effect on shareholders' equity**
		RMB	*RMB*
USD	5% appreciation	(15,021,978)	(13,407,823)
USD	5% depreciation	15,021,978	13,407,823

		For the year ended 31 December 2019	
Item	**Change in exchange rate**	**Effect on profit before tax**	**Effect on shareholders' equity**
		RMB	*RMB*
USD	5% appreciation	11,551,783	9,328,488
USD	5% depreciation	(11,551,783)	(9,328,488)

		For the year ended 31 December 2020	
Item	**Change in exchange rate**	**Effect on profit before tax**	**Effect on shareholders' equity**
		RMB	*RMB*
USD	5% appreciation	49,980,498	37,170,197
USD	5% depreciation	(49,980,498)	(37,170,197)

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

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. The balance of the Group's long-term borrowings variable interest rate on 31 December 2018, 31 December 2019 and 31 December 2020 are RMB2,440,642,781, RMB2,038,842,443 and RMB4,107,824,221. Financial liabilities with variable interest rates expose the Group to cash flow interest rate risk. Financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The financial department of the Group's headquarters continuously monitors the Group's interest rate level. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding variable rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The management may enter into interest rate swap agreements in a timely manner based on the market status to mitigate its exposure to interest rate risk. During 2020 and 2019, 2018, the Group did not enter into any interest rate swap agreements. In the first half of 2021, the Group signed interest rate swap agreements with China Merchants Bank Hong Kong branch and HSBC Hong Kong branch respectively.

The sensitivity analysis on interest rate risk

As at 31 December 2018, 31 December 2019, 31 December 2020 and 30 September 2021, where all other variables are held constant, the variable interest rate had been 100 basis points higher or lower, the effect on the pre-tax profit and shareholders' equity is set out as below:

	For the year ended 31 December 2018	
Change in interest rate	**Effect on profit before tax**	**Effect on shareholders' equity**
	RMB	*RMB*
Benchmark interest rate increased by 1%	(24,406,428)	(18,304,821)
Benchmark interest rate reduced by 1%	24,406,428	18,304,821

	For the year ended 31 December 2019	
Change in interest rate	**Effect on profit before tax**	**Effect on shareholders' equity**
	RMB	*RMB*
Benchmark interest rate increased by 1%	(20,388,424)	(15,291,318)
Benchmark interest rate reduced by 1%	20,388,424	15,291,318

	For the year ended 31 December 2020	
Change in interest rate	**Effect on profit before tax**	**Effect on shareholders' equity**
	RMB	*RMB*
Benchmark interest rate increased by 1%	(41,078,242)	(30,808,682)
Benchmark interest rate reduced by 1%	41,078,242	30,808,682

1.1.3. Other price risk

The Group's available-for-sale financial assets and held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, as at 31 December 2018 and 31 December 2019, the Group is exposed to the risks of changes in the securities market.

The Group's investments classified as other equity investments and other non-current financial assets are measured at fair value at each balance sheet date. As at 31 December 2020 and 30 September 2021, the other equity investments and other non-current financial assets held by the Group were not significant, therefore, the risk level of changes in the securities market the Group exposed to was not significant.

1.2 Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure to discharge an obligation by the counterparties, which is the carrying amount of the financial assets recognized in the consolidated balance sheet.

As at 31 December 2019, 31 December 2020 and 30 September 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure to discharge an obligation by the counterparties, which specifically includes cash and bank balances (Note V (1)), notes receivable (Note V (4)), accounts receivable (Note V (5)), financing with receivables (Note V (6)), other receivables (Note V (8)), long-term receivables and debt investments, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

The Group's risk exposure is distributed in many different regions and involves a number of customers, therefore, the Group does not have significant concentration of credit risks. As at 31 December 2019, the balance of amounts due from the Group's top five customers is amounted to RMB118,781,603 (31 December 2018: RMB78,830,141), representing 17% (31 December 2018: 12%) of the balance of the Group's accounts receivable. In addition, the Group does not have other credit risk exposure concentrated on a single financial asset or a portfolio of financial assets sharing similar characteristics.

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

Item	Note	Category	Amount for the year ended 31 December 2019 Account balance
			RMB
Financial assets at amortized cost			
– Cash and bank balances	Note V(1)	12-month ECL	5,107,514,423
– Notes receivable	Note V(4)	12-month ECL	97,734,290
– Accounts receivable	Note V(5)	Lifetime ECL (not credit-impaired)	575,715,252
		Lifetime ECL (credit-impaired)	171,620,784
		Sub-total	747,336,036
– Other receivables	Note V(8)	12-month ECL	456,764,085
		Lifetime ECL (credit-impaired)	130,188,150
		Sub-total	586,952,235
– Long-term receivables		Lifetime ECL (not credit-impaired)	29,148,833
– Debt investments		Lifetime ECL (not credit-impaired)	9,500,000
Financial assets at FVTOCI			
– Financing with receivables	Note V(6)	12-month ECL	1,308,788,934

Amount for the year ended 31 December 2020

Item	Note	Category	Account balance
			RMB
Financial assets at amortized cost			
– Cash and bank balances	Note V(1)	12-month ECL	8,641,612,847
– Notes receivable	Note V(4)	12-month ECL	79,939,117
– Accounts receivable	Note V(5)	Lifetime ECL (not credit-impaired)	687,822,992
		Lifetime ECL (credit-impaired)	113,760,104
		Sub-total	801,583,096
– Other receivables	Note V(8)	12-month ECL	346,703,297
		Lifetime ECL (credit-impaired)	128,876,031
		Sub-total	475,579,328
– Long-term receivables		Lifetime ECL (not credit-impaired)	29,141,216
– Debt investments		Lifetime ECL (not credit-impaired)	7,500,000
		Lifetime ECL (credit-impaired)	2,000,000
		Sub-total	9,500,000
Financial assets at FVTOCI			
– Financing with receivables	Note V(6)	12-month ECL	1,020,306,419

As at 31 December 2018, the Group manages credit risks by portfolios. Credit risks mainly arise from bank deposits, notes receivable and accounts receivable, other receivables, etc.

As at 31 December 2019, 31 December 2020 and 30 September 2021, the Group manages credit risks by portfolios, which mainly refer to accounts receivable.

The Group's bank deposits are mainly deposited in banks with high credit rating. The Group believes that there is lower credit risk and there will be no significant losses due to the default of the counterparties.

As at 31 December 2019, 31 December 2020 and 30 September 2021, the Group believes that the accepting bank for the bank acceptance has a high credit rating and there is no significant credit risk.

As at 31 December 2019, 31 December 2020 and 30 September 2021, for other receivables, most of them are security fund, deposits, deposits for equity acquisition and petty cash for employees. The Group believes that the credit risk is low and there will be no significant losses due to the default of the counterparties. For loans and advances, the Group has made appropriate provision for expected credit losses based on the repayment abilities and willingness of the counterparties.

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

As at 31 December 2018, based on the analysis of the customer's financial performance and its credit records, the Group believes that there is no objective evidence that this part of the payment cannot be recovered according to the original terms.

The aging analysis of financial assets that are past due but not impaired is as follows:

	As at 31 December 2018				
	Within 1 year	**1-2 years**	**2-3 years**	**Above 3 years**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Accounts receivable	139,454,673	34,426,420	297,848	10,394,626	184,573,567
Other receivables	–	–	–	27,711,764	27,711,764
Total	139,454,673	34,426,420	297,848	38,106,390	212,285,331

1.3 Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecast. Based on the cash flow forecast of each subsidiary, the finance department of the headquarter of the Group continuously monitors the short-term and long-term capital demands at the Group level to ensure the maintenance of sufficient cash reserves. At the same time, it continuously monitors compliance with the provisions of the loan agreement and acquires the loan commitment from the major financial institutes to meet short-term and long-term capital demands.

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

	As at 31 December 2018				
	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Short-term borrowings	636,396,166	–	–	–	636,396,166
Notes payable	–	–	–	–	–
Accounts payable	3,789,324,069	–	–	–	3,789,324,069
Interest payable	70,507,991	–	–	–	70,507,991
Dividend payable	160,590,225	–	–	–	160,590,225
Other payables	666,555,147	–	–	–	666,555,147
Long-term borrowings	882,601,000	1,168,567,677	1,091,761,539	428,095,056	3,571,025,272
Bonds payable	2,234,673,425	57,480,000	1,233,839,432	–	3,525,992,857
Long-term payables	34,306,813	32,936,978	46,808,826	–	114,052,617
Total	8,474,954,836	1,258,984,655	2,372,409,797	428,095,056	12,534,444,344

	As at 31 December 2019				
	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Short-term borrowings	201,176,005	–	–	–	201,176,005
Notes payable	191,505,647	–	–	–	191,505,647
Accounts payable	5,120,908,908	–	–	–	5,120,908,908
Dividends payable	34,268,915	–	–	–	34,268,915
Other payables	623,409,083	–	–	–	623,409,083
Long-term borrowings	795,471,942	708,961,082	781,572,466	846,207,096	3,132,212,586
Bonds payable	57,480,000	1,257,480,000	–	–	1,314,960,000
Long-term payables	92,936,978	63,550,150	23,258,673	–	179,745,801
Total	7,117,157,478	2,029,991,232	804,831,139	846,207,096	10,798,186,945

	As at 31 December 2020				
	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Short-term borrowings	633,808,230	–	–	–	633,808,230
Notes payable	472,696,537	–	–	–	472,696,537
Accounts payable	5,297,633,770	–	–	–	5,297,633,770
Other payables	786,246,239	–	–	–	786,246,239
Long-term borrowings	665,194,785	602,057,183	2,543,763,984	679,754,911	4,490,770,863
Bonds payable	1,279,907,714	44,402,850	2,087,617,312	–	3,411,927,876
Long-term payables	150,932,659	114,734,059	88,106,800	7,336,800	361,110,318
Total	9,286,419,934	761,194,092	4,719,488,096	687,091,711	15,454,193,833

IX. DISCLOSURE OF FAIR VALUE

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

Item	As at 31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB	*RMB*	*RMB*	*RMB*
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	–	207,144,438	–	207,144,438
1. Held-for-trading financial assets	–	207,144,438	–	207,144,438
(II) Available-for-sale financial assets	29,707,153	–	19,055,500	48,762,653
1. Equity instrument investments	29,707,153	–	–	29,707,153
2. Debt instrument investments	–	–	19,055,500	19,055,500
Total assets continuously measured at fair value	29,707,153	207,144,438	19,055,500	255,907,091

Item	As at 31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB	*RMB*	*RMB*	*RMB*
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	35,003,608	–	–	35,003,608
1. Other non-current financial assets	35,003,608	–	–	35,003,608
(1) Equity instrument investments	35,003,608	–	–	35,003,608
(II) Financing with receivables	–	–	1,308,788,934	1,308,788,934
(III) Other equity instrument investments	–	–	38,230,101	38,230,101
Total assets continuously measured at fair value	35,003,608	–	1,347,019,035	1,382,022,643

Item	As at 30 December 2020			
	Level 1	Level 2	Level 3	Total
	RMB	*RMB*	*RMB*	*RMB*
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	32,827,254	1,004,581,752	–	1,037,409,006
1. Held-for-trading financial assets	–	1,004,581,752	–	1,004,581,752
(1) Money market fund	–	1,004,581,752	–	1,004,581,752
2. Other non-current financial assets	32,827,254	–	–	32,827,254
(1) Equity instrument investments	32,827,254	–	–	32,827,254
(II) Financing with receivables	–	–	1,020,306,419	1,020,306,419
(III) Other equity instrument investments	–	–	33,774,995	33,774,995
Total assets continuously measured at fair value	32,827,254	1,004,581,752	1,054,081,414	2,091,490,420

Item	As at 30 September 2021			
	Level 1	Level 2	Level 3	Total
	RMB	*RMB*	*RMB*	*RMB*
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	26,114,948	300,000,000	–	326,114,948
1. Held-for-trading financial assets	–	300,000,000	–	300,000,000
(1) Money market fund	–	300,000,000	–	300,000,000
2. Other non-current financial assets	26,114,948	–	–	26,114,948
(1) Equity instrument investments	26,114,948	–	–	26,114,948
(II) Financing with receivables	–	–	526,398,348	526,398,348
(III) Other equity instrument investments	–	–	49,138,327	49,138,327
Total assets continuously measured at fair value	26,114,948	300,000,000	575,536,675	901,651,623
II. Continuous fair value measurement				
(I) Financial liabilities at fair value through profit or loss	–	3,587,852	–	3,587,852
1. Held-for-trading liabilities	–	3,587,852	–	3,587,852
(1) Interest rate swap	–	3,587,852	–	3,587,852
(II) Bonds payable – Preferred share	–	–	131,943,768	131,943,768
Total liabilities continuously measured at fair value	–	3,587,852	131,943,768	135,531,620

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

The market prices of the above items measured at Level 1 fair value are determined based on the closing price of stock on 30 December 2019, 31 December 2020 and 30 September 2021.

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

The fair value of the market fund was determined based on the latest trading price.

The fair value of the interest rate swap product was determined based on the market value notice dated 30 September 2021.

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

For the fair value of the equity instrument investment mentioned above, the Group evaluate it by referring to the price-to-book ratio of the listed controlling shareholder of the invested object on 30 September 2020, 31 December 2020 and 30 September 2021, and taking into account the liquidity discount.

5. Level 3 fair value measurement items on a recurring basis, adjustment information between beginning and ending book value and sensitivity analysis of unobservable parameters (effective from 1 January 2019)

Item	31 January 2019	Total losses for the period Included in other comprehensive income	31 December 2019	Changes in unrealized gains or losses included in profit or loss in respect of the assets held at the end of the reporting period
	RMB	*RMB*	*RMB*	*RMB*
Financial assets measured at fair value through other comprehensive income – Other equity instrument investments	48,269,862	(10,039,761)	38,230,101	–

Item	1 January 2020	Total losses for the period Included in other comprehensive income	30 December 2020	Changes in unrealized gains or losses included in profit or loss in respect of the assets held at the end of the reporting period
	RMB	*RMB*	*RMB*	*RMB*
Financial assets measured at fair value through other comprehensive income – Other equity instrument investments	38,230,101	(4,455,106)	33,774,995	–

Item	1 January 2021	Total losses for the period Included in other comprehensive income	30 September 2021	Changes in unrealized gains or losses included in profit or loss in respect of the assets held at the end of the reporting period
	RMB	*RMB*	*RMB*	*RMB*
Financial assets measured at fair value through other comprehensive income – Other equity instrument investments	33,774,995	15,363,332	49,138,327	–

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

The Group's financial assets and liabilities not measured at fair value mainly include: cash and bank balances, accounts receivable, other receivables, available-for-sale financial assets, debt investments(effective from 1 January 2019), long-term receivables, bank borrowings, accounts payable, bonds payable (excluding preferred shares) and other financial liabilities, etc. As at 30 September 2021, there is no significant difference between the carrying amount and the fair value of the Group's financial assets and financial liabilities.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

Name	Place of registration	Nature of business	Registered capital	Proportion of shareholdings in the Company	Proportion of voting rights in the Company
				(%)	
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	100,000 Euros	39.85%	41.84%
Huaxin Group Co., Ltd.	Huangshi City, Hubei Province	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of service etc.	RMB340,000,000	16.12%	16.12%

Other explanation:

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 1.99% equity of the Company. Therefore, Holchin B.V. maintains 41.84% voting rights of the Company.

2. The Company's subsidiaries

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

3. The Company's joint ventures and associates

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

4. Other related parties

Other related parties	Relationship with the Company
Lafarge Holcim Energy Solutions S.A.S.	Controlled by Holcim Ltd.
Lafarge Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Holcim Ltd.
Holcim Philippines, Inc.	Controlled by Holcim Ltd.
Lafarge Holcim Distribution	Controlled by Holcim Ltd.
Hubei Huaxin Real Estate Co., Ltd.	Related party of associated natural persons
Huaxin Trading (Chibi) New Building Materials Co., LTD	Joint venture of the Group
Chenfeng Intelligent Equipment Hubei Co., LTD	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
Chongqing Lafarge Cement Co., Ltd.	Controlled by Holcim Ltd.
Lafarge Ciments Distribution	Controlled by Holcim Ltd.
Lafarge China Cement Co., Ltd.	Controlled by Holcim Ltd.
Holcim Technology Ltd.	Controlled by Holcim Ltd.

5. Related party transactions

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

Purchases of goods/receipts of services

		Amount for the year ended			For the nine months ended 30 September	
Related parties	Nature of transaction	2018	2019	2020	2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Lafarge Holcim Energy Solutions S.A.S.	Purchase of fuel	193,735,493	32,863,634	–	–	–
LAFARGE ASIA SDN BHD	Technical Services	150,318	1,300,260	–	–	–
Holcim Technology Ltd.	Technical services	7,549,520	7,673,820	–	7,691,872	–
Huaxin Group Co., Ltd.	Receipts of integrated management services	6,226,415	6,226,415	6,226,415	4,669,811	4,669,811
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Purchase of materials	–	–	–	–	4,222,115
Lafarge Holcim distribution	Purchase of materials	4,344,435	–	9,459,440	–	3,515,429
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	1,472,472	1,273,585	–	424,528	188,679
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Purchase of materials	–	1,172,022	–	–	–

Sales of goods/provision of services

Related parties	Nature of transaction	Amount for the year ended 2018	2019	2020	For the nine months ended 30 September 2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sale of spare parts	332,972,723	80,224,219	41,983,966	9,017,715	27,415,330
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Technical services	1,178,190	2,737,019	3,167,428	798,086	1,600,598
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Provision of labor services	–	–	–	–	–
Lafarge Holcim Construction Material (China) Co., Ltd.	Sale of materials	–	135,259	–	–	–
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Sale of goods	–	–	–	–	627,096
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Payments for spare parts on behalf of others	–	–	–	–	32,081
Holcim Philippines, Inc	Sale of spare parts	–	29,435,018	–	–	–
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Social security payments	–	–	–	–	711,890

(2) Leases with related parties

Leases where the Company is the lessee

Related party	Nature of transaction	Amount for the year ended 2018	2019	2020	For the nine months ended 30 September 2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	19,075,593	11,791,384	13,079,685	8,737,643	10,391,329

(3) Business combination

Related party	Nature of transaction	Amount for the year ended 2018	2019	2020	For the nine months ended 30 September 2020	2021
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Lafarge China Cement Co., Ltd.	Purchase of subsidiaries	253,300,000	–	–	–	–

(4) Remuneration of key management

	Amount for the year ended			For the nine months ended 30 September	
Item	**2018**	**2019**	**2020**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Remuneration of key management	41,563,900	65,271,117	94,617,796	87,832,815	70,963,349

6. Amounts due to/from related parties

(1) Accounts receivable

		As at 31 December			As at 30 September
Item	**Related parties**	**2018**	**2019**	**2020**	**2021**
		RMB	*RMB*	*RMB*	*RMB*
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	–	28,584,515	16,207,703	15,506,857
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	5,920,700	2,929,916	1,009,216	1,009,216
Accounts receivable	Huaxin Group Co., Ltd.	–	54,070	–	–
Accounts receivable	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	–	–	–	76,960
Prepayments	Chenfeng Intelligent Equipment Hubei Co., Ltd.	–	–	4,480,000	–
Prepayments	Lafarge Ciments Distribution	170,254	–	–	–
Other receivables	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	–	–	–	694,870
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	1,325,956	4,254,226	3,618,968	669,002
Other receivables	Huaxin Group Co., Ltd.	–	21,485	–	–
Other receivables	Chongqing Lafarge Cement Co., Ltd.	–	899,027	–	–
Other receivables	Shanghai Wan'an Huaxin Cement Co., Ltd.	20,918	22,365	22,365	–

(2) Accounts payable

		As at 31 December			As at 30 September
Item	**Related parties**	**2018**	**2019**	**2020**	**2021**
		RMB	*RMB*	*RMB*	*RMB*
Receipts in advance	Tibet Shigatse High-tech Xuelian Cement Co., Ltd	49,524,103	–	–	–
Accounts payable	Lafarge Holcim distribution	194,035	–	–	2,502,858
Accounts payable	Holcim Technology Ltd.	–	–	–	–
Accounts payable	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	–	–	–	617,104
Other payables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	–	276,800	15,224,013	4,246,859
Other payables	Huaxin Group Co. LTD	–	23,684	23,684	23,684
Other payables	LAFARGE ASIA SDN BHD	1,604,652	401,421	409,394	410,394
Other payables	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	–	–	–	34,293

XI. SHARE-BASED PAYMENTS

1. Equity-settled share-based payments

As at 31 December 2020

	RMB
The method for determining the fair value of the equity instrument on the grant date	The fair value is determined based on the Company's stock price on the grant date
The basis of determining the number of equity instruments expected to be vested	On each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may unlock, the Company's performance conditions and individual performance assessment and evaluation of incentive targets, etc. and revises the number of equity instruments expected to be unlocked. On the date expected to be unlocked, the number of equity instruments finally expected to be unlocked is consistent with the number of equity instruments actually to be unlocked.
Reasons for the significant differences between the estimate in the current period and that in the prior period	None
The cumulative amount of equity-settled share-based payments transferred into capital reserves	29,227,385
The total amount of recognized expenses paid by equity-settled shares in the current period	29,227,385

On 25 September 2020, the resolutions of the second extraordinary general meeting of 2020 approved the Proposal on the Company's Core Employee Stock Ownership Plan ("ESOP") 2020-2022 (Draft) and the Summary to grant totally 22,689,338 shares of restricted stock to the core employees at nil price. The aforesaid restricted stock was repurchased by the Company from the secondary market with an average price of repurchase amounting to RMB26.88 per share. The ESOP includes two parts of Plan A and Plan B, of which Plan A refers to a long-term incentive plan linked to annual performance assessment during 2020-2022, including six batches which are A-0, A-1.1, A-1.2, A-2.1, A-2.2, A-3, and granted, assessed vested by stages; Plan B refers to a long-term incentive plan linked to milestone performance assessment during 2020-2022, which is granted, assessed vested in one time. The Group completed the grant of Plan A-0 and Plan B on 25 September 2020, the total amount of shares granted was 16,575,024. The restricted shares under Plan A-0 are restricted for 36 months, 48 months and 60 months since the date of transferring the restricted stock to the ESOP and will be unlocked at a rate of 33%, 33% and 34%, respectively; The restricted shares under Plan B are restricted for 48 months since the date of transferring the restricted stock to the ESOP and will be unlocked at a rate of 100% upon 100% achievement of assessment target, 87.5% upon 90% achievement of assessment target and 75% upon 80% achievement of assessment target.

2. Cash-settled share-based payments

As at 31 December 2018:

The method for determining the fair value of the liabilities assumed by the Company and calculated on the basis of shares or other equity instruments	**The fair value determined on the basis of the Company's stock price on the settlement date**
The cumulative amount of liabilities resulting from cash-settled share-based payments	66,178,366
The total amount of expenses recognized in the current period for cash-settled share payments	53,013,624

As at 31 December 2019:

The method for determining the fair value of the liabilities assumed by the Company and calculated on the basis of shares or other equity instruments	**The fair value determined on the basis of the Company's stock price on the settlement date**
The cumulative amount of liabilities resulting from cash-settled share-based payments	153,734,094
The total amount of expenses recognized in the current period for cash-settled share payments	87,555,728

As at 31 December 2020:

The method for determining the fair value of the liabilities assumed by the Company and calculated on the basis of shares or other equity instruments	**The fair value determined on the basis of the Company's stock price on the settlement date**
The cumulative amount of liabilities resulting from cash-settled share-based payments	171,757,079
The total amount of expenses recognized in the current period for cash-settled share payments	107,735,367

On 2 December 2016, according to the 2017-2019 Core Management Long-term Incentive Plan of Huaxin Cement Co., Ltd., which was reviewed and approved by the 20th meeting of the eighth Board of Directors, the Company grants a specific number of virtual performance shares to the core managers based on the achievement of the performance appraisal from 2017 to 2019. The incentive bonus equal to the stock price on the settlement date shall be paid in cash on the settlement date after the expiration of the three-year service period from each grant date. If the stock price of the Company exceeds 200% of the stock price on the granted date, it will be calculated as 200% of the price on the granted day; If the price of the Japanese company stock is less than 50% of the price of the Company stock granted, it will be calculated as 50% of the price on the granted day.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Significant external commitments as at the balance sheet date and the nature and amount thereof

Capital commitments

	As at 31 December			**As at 30 September**
	2018	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Capital commitments that have been entered into but have not been recognized in the financial statements:				
– Commitment for acquisition and construction of long-term assets	1,032,630,289	1,513,149,478	1,177,743,687	1,730,174,444

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

	As at 31 December		
Minimum lease payments for non-cancellable operating leases:	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
1st year subsequent to the balance sheet date	13,685,676	14,972,035	31,111,810
2nd year subsequent to the balance sheet date	13,759,264	15,045,624	28,395,390
3rd year subsequent to the balance sheet date	13,832,853	15,119,213	29,061,992
Subsequent years	102,051,161	100,507,509	115,917,167
Total	143,328,954	145,644,381	204,486,359

2. Pending litigation

(1) In September 2020, Moncement Building Materials LLC ("Moncement Building Materials") applied for arbitration with ICC, claiming that the Group entered into EPC agreements and relevant supplementary agreements for the general contracting of construction project of cement production line of Moncement Building Materials from 2013 to 2017, however, breached its obligations of quality assurance obligations and maintenance obligations, which caused damages against Moncement Building Materials. Moncement Building Materials demanded the Group to compensate it for the amount of damages and all arbitration costs, and to pay interest at the rate of 10% per annum from the date of the arbitration application to the date of actual payment. As of the date of approving issuance of these financial statements, the management of the Company considered that the outcome was not yet predictable and made no provision.

(2) On 27 July 2020, the Group sued the Fengjie County Government, claiming that the Fengjie County Government violated Fengjie County municipal solid waste disposal cooperation agreement signed in August 2012, requiring it to pay the waste disposal fee of RMB12,273,373 Yuan, compensate for interest losses and bear all litigation costs of the case. On 26 October 2020, Fengjie County Government filed a lawsuit to require the Group to pay RMB59,455,842 for the expenses incurred in transporting the domestic waste of Fengjie County to the surrounding counties for disposal. As of the date of approving issuance of these financial statements, the management of the Company considered that the outcome was not yet predictable and made no provision.

(3) In July 2021, the Group received a notice of arbitration from the Wuhan Arbitration Commission applied by the Qingshan State-owned Capital Investment Operation Holding Group Co., Ltd. ("Qingshan State-owned Capital Operation Company"). Qingshan State-owned Capital Operation Company claimed that it had entered into an agreement with the Group to pay the residency relocation expenses of RMB26,000,000 due to the construction of cement powder demolition and mixing station in Wuhan Qingshan in June 2007 on behalf of the Group and the Group agreed to repay RMB6,000,000 on 31 December 2008, RMB10,000,000 on 31 December 2009 and RMB10,000,000 on 31 December 2010. Qingshan State-owned Capital Operation Company required the Group to repay the principal of RMB26,000,000 and the liquidated damages at the rate of 0.021% on the base date from the expiration date to the date of actual payment. As of the approving date of the financial statements, the Arbitration Commission has not yet announced the results of the arbitration, and the management of the Company considered that it was unlikely to repay the amount, so it made no provision.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit distribution

In accordance with the resolution of the board of directors on 25 March 2021, the board of directors proposed that the Company distribute cash dividends of RMB2,261,384,322 to all shareholders. The above proposal is pending approval by the shareholders' meeting.

2. Other explanations of events after the balance sheet date

Registered and approved by the China Securities Regulatory Commission (CSRC Approval [2021] No. 2628), the Company issued the first phase of corporate bonds with a total amount of RMB1.3 billion on 25 August 2021, with a coupon rate of 3.26%, and will calculate and pay interest once a year for a period of three years.

XIV. OTHER IMPORTANT MATTERS

1. Segment information

(1) Report division determination basis and accounting policy

As the Group's operating income, expenses, assets and liabilities are mainly related to the production and sale of cement and its related products, the Group considers that the businesses of various companies in the Group have obvious similarities. Thus, after considering factors such as internal organizational structure, management requirements and internal reporting system, the operating segment report is not prepared.

(2) Financial information of reporting segments

Non-current assets by geographical locations (Note)

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
China	20,456,354,511	22,803,090,399	24,408,221,749	27,874,393,277
Central Asia	1,052,803,178	2,018,424,011	1,828,399,859	1,707,115,908
Cambodia	687,748,793	792,998,853	682,081,096	752,113,914
Nepal	41,087,338	433,692,466	689,076,875	938,812,174
Tanzania	–	–	645,073,560	821,956,744
Total	22,237,993,820	26,048,205,729	28,252,853,139	32,094,392,017

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

Dependence on key customers:

No single customer accounted for more than 10% of the Group's operating revenue for the period from 1 January 2018 to 30 September 2021.

XV. NOTES TO MAIN ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENT

1. Accounts receivable

1.1 Accounts receivable (effective before 1 January 2019)

(1) Disclosure by aging

Aging	2018
	RMB
Within 1 year	
Including: divided into two parts	
1-6 months	288,954,472
6-12 months	160,397,931
Sub-total	449,352,403
1-2 years	27,565,945
2-3 years	120,941,404
Over 3 years	8,150,459
Less: Provision for credit loss	23,457,240
Total	582,552,971

(2) Disclosure by bad debt provision method

	As at 31 December 2018				
	Account balance		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Carrying amount
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables for which bad debt provision is assessed on an individual basis	601,950,697	99	23,448,258	4	578,502,439
Receivables for which bad debt provision is assessed on a portfolio basis	4,059,514	1	8,982	–	4,050,532
Total	606,010,211	100	23,457,240	4	582,552,971

(3) *Bad debt provision*

	Changes for the year ended 31 December 2018					
Category	**1 January 2018**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Other changes**	**31 December 2018**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for accounts receivable	9,117,390	18,552,887	(2,259,724)	(1,953,313)	–	23,457,240
Total	9,117,390	18,552,887	(2,259,724)	(1,953,313)	–	23,457,240

1.2 Accounts receivable (effective after 1 January 2019)

(1) *Disclosure by aging*

	As at 31 December	
Aging	**2019**	**2020**
	RMB	*RMB*
Within 1 year		
Including: divided into two parts		
1-6 months	74,646,323	520,489,417
6-12 months	372,544,679	940,457
Sub-total	447,191,002	521,429,874
1-2 years	294,243	25,185,682
2-3 years	2,411,691	294,243
Over 3 years	128,543,030	20,277,245
Less: Provision for credit loss	23,040,829	21,437,478
Total	555,399,137	545,749,566

(2) Disclosure by bad debt provision method

	As at 31 December 2019				
	Account balance		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Carrying amount
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables for which bad debt provision is assessed on an individual basis	544,248,674	94	23,015,875	4	521,232,799
Receivables for which bad debt provision is assessed on a portfolio basis	34,191,292	6	24,954	–	34,166,338
Total	578,439,966	100	23,040,829	4	555,399,137

	As at 31 December 2020				
	Account balance		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Carrying amount
	RMB	*(%)*	*RMB*	*(%)*	*RMB*
Receivables for which bad debt provision is assessed on an individual basis	552,623,510	97	21,201,797	4	531,421,713
Receivables for which bad debt provision is assessed on a portfolio basis	14,563,534	3	235,681	2	14,327,853
Total	567,187,044	100	21,437,478	6	545,749,566

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

Portfolio provision: types of cement receivables

	As at 31 December 2019		
Name	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	31,819,102	–	–
6-12 months	311,930	24,954	8
Total	32,131,032	24,954	–

	As at 31 December 2020		
Name	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	6,244,174	–	–
6-12 months	259,859	20,789	8
1-2 years	915,283	183,056	20
Total	7,419,316	203,845	3

Portfolio provision: types of other receivables

	As at 31 December 2019		
Name	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	2,060,260	–	–
Total	2,060,260	–	–

	As at 31 December 2020		
Name	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
	RMB	*RMB*	*(%)*
1-6 months	6,825,855	–	–
6-12 months	318,363	31,836	10
Total	7,144,218	31,836	–

(3) *Bad debt provision*

	Changes for the year ended 31 December 2019					
Category	**1 January 2019**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Other changes**	**31 December 2019**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for accounts receivable	23,457,240	162,350	(578,761)	–	–	23,040,829
Total	23,457,240	162,350	(578,761)	–	–	23,040,829

	Changes for the year ended 31 December 2020					
Category	**1 January 2020**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Other changes**	**31 December 2020**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for accounts receivable	23,040,829	65,001	(1,668,352)	–	–	21,437,478
Total	23,040,829	65,001	(1,668,352)	–	–	21,437,478

(4) *Top five accounts receivable categorized by debtor*

Item	Accounts receivable at 31 December 2019	% of total balance	Bad debt provision at 31 December 2019
	RMB	*(%)*	*RMB*
Client AD	123,535,134	21	–
Client AE	25,062,007	4	–
Client A	24,819,741	4	12,834,184
Client AF	23,952,037	4	–
Client AG	21,306,207	4	–
Total	218,675,126	37	12,834,184

Item	Accounts receivable at 31 December 2020	% of total balance	Bad debt provision at 31 December 2020
	RMB	*(%)*	*RMB*
Client AH	28,147,802	5	–
Client AI	25,550,080	5	–
Client AF	23,952,037	4	–
Client AG	22,272,664	4	–
Client AJ	19,343,388	3	–
Total	119,265,971	21	–

2. Other receivables

2.1 *Other receivables (effective before 1 January 2019)*

(1) Item presentation

Item	As at 31 December 2018
	RMB
Dividends receivable	71,129,700
Other receivables	4,567,969,736
Total	4,639,099,436

(2) Disclosure by aging

Aging	As at 31 December 2018
	RMB
Within 1 year	1,565,458,484
1-2 years	1,827,477,855
2-3 years	810,628,900
Over 3 years	411,277,283
Less: Provision for credit loss	46,872,786
Total	4,567,969,736

(3) Bad debt provision

	Changes for the year ended 31 December 2018					
Category	1 January 2018	31 December 2018	Provision	Recovery or reversal	Write-off or elimination	Other changes
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for other receivables	46,918,787	46,872,786	3,999	(50,000)	–	–
Total	46,918,787	46,872,786	3,999	(50,000)	–	–

(4) Top five other receivables categorized by debtor

For the year ended 31 December 2018

Company name	31 December 2018	(%) of total balance	Bad debt provision at 31 December 2018
	RMB	*(%)*	*RMB*
Huaxin Cement (Enping) Co., Ltd.	512,315,442	11	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	445,960,404	9	–
Huaxin Concrete (Wuhan) Co., Ltd.	281,812,287	6	–
Huaxin (Hong Kong) International Holdings Limited	260,178,772	6	–
Huaxin Cement Chongqing Fuling Co., Ltd.	167,145,290	4	–
Total	1,667,412,195	36	–

2.2. *Other receivables (effective after 1 January 2019)*

(1) Bad debt provision presented by item

Item	As at 31 December 2019	As at 31 December 2020
	RMB	*RMB*
Dividends receivable	21,255,397	–
Other receivables	4,525,408,017	4,396,614,326
Total	4,546,663,414	4,396,614,326

(2) Disclosure by aging

Aging	As at 31 December 2019	As at 31 December 2020
	RMB	*RMB*
Within 1 year	2,578,283,454	2,056,247,333
1-2 years	486,372,052	1,243,904,562
2-3 years	838,930,770	437,314,641
Over 3 years	668,550,171	706,042,459
Less: Provision for credit loss	46,728,430	46,894,669
Total	4,525,408,017	4,396,614,326

(3) *Bad debt provision*

	Changes for the year ended 31 December 2019					
Category	**1 January 2019**	**31 December 2019**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Other changes**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for other receivables	46,872,786	46,728,430	664,962	(629,318)	(180,000)	–
Total	46,872,786	46,728,430	664,962	(629,318)	(180,000)	–

	Changes for the year ended 31 December 2020					
Category	**1 January 2020**	**31 December 2020**	**Provision**	**Recovery or reversal**	**Write-off or elimination**	**Other changes**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision for other receivables	46,728,430	46,894,669	1,290,162	(85,790)	(1,038,133)	–
Total	46,728,430	46,894,669	1,290,162	(85,790)	(1,038,133)	–

(4) *Top five other receivables categorized by debtor:*

Company name	Nature of receivables	31 December 2019	Aging	(%) of total balance	Bad debt provision at 31 December 2019
		RMB		*(%)*	*RMB*
Client AF	Amounts due from subsidiaries	1,163,982,686	Within 1 year	25	–
Client AN	Amounts due from subsidiaries	320,544,473	1-2 years	7	–
Client AM	Amounts due from subsidiaries	315,355,414	Within 1 year	7	–
Client AO	Amounts due from subsidiaries	291,339,371	2-3 years	6	–
Client AP	Amounts due from subsidiaries	250,118,513	Within 1 year	5	–
Total	/	2,341,340,457	/	50	–

Company name	Nature of receivables	31 December 2020	Aging	(%) of total balance	Bad debt provision at 31 December 2020
		RMB		*(%)*	*RMB*
Client AF	Amounts due from subsidiaries	650,165,546	Within 1 year, 1-2 years and over 3 years	15	–
Client AO	Amounts due from subsidiaries	487,727,009	Within 1 year, 1-2 years	11	–
Client AQ	Amounts due from subsidiaries	415,044,413	Within 1 year, 1-2 years	9	–
Client AR	Amounts due from subsidiaries	383,342,721	Within 1 year, 1-2 years, 2-3 years and over 3 years	9	–
Client AN	Amounts due from subsidiaries	316,876,765	Within 1 year, 1-2 years, 2-3 years and over 3 years	7	–
Total	/	2,253,156,454	/	51	–

3. **Long-term equity investments**

Item	As at 31 December 2018 Closing balance	Opening balance
	RMB	*RMB*
Subsidiaries	9,727,603,237	9,284,303,237
Associates and joint venture	504,411,317	432,092,916
	10,232,014,554	9,716,396,153
Less: Impairment provision for long-term equity investment	42,000,000	42,000,000
Total	10,190,014,554	9,674,396,153

Item	As at 31 December 2019 Closing balance	Opening balance
	RMB	*RMB*
Subsidiaries	10,147,923,034	9,727,603,237
Associates and joint venture	380,104,103	504,411,317
	10,528,027,137	10,232,014,554
Less: Impairment provision for long-term equity investment	42,000,000	42,000,000
Total	10,486,027,137	10,190,014,554

Item	As at 31 December 2020 Closing balance	Opening balance
	RMB	*RMB*
Subsidiaries	10,712,823,034	10,147,923,034
Associates and joint venture	448,693,489	380,104,103
	11,161,516,523	10,528,027,137
Less: Impairment provision for long-term equity investment	42,000,000	42,000,000
Total	11,119,516,523	10,486,027,137

(1) Investments in subsidiaries

Investee	1 January 2018	Changes for the year: Businesses combination not involving common control	Changes for the year: Additional investment	31 December 2018	Impairment provision at 31 December 2018
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Hunan Huaxin Xianggang Cement Co., Ltd.	85,500,000	–	–	85,500,000	–
Huaxin Aggregate Co., Ltd.	258,100,000	–	–	258,100,000	–
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	–	–	91,601,080	–
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	–	–	1,000,000,000	–
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	–	–	80,502,159	–
Huaxin Concrete Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	–	–	363,802,268	–
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	–	–	500,000	–
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	–	–	197,590,806	–
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	–	–	220,000,000	–
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Daye) Co., Ltd.	420,100,753	–	–	420,100,753	–
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	–	–	65,550,000	–
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	–	–	99,437,031	–
Huaxin Cement (Enping) Co., Ltd.	674,058	–	–	674,058	–
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	–	–	40,200,000	–
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	–	–	30,124,664	–
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	24,300,483	–	–	24,300,483	–
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Huangshi) Co., Ltd.	–	–	190,000,000	190,000,000	–
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	–	–	70,800,000	–
Huaxin Cement Research and Design Co.,ltd.	990,000	–	–	990,000	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	–	–	140,000,000	–

Investee	1 January 2018	Changes for the year: Businesses combination not involving common control	Changes for the year: Additional investment	31 December 2018	Impairment provision at 31 December 2018
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	–	–	65,000,000	–
Huaxin Cement (Nantong) Co., Ltd.	89,680,203	–	–	89,680,203	–
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	–	–	120,000,000	–
Huaxin Cement (Suizhou)Co., Ltd.	24,600,000	–	–	24,600,000	
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	–	–	190,000,000	–
Huaxin Cement (Wuhan)Co., Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	–	–	14,658,135	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	–	–	45,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	108,623,689	–	–	108,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co.,Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co.,Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	–	253,300,000	–	253,300,000	–
Total	9,284,303,237	253,300,000	190,000,000	9,727,603,237	42,000,000

Investee	1 January 2019	Changes for the year: Additional investment	Changes for the year: Decrease in investment	31 December 2019	Impairment provision at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Hunan Huaxin Xianggang Cement Co., Ltd.	85,500,000	–	–	85,500,000	–
Huaxin Aggregate Co., Ltd.	258,100,000	–	–	258,100,000	–
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	–	–	91,601,080	–
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	–	–	1,000,000,000	–
Huaxin (Huangshi) Logistics Co., Ltd.	–	20,000,000	–	20,000,000	–
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	–	–	80,502,159	–
Huaxin Concrete Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	–	–	363,802,268	–
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	–	–	500,000	–
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	–	–	197,590,806	–
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	–	–	220,000,000	–
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Daye) Co., Ltd.	420,100,753	–	–	420,100,753	–
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	–	–	65,550,000	–
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	–	–	99,437,031	–
Huaxin Cement (Enping) Co., Ltd.	674,058	–	–	674,058	–
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	–	–	40,200,000	–
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	–	–	30,124,664	–
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	24,300,483	–	–	24,300,483	–
Huaxin Cement (Huangshi) Bulk Storage and transportation Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Huangshi) Co., Ltd.	190,000,000	210,000,000	–	400,000,000	–
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	–	–	70,800,000	–
Huaxin Cement Research and Design Co.,Ltd.	990,000	–	–	990,000	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	–	–	65,000,000	–
Huaxin Cement (Nantong) Co., Ltd.	89,680,203	–	(89,680,203)	–	–
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	–	–	120,000,000	–

Investee	1 January 2019	Changes for the year: Additional investment	Changes for the year: Decrease in investment	31 December 2019	Impairment provision at 31 December 2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Huaxin Cement (Suizhou) Co., Ltd.	24,600,000	–	–	24,600,000	–
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	–	–	190,000,000	–
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	–	–	14,658,135	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	–	–	45,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	108,623,689	280,000,000	–	388,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co.,Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co.,Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co.,Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co.,Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	253,300,000	–	–	253,300,000	–
Total	9,727,603,237	510,000,000	(89,680,203)	10,147,923,034	42,000,000

Investee	1 January 2020	Changes for the year: Additional investment	Changes for the year: Decrease in investment	31 December 2020	Impairment provision at 31 December 2020
	RMB	RMB	RMB	RMB	RMB
Hunan Huaxin Xianggang Cement Co., Ltd.	85,500,000	–	(85,500,000.00)	–	–
Huaxin Aggregate Co., Ltd.	258,100,000	–	–	258,100,000	–
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	–	–	91,601,080	–
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	–	–	1,000,000,000	–
Huaxin (Huangshi) Logistics Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	–	–	80,502,159	–
Huaxin Concrete Co., Ltd.	50,000,000	30,000,000	–	80,000,000	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	–	–	363,802,268	–
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	–	–	500,000	–
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	–	–	197,590,806	–
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	–	–	220,000,000	–
Huaxin Cement (Chibi) Co.,Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Daye) Co., Ltd.	420,100,753	–	–	420,100,753	–
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	–	–	65,550,000	–
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	–	–	99,437,031	–
Huaxin Cement (Enping) Co., Ltd.	674,058	–	–	674,058	–
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	–	–	40,200,000	–
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	–	–	30,124,664	–
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	24,300,483	20,400,000	–	44,700,483	–
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Huangshi) Co., Ltd.	400,000,000	–	–	400,000,000	–
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	–	–	70,800,000	–
Huaxin Cement Research and Design Co., Ltd.	990,000	–	–	990,000	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	–	–	65,000,000	–
Huaxin Cement (Nantong) Co., Ltd.	–	–	–	–	–
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	–	–	120,000,000	–

Investee	1 January 2020	Changes for the year: Additional investment	Changes for the year: Decrease in investment	31 December 2020	Impairment provision at 31 December 2020
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Huaxin Cement (Suizhou) Co., Ltd.	24,600,000	–	–	24,600,000	–
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	–	–	190,000,000	–
Huaxin Cement (Wuhan) Co.,Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co.,Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co.,Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	–	–	14,658,135	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	–	–	45,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Zhuzhou Cement	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co.,Ltd.	240,000,000	–	–	240,000,000	–
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co.,Ltd.	388,623,689	–	–	388,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co., Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co., Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co.,Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	253,300,000	–	–	253,300,000	–
Huangshi Huaxin Green Building Materials Co.,Ltd.	–	600,000,000	–	600,000,000	–
Total	10,147,923,034	650,400,000	(85,500,000)	10,712,823,034	42,000,000

(2) *Investments in associates and joint ventures*

Investee	Changes for the year ended 31 December 2018			
	1 January 2018	**Investment profit or loss recognized under equity method**	**Other equity changes**	**31 December 2018**
	RMB	*RMB*	*RMB*	*RMB*
I. Associates				
Tibet High-tech Building Materials Co., Ltd.	269,473,964	71,881,760	–	341,355,724
Shanghai Wan'an Huaxin Cement Co., Ltd.	162,618,952	436,641	–	163,055,593
Total	432,092,916	72,318,401	–	504,411,317

Investee	Changes for the year ended 31 December 2019					
	1 January 2019	**Decrease in investment**	**Investment profit or loss recognized under equity method**	**Other equity changes**	**Declared cash dividends**	**31 December 2019**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Associates						
Tibet High-tech Building Materials Co., Ltd.	341,355,724	–	109,053,559	2,215,277	(165,550,000)	287,074,560
Shanghai Wan'an Huaxin Cement Co., Ltd.	163,055,593	(67,968,921)	(2,057,129)	–	–	93,029,543
Total	504,411,317	(67,968,921)	106,996,430	2,215,277	(165,550,000)	380,104,103

Investee	Changes for the year ended 31 December 2020					
	1 January 2020	**Decrease in investment**	**Investment profit or loss recognized under equity method**	**Other equity changes**	**Declared cash dividends**	**31 December 2020**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Associates						
Tibet High-tech Building Materials Co., Ltd.	287,074,560	–	68,333,072	871,900	–	356,279,532
Shanghai Wan'an Huaxin Cement Co., Ltd.	93,029,543	–	(615,586)	–	–	92,413,957
Total	380,104,103	–	67,717,486	871,900	–	448,693,489

(3) Provision for impairment of long-term equity investment

	31 December 2018	31 December 2019	31 December 2020
	RMB	*RMB*	*RMB*
Subsidiary — Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	42,000,000	42,000,000

4. Operating income and operating costs

	Amount for the year ended 31 December					
	2018		2019		2020	
Item	**income**	**costs**	**income**	**costs**	**income**	**costs**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Principal operations	1,050,600,575	677,229,556	1,139,849,588	751,806,633	1,135,016,134	808,673,342
Other operations	1,852,853,873	1,468,006,246	2,972,819,511	2,622,721,664	2,878,207,488	2,574,643,647
Total	2,903,454,448	2,145,235,802	4,112,669,099	3,374,528,297	4,013,223,622	3,383,316,989

5. Investment income

	Amount for the year ended 31 December		
Item	**2018**	**2019**	**2020**
	RMB	*RMB*	*RMB*
Income from long-term equity investment under cost method	1,553,545,708	2,423,388,386	3,006,506,405
Investment income of held-for-trading financial assets during the holding period	–	7,438,572	1,339,145
Income from long-term equity investments under equity method	72,318,401	106,996,430	67,717,486
Investment income from disposal of financial asset at FVTPL	12,266,445	–	–
Investment income from available-for-sale financial assets during the holding period	1,103,937	–	–
Investment income from disposal of subsidiaries	–	140,408,268	124,500,000
Dividend income of other equity instrument investments during the holding period	–	521,519	1,133,360
Dividend income of other non-current financial assets during the holding period	–	1,255,397	1,408,167
Others	1,440,223	–	–
Total	1,640,674,714	2,680,008,572	3,202,604,563

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

Item	Amount for the year ended 31 December		
	2018	2019	2020
	RMB	*RMB*	*RMB*
Profit or loss on disposal of non-current assets	(17,370,924)	157,081,620	(9,013,118)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	73,387,762	74,943,476	101,892,558
Profit or loss on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities and investment income on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, other than those used in the effective hedging activities relating to normal operating business	16,955,156	12,735,027	3,744,543
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment	–	43,412,375	2,338,361
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	4,489,836	3,823,563	–
Investment losses from disposal of subsidiaries	–	–	–
Recovery of provisions for bad debts that have been written off	–	–	–
Other non-operating income or expenses other than the above	(8,972,304)	(13,216,729)	(12,559,351)
Others	(1,603,657)	–	–
Effect of income tax	(13,361,711)	(68,926,365)	(11,733,195)
Effect of minority interests	382,389	(47,537,062)	2,220,722
Total	53,906,547	162,315,905	76,890,520

2. Return on net assets and earnings per share ("EPS")

This calculation statement of return on net assets and earnings per share is prepared by the Group in accordance with the relevant provisions of Rules for Information Disclosure and Reporting of Publicly Issued Securities Companies No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) issued by China Securities Regulatory Commission.

Profit for year ended 31 December 2018	Weighted average return on net assets	EPS	
		Basic EPS	Diluted EPS
	(%)		
Net profit attributable to ordinary shareholders of the Company	36.27	3.46	N/A
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profits or losses	35.89	3.42	N/A

Profit for year ended 31 December 2019	Weighted average return on net assets	EPS	
		Basic EPS	Diluted EPS
	(%)		
Net profit attributable to ordinary shareholders of the Company	33.63	3.03	N/A
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profits or losses	32.77	2.95	N/A

Profit for year ended 31 December 2020	Weighted average return on net assets	EPS	
		Basic EPS	Diluted EPS
	(%)		
Net profit attributable to ordinary shareholders of the Company	25.03	2.69	2.69
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profits or losses	24.68	2.65	2.65

Huaxin set out the following supplemental financial information of parent company, which was not included in Huaxin's Audited Consolidated Financial Statements showing the financial information for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, nor was it included in Huaxin's unaudited Consolidated Financial Statements for the nine-month period ended 30 September 2021.

1. CASH AND BANK BALANCES

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Cash on hand	3,006	1,916	136	128
Bank Balances	3,444,015,036	3,141,836,936	4,624,314,187	3,992,242,376
Other monetary assets	7,302,960	7,090,911	26,103,996	1,800,918
Total	3,451,321,002	3,148,929,763	4,650,418,319	3,994,043,422

2. NOTES RECEIVABLE

(1) Classification of notes receivables

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Bank acceptances	211,818,382	–	100,000	22,000,000

(2) Notes receivable of the Group that have been endorsed but were not yet due as at the balance sheet date

Item	As at 31 December 2018	As at 31 December 2018
	Derecognized amount	Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	16,818,826	3,500,000

Item	As at 31 December 2019	As at 31 December 2019
	Derecognized amount	Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	–	–

Item	As at 31 December 2020	As at 31 December 2020
	Derecognized amount	Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	–	100,000

Item	As at 30 September 2021	As at 30 September 2021
	Derecognized amount	Not derecognized amount
	RMB	*RMB*
Bank acceptances – endorsed but has not yet expired	–	10,911,039

3. ACCOUNTS RECEIVABLE

3.1 Accounts receivable (effective before 1 January 2019)

(1) Disclosure by aging

Aging	As at 31 December 2018
Within 1 year	
1 - 6 months	288,954,472
6 - 12 months	160,397,931
Sub-total	449,352,403
1 - 2 years	27,565,945
2 - 3 years	120,941,404
Over 3 years	8,150,459
Less: Provision for credit loss	23,457,240
Total	582,552,971

(2) Disclosure by bad debt provision method

	As at 31 December 2018				
Category	Account balance		Bad debt provision		Carrying amount
	Amount	*Proportion (%)*	*Amount*	*Proportion of provision (%)*	
Receivables for which bad debt provision is assessed on an individual basis	601,950,697	99	23,448,258	4	578,502,439
Receivables for which bad debt provision is assessed on a portfolio basis	4,059,514	1	8,982	–	4,050,532
Total	606,010,211	100	23,457,240	4	582,552,971

(3) Bad debt provision

Changes for the year ended 31 December 2018

	1 January 2018	Provision	Recovery or reversal	Write-off or elimination	Other changes	31 December 2018
Bad debt provision for accounts receivable	9,117,390	18,552,887	(2,259,724)	(1,953,313)	–	23,457,240
Total	9,117,390	18,552,887	(2,259,724)	(1,953,313)	–	23,457,240

3.2 Accounts receivable (effective after 1 January 2019)

(1) Disclosure by aging

Aging	As at 31 December		As at 30 September
	2019	2020	2021
Within 1 year			
1 - 6 months	74,646,323	520,489,417	814,762,533
6 - 12 months	372,544,679	940,457	27,698,999
Sub-total	447,191,002	521,429,874	842,461,532
1 - 2 years	294,243	25,185,682	3,578,820
2 - 3 years	2,411,691	294,243	3,241,575
Over 3 years	128,543,030	20,277,245	19,925,654
Less: Provision for credit loss	23,040,829	21,437,478	20,632,239
Total	555,399,137	545,749,566	848,575,342

(2) Disclosure by bad debt provision method

	As at 31 December 2019				
Category	**Account balance**		**Bad debt provision**		**Carrying amount**
	Amount	*Proportion (%)*	*Amount*	*Proportion of provision (%)*	
Receivables for which bad debt provision is assessed on an individual basis	544,248,674	94	23,015,875	4	521,232,799
Receivables for which bad debt provision is assessed on a portfolio basis	34,191,292	6	24,954	–	34,166,338
Total	578,439,966	100	23,040,829	4	555,399,137

	As at 31 December 2020				
Category	**Account balance**		**Bad debt provision**		**Carrying amount**
	Amount	*Proportion (%)*	*Amount*	*Proportion of provision (%)*	
Receivables for which bad debt provision is assessed on an individual basis	552,623,510	97	21,201,797	4	531,421,713
Receivables for which bad debt provision is assessed on a portfolio basis	14,563,534	3	235,681	2	14,327,853
Total	567,187,044	100	21,437,478	4	545,749,566

	As at 30 September 2021				
Category	**Account balance**		**Bad debt provision**		**Carrying amount**
	Amount	*Proportion (%)*	*Amount*	*Proportion of provision (%)*	
Receivables for which bad debt provision is assessed on an individual basis	771,435,281	89	19,316,472	3	752,118,809
Receivables for which bad debt provision is assessed on a portfolio basis	97,772,300	11	1,315,767	1	96,456,533
Total	869,207,582	100	20,632,239	2	848,575,342

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

Portfolio provision: types of cement receivables:

	As at 31 December 2019		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 - 6 months	31,819,102	–	–
6 - 12 months	311,930	24,954	8
Total	32,131,032	24,954	

	As at 31 December 2020		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 - 6 months	6,244,174	–	–
6 - 12 months	259,859	20,789	8
1 - 2 years	915,283	183,056	20
Total	7,419,316	203,845	

	As at 30 September 2021		
Name	Accounts receivable	Bad debt provision	Expected average loss rate (%)
1 - 6 months	281,189	5,061	2
Total	281,189	5,061	

Portfolio provision: types of other receivables

	As at 31 December 2019		
Name	Accounts receivable	Bad debt provision	Expected average loss rate (%)
1 - 6 months	2,060,260	–	–
Total	2,060,260	–	

	As at 31 December 2020		
Name	Accounts receivable	Bad debt provision	Expected average loss rate (%)
1 - 6 months	6,825,855	–	–
6 - 12 months	318,363	31,836	10
Total	7,144,218	31,836	

	As at 30 September 2021		
Name	Accounts receivable	Bad debt provision	Expected average loss rate (%)
1 - 6 months	92,549,777	593,410	1
6 - 12 months	3,090,283	191,598	6
1 - 2 years	1,851,051	525,698	28
Total	97,491,111	1,310,706	

(3) Bad debt provision

Changes for the year ended 31 December 2019

	1 January 2019	Provision	Recovery or reversal	Write-off or elimination	Other changes	31 December 2019
Bad debt provision for accounts receivable	23,457,240	162,350	(578,761)	–	–	23,040,829
Total	23,457,240	162,350	(578,761)	–	–	23,040,829

Changes for the year ended 31 December 2020

	1 January 2020	Provision	Recovery or reversal	Write-off or elimination	Other changes	31 December 2020
Bad debt provision for accounts receivable	23,040,829	65,001	(1,668,352)	–	–	21,437,478
Total	23,040,829	65,001	(1,668,352)	–	–	21,437,478

Changes for the year ended 30 September 2021

	1 January 2021	Provision	Recovery or reversal	Write-off or elimination	Other changes	As at 30 September 2021
Bad debt provision for accounts receivable	21,437,478	329,534	(181,227)	(953,546)	–	20,632,239
Total	21,437,478	329,534	(181,227)	(953,546)	–	20,632,239

(4) Top five accounts receivable categorized by debtor

Item	Accounts receivable at 31 December 2019	% of total balance	Bad debt provision at 31 December 2019
Client AD	123,535,134	21	–
Client AE	25,062,007	4	–
Client A	24,819,741	4	12,834,184
Client AF	23,952,037	4	–
Client AG	21,306,207	4	–
Total	218,675,126	37	12,834,184

Item	Accounts receivable at 31 December 2020	% of total balance	Bad debt provision at 31 December 2020
Client AH	28,147,802	5	–
Client AI	25,550,080	5	–
Client AF	23,952,037	4	–
Client AG	22,272,664	4	–
Client AJ	19,343,388	3	–
Total	119,265,971	21	–

Item	Accounts receivable at 30 September 2021	% of total balance	Bad debt provision at 30 September 2021
Client F	71,935,274	8	–
Client AJ	44,998,126	5	–
Client AT	43,391,754	5	–
Client AI	35,525,843	4	–
Client AH	34,958,895	4	–
Total	230,809,892	26	–

4. FINANCING WITH RECEIVABLES

(1) Classification of financing with receivables

Item	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Bank acceptances	N/A	245,181,208	151,473,769	110,903,162
Total	N/A	245,181,208	151,473,769	110,903,162

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

	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Bank acceptances	N/A	48,000,000	4,846,455	33,943,499
Total	N/A	48,000,000	4,846,455	33,943,499

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

As at 31 December 2019

Item	Derecognized amount at the end of the period	Underecognized amount at the end of the period
	RMB	*RMB*
Financing with receivables of the Company that has been endorsed but has not yet expired as at the balance sheet date at the end of the period	73,665,553	–

As at 31 December 2020

Item	Derecognized amount at the end of the period	Underecognized amount at the end of the period
	RMB	*RMB*
Financing with receivables of the Company that has been endorsed but has not yet expired as at the balance sheet date at the end of the period	34,700,000	–

As at 30 September 2021

Item	Derecognized amount at the end of the period	Underecognized amount at the end of the period
	RMB	*RMB*
Financing with receivables of the Company that has been endorsed but has not yet expired as at the balance sheet date at the end of the period	–	–

5. PREPAYMENTS

(1) Aging analysis of prepayments is as follows

	2018		2019		2020		2021	
	As at 31 December		As at 31 December		As at 31 December		As at 30 September	
Item	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
	RMB	*(%)*	*RMB*	*(%)*	*RMB*	*(%)*	*RMB*	*(%)*
Within 1 year	181,907,985	99	132,951,338	98	225,391,498	100	453,251,926	99
Between 1 and 2 years	225,000	–	1,285,583	1	1,004,734	–	4,158,289	1
Between 2 and 3 years	893,562	1	225,000	–	–	–	283,952	–
Over 3 years	110,777	–	917,339	1	–	–	0	–
Total	183,137,324	100	135,379,260	100	226,396,232	100	457,694,167	100

(2) Top five entities with the largest balances of prepayments

Name of supplier	As at 31 December 2018 Amount	% of total balance
	RMB	*(%)*
Supplier A	76,820,149	42
Supplier D	25,933,353	14
Supplier E	24,400,000	13
Supplier O	17,761,500	10
Supplier P	16,808,418	9
Total	161,723,420	88

Name of supplier	As at 31 December 2019 Amount	% of total balance
	RMB	*(%)*
Supplier Q	58,981,922	44
Supplier A	46,816,720	35
Supplier R	5,701,223	4
Supplier S	2,682,056	2
Supplier T	2,064,359	2
Total	116,246,280	86

Name of supplier	As at 31 December 2020 Amount	% of total balance
	RMB	*(%)*
Supplier Q	72,559,151	32
Supplier A	46,360,538	20
Supplier I	31,921,017	14
Supplier K	10,527,309	5
Supplier U	5,926,187	3
Total	167,294,203	74

Name of supplier	As at 30 September 2021 Amount	
	Amount	% of total balance
	RMB	*(%)*
Supplier A	185,952,888	41
Supplier Q	82,798,107	18
Supplier V	25,666,421	6
Supplier L	22,761,948	5
Supplier W	22,153,746	5
Total	339,333,110	75

6. OTHER RECEIVABLES

6.1 Other receivables (effective before 1 January 2019)

(1) Bad debt provision presented by item

Item	As at 31 December 2018
Dividends receivable	71,129,700
Other receivables	4,567,969,736
Total	4,639,099,436

(2) Disclosure by aging

Aging	As at 31 December 2018
Within 1 year	1,565,458,484
1 – 2 years	1,827,477,855
2 – 3 years	810,628,900
Over 3 years	411,277,283
Less: Credit loss allowance	46,872,786
Total	4,567,969,736

(3) Bad debt provision

Changes for the year ended 31 December 2018

Category	1 January 2018	31 December 2018	Provision	Recovery or reversal	Write-off or elimination
Bad debt provision for other receivables	46,918,787	46,872,786	3,999	(50,000)	–
Total	46,918,787	46,872,786	3,999	(50,000)	–

(4) Top five other receivables categorized by debtor:

For the year ended 31 December 2018

Company name	Nature of receivables	Closing balance	(%) of total balance	Closing balance of bad debt provision
Client AN	Amounts due from subsidiaries	512,315,442	11	–
Client AP	Amounts due from subsidiaries	445,960,404	9	–
Client AO	Amounts due from subsidiaries	281,812,287	6	–
Client AF	Amounts due from subsidiaries	260,178,772	6	–
Client AL	Amounts due from subsidiaries	167,145,290	4	–
Total		1,667,412,195	36	–

6.2 Other receivables (effective after 1 January 2019)

(1) Bad debt provision presented by item

Item	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
Dividends receivable	21,255,397	–	341,563,031
Other receivables	4,525,408,017	4,396,614,326	4,284,936,282
Total	4,546,663,414	4,396,614,326	4,626,499,313

(2) Disclosure by aging

Aging	As at 31 December 2019	As at 31 December 2020	As at 30 September 2021
Within 1 year	2,578,283,454	2,056,247,333	1,056,295,919
1 – 2 years	486,372,052	1,243,904,562	1,773,815,858
2 – 3 years	838,930,770	437,314,641	382,568,418
Over 3 years	668,550,171	706,042,459	1,119,416,608
Sub-total	4,572,136,447	4,443,508,995	4,332,096,803
Less: Credit loss allowance	46,728,430	46,894,669	47,160,521
Total	4,525,408,017	4,396,614,326	4,284,936,282

(3) Bad debt provision

Changes for the year ended 31 December 2019

Category	1 January 2019	31 December 2019	Provision	Recovery or reversal	Write-off or elimination
Bad debt provision for other receivables	46,872,786	46,728,430	664,962	(629,318)	(180,000)
Total	46,872,786	46,728,430	664,962	(629,318)	(180,000)

Changes for the year ended 31 December 2020

Category	1 January 2020	31 December 2020	Provision	Recovery or reversal	Write-off or elimination
Bad debt provision for other receivables	46,728,430	46,894,669	1,290,162	(85,790)	(1,038,133)
Total	46,728,430	46,894,669	1,290,162	(85,790)	(1,038,133)

Changes for the period ended 30 September 2021

Category	1 January 2020	30 September 2021	Provision	Recovery or reversal	Write-off or elimination
Bad debt provision for other receivables	46,894,669	47,160,521	268,959	(3,107)	–
Total	46,894,669	47,160,521	268,959	(3,107)	–

(4) Top five other receivables categorized by debtor:

For the year ended 31 December 2019

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Client AF	Amounts due from subsidiaries	1,163,982,686	Within 1 year	25	–
Client AN	Amounts due from subsidiaries	320,544,473	1 – 2 years	7	–
Client AM	Amounts due from subsidiaries	315,355,414	Within 1 year	7	–
Client AO	Amounts due from subsidiaries	291,339,37	2 – 3 years	6	–
Client AP	Amounts due from subsidiaries	250,118,513	Within 1 year	5	–
Total		2,341,340,457		50	–

For the year ended 31 December 2020

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Client AF	Amounts due from subsidiaries	650,165,546	Within 1 year, 1 – 2 years and over 3 years	15	–
Client AO	Amounts due from subsidiaries	487,727,009	Within 1 year, 1 – 2 years	11	–
Client AQ	Amounts due from subsidiaries	415,044,413	Within 1 year, 1 – 2 years	9	–
Client AR	Amounts due from subsidiaries	383,342,721	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	9	–
Client AN	Amounts due from subsidiaries	316,876,765	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	7	–
Total		2,253,156,454		51	–

For the period ended 30 September 2021

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Client AQ	Amounts due from subsidiaries	557,889,011	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	13	–
Client AO	Amounts due from subsidiaries	332,344,928	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	8	–
Client AM	Amounts due from subsidiaries	307,278,106	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	7	–
Client AN	Amounts due from subsidiaries	273,588,862	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	6	–
Client AU	Amounts due from subsidiaries	207,471,781	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	5	–
Total		1,678,572,688		39	–

7. INVENTORIES

(1) Categories of inventories

	As at 31 December 2018		
Item	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	276,002,224	–	276,002,224
Semi-finished goods	27,527,021	–	27,527,021
Finished goods	15,292,023	–	15,292,023
Spare parts and auxiliary material, etc	18,134,380	4,803,343	13,331,037
Total	336,995,648	4,803,343	332,152,305

	As at 31 December 2019		
Item	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	220,415,057	–	220,415,057
Semi-finished goods	22,697,608	–	22,697,608
Finished goods	10,778,878	–	10,778,878
Spare parts and auxiliary material, etc	19,882,364	4,862,337	15,020,027
Total	273,773,907	4,862,337	268,911,570

	As at 31 December 2020		
Item	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	226,540,245	–	226,540,245
Semi-finished goods	24,994,114	–	24,994,114
Finished goods	63,102,983	–	63,102,983
Spare parts and auxiliary material, etc	11,430,237	5,068,803	6,361,434
Total	326,067,579	5,068,803	320,998,776

Item	As at 30 September 2021 Carrying amount	Provision for decline in value of inventories	Book value
	RMB	*RMB*	*RMB*
Raw materials	303,229,158	–	303,229,158
Semi-finished goods	16,637,477	–	16,637,477
Finished goods	54,755,642	–	54,755,642
Spare parts and auxiliary materials, etc	23,102,433	5,538,521	17,563,912
Total	397,724,710	5,538,521	392,186,189

(2) Provision for decline in value of inventories

Item	As at 1 January 2018	Increase provision	Decrease		As at 31 December 2018
			Reversal	Write-off	
Raw materials	–	–	–	–	–
Semi-finished goods	–	–	–	–	–
Spare parts and auxiliary material, etc	4,619,114	9,488,548	9,304,319	–	4,803,343
Total	4,619,114	9,488,548	9,304,319	–	4,803,343

Item	As at 1 January 2019	Increase provision	Decrease		As at 31 December 2019
			Reversal	Write-off	
Raw materials	–	–	–	–	–
Semi-finished goods	–	–	–	–	–
Spare parts and auxiliary material, etc	4,803,343	58,994	–	–	4,862,337
Total	4,803,343	58,994	–	–	4,862,337

Item	As at 1 January 2020	Increase provision	Decrease: Reversal	Decrease: Write-off	As at 31 December 2020
Raw materials	–	–	–	–	–
Semi-finished goods	–	–	–	–	–
Spare parts and auxiliary material, etc	4,862,337	206,466	–	–	5,068,803
Total	4,862,337	206,466	–	–	5,068,803

Item	As at 1 January 2021	Increase provision	Decrease: Reversal	Decrease: Write-off	As at 30 September 2021
Raw materials	–	–	–	–	–
Semi-finished goods	–	–	–	–	–
Spare parts and auxiliary material, etc	5,068,803	469,718	–	–	5,538,521
Total	5,068,803	469,718	–	–	5,538,521

8. LONG-TERM EQUITY INVESTMENTS

	As at 31 December			As at 30 September
Item	2018	2019	2020	2021
	RMB	RMB	RMB	RMB
Subsidiaries	9,727,603,237	10,147,923,034	10,712,823,034	11,256,823,034
Associates	504,411,317	380,104,103	448,693,489	456,109,977
Sub-total	10,232,014,554	10,528,027,137	11,161,516,523	11,712,933,011
Less: Impairment provision for long-term equity investments	42,000,000	42,000,000	42,000,000	42,000,000
Total	10,190,014,554	10,486,027,137	11,119,516,523	11,670,933,011

9. FIXED ASSETS

9.1 Categories

	As at 31 December			As at 30 September
	2018	2019	2020	2021
Fixed assets	301,950,484	347,148,222	433,680,623	419,900,903
Disposal of fixed assets	(1,800,000)	–	3,459,210	(2,407,338)
Total	300,150,484	347,148,222	437,139,833	417,493,565

9.2 Fixed assets

Item	Building	Machinery and equipment	Office equipment	Transportation vehicles	Total
1. Original carrying amount					
1. As at 1 January 2018	466,176,338	913,846,183	42,220,136	27,962,769	1,450,205,426
2. Addition	6,716,929	2,204,869	1,051,864	–	9,973,662
(1) Purchase	1,716,929	802,073	1,051,864	–	3,570,866
(2) Transferred from construction in progress	5,000,000	1,402,796	–	–	6,402,796
(3) Increase due to business combination	–	–	–	–	–
3. Reduction	4,838,621	2,019,517	21,529,047	2,950,804	31,337,989
(1) Disposal	4,838,621	2,019,517	21,529,047	2,950,804	31,337,989
4. Translation difference	–	–	–	–	–
5. As at 31 December 2018	468,054,646	914,031,535	21,742,953	25,011,965	1,428,841,099
2. Accumulated depreciation					
1. As at 1 January 2018	265,480,463	789,781,356	36,245,878	18,602,689	1,110,110,386
2. Addition	16,850,491	18,329,375	1,400,153	3,482,362	40,062,381
(1) Provision made during the year	16,850,491	18,329,375	1,400,153	3,482,362	40,062,381
3. Reduction	2,339,143	1,792,931	20,654,594	2,542,720	27,329,388
(1) Disposal	2,339,143	1,792,931	20,654,594	2,542,720	27,329,388
4. Translation difference	–	–	–	–	–
5. As at 31 December 2018	279,991,811	806,317,800	16,991,437	19,542,331	1,122,843,379
3. Provision for impairment					
1. As at 1 January 2018	2,142,897	1,904,339	–	–	4,047,236
2. Addition	–	–	–	–	–
(1) Provision made during the year	–	–	–	–	–
3. Reduction	–	–	–	–	–
(1) Disposal	–	–	–	–	–
4. As at 31 December 2018	2,142,897	1,904,339	–	–	4,047,236
4. Net book value					
Book value as at 31 December 2018	185,919,938	105,809,396	4,751,516	5,469,634	301,950,484
Book value as at 1 January 2018	198,552,978	122,160,488	5,974,258	9,360,080	336,047,804

Item	Building	Machinery and equipment	Office equipment	Transportation vehicles	Total
1. Original carrying amount					
1. As at 1 January 2019	468,054,647	914,031,536	21,742,953	25,011,965	1,428,841,101
2. Addition	28,215,847	53,652,172	916,198	–	82,784,217
(1) Purchase	153,726	1,716,708	901,251	–	2,771,685
(2) Transferred from construction in progress	28,062,121	51,935,464	14,947	–	80,012,532
(3) Increase due to business combination	–	–	–	–	–
3. Reduction	–	–	1,968,153	253,846	2,221,999
(1) Disposal	–	–	1,968,153	253,846	2,221,999
4. Translation difference	–	–	–	–	–
5. As at 31 December 2019	496,270,494	967,683,708	20,690,998	24,758,119	1,509,403,319
2. Accumulated depreciation					
1. As at 1 January 2019	279,991,812	806,317,801	16,991,437	19,542,331	1,122,843,381
2. Addition	17,102,995	16,880,163	1,521,980	1,977,746	37,482,884
(1) Provision made during the year	17,102,995	16,880,163	1,521,980	1,977,746	37,482,884
3. Reduction	–	–	1,877,250	241,154	2,118,404
(1) Disposal	–	–	1,877,250	241,154	2,118,404
4. Translation difference	–	–	–	–	–
5. As at 31 December 2019	297,094,807	823,197,964	16,636,167	21,278,923	1,158,207,861
3. Provision for impairment					
1. As at 1 January 2019	2,142,897	1,904,339	–	–	4,047,236
2. Addition	–	–	–	–	–
(1) Provision made during the year	–	–	–	–	–
3. Reduction	–	–	–	–	–
(1) Disposal	–	–	–	–	–
4. As at 31 December 2019	2,142,897	1,904,339	–	–	4,047,236
4. Net book value					
Book value as at 31 December 2019	197,032,790	142,581,405	4,054,831	3,479,196	347,148,222
Book value as at 1 January 2019	185,919,938	105,809,396	4,751,516	5,469,634	301,950,484

Item	Building	Machinery and equipment	Office equipment	Transportation vehicles	Total
1. Original carrying amount					
1. As at 1 January 2020	496,270,493	967,683,708	20,690,998	24,758,119	1,509,403,318
2. Addition	45,378,773	84,462,286	1,713,479	361,668	131,916,206
(1) Purchase	–	854,803	1,195,955	361,668	2,412,427
(2) Transferred from construction in progress	45,378,773	83,607,483	517,524	–	129,503,780
(3) Increase due to business combination	–	–	–	–	–
3. Reduction	6,086,782	1,000,206	766,767	2,447,607	10,301,362
(1) Disposal	6,086,782	1,000,206	766,767	2,447,607	10,301,363
4. Translation difference	–	–	–	–	–
5. As at 31 December 2020	535,562,484	1,051,145,788	21,637,710	22,672,180	1,631,018,162
2. Accumulated depreciation					
1. As at 1 January 2020	297,094,806	823,197,964	16,636,167	21,278,923	1,158,207,860
2. Addition	18,310,499	20,273,617	1,257,589	1,424,911	41,266,616
(1) Provision made during the year	18,310,499	20,273,617	1,257,589	1,424,911	41,266,615
3. Reduction	2,515,377	865,330	735,078	2,068,388	6,184,173
(1) Disposal	2,515,377	865,330	735,078	2,068,388	6,184,173
4. Translation difference	–	–	–	–	–
5. As at 31 December 2020	312,889,928	842,606,251	17,158,678	20,635,446	1,193,290,303
3. Provision for impairment					
1. As at 1 January 2020	2,142,897	1,904,339	–	–	4,047,236
2. Addition	–	–	–	–	–
(1) Provision made during the year	–	–	–	–	–
3. Reduction	–	–	–	–	–
(1) Disposal	–	–	–	–	–
4. As at 31 December 2020	2,142,897	1,904,339	–	–	4,047,236
4. Net book value					
Book value as at 31 December 2020	220,529,659	206,635,198	4,479,032	2,036,734	433,680,623
Book value as at 1 January 2020	197,032,790	142,581,405	4,054,831	3,479,196	347,148,222

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount					
1. As at 1 January 2021	535,562,484	1,051,145,789	21,637,710	22,672,180	1,631,018,163
2. Addition	–	3,120,895	242,368	268,549	3,631,812
(1) Purchase	–	556,369	242,368	268,549	1,067,286
(2) Transferred from construction in progress	–	2,564,527	–	–	2,564,527
(3) Increase due to business combination	–	–	–	–	–
3. Reduction	–	21,563,564	71,160	845,533	22,480,257
(1) Disposal or retirement	0	21,563,564	71,160	845,533	22,480,257
(2) Disposal of subsidiaries	–	–	–	–	–
4. Translation difference	–	–	–	–	–
5. As at 30 September 2021	535,562,484	1,032,703,120	21,808,918	22,095,196	1,612,169,718
II. Accumulated depreciation					
1. As at January 2021	312,889,928	842,606,251	17,158,678	20,635,446	1,193,290,303
2. Addition	4,512,362	9,915,843	780,411	419,749	15,628,365
(1) Provision made during the year	4,512,362	9,915,843	780,411	419,749	15,628,365
3. Reduction	–	20,004,636	67,128	625,325	20,697,089
(1) Disposal or retirement	–	20,004,636	67,128	625,325	20,697,089
(2) Disposal of subsidiaries	–	–	–	–	–
4. Translation difference	–	–	–	–	–
5. As at 30 September 2021	317,402,290	832,517,458	17,871,961	20,429,870	1,188,221,579
III. Provision for impairment					
1. 1 January 2021	2,142,897	1,904,339	–	–	4,047,236
2. Addition	–	–	–	–	–
(1) Provision made during the year	–	–	–	–	–
3. Reduction	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–
4. As at 30 September 2021	2,142,897	1,904,339	–	–	4,047,236
IV. Net book value					
1. Book value as at 30 September 2021	216,017,297	198,281,323	3,936,957	1,665,326	419,900,903
2. Book value as at 1 January 2021	220,529,659	206,635,199	4,479,032	2,036,734	433,680,624

10. CONSTRUCTION IN PROGRESS

10.1 Categories

	As at 31 December			As at 30 September
	2018	2019	2020	2021
Construction in progress	100,636,765	292,601,071	209,760,886	295,637,127
Materials for construction of fixed assets	–	–	12,124	12,124
Total	100,636,765	292,601,071	209,773,010	295,649,251

10.2 Construction in Progress

(1) Details of construction in progress are as follows

	As at 31 December 2018		
Item	Carrying amount	Impairment provision	Net book value
Huaxin Industrial Park Series Project	78,613,959	–	78,613,959
Others	22,022,806	–	22,022,806
Total	100,636,765	–	100,636,765

	As at 31 December 2019		
Item	Carrying amount	Impairment provision	Net book value
Huaxin Industrial Park Series Project	194,615,779	–	194,615,779
Annual Production of 200,000 Tons of Anti-osmosis Energy-saving Special New Materials Production Line Construction Projects	63,136,673	–	63,136,673
Annual Production of 50,000 Tons of Cement Grinding Processing Special Abrasive Construction Projects	27,411,805	–	27,411,805
Others	7,436,814	–	7,436,814
Total	292,601,071	–	292,601,071

Item	As at 31 December 2020 Carrying amount	Impairment provision	Net book value
Huaxin Industrial Park Series Project	184,979,265	–	184,979,265
Annual Production of 200,000 Tons of Anti-osmosis Energy-saving Special New Materials Production Line Construction Projects	935,465	–	935,465
Annual Production of 50,000 Tons of Cement Grinding Processing Special Abrasive Construction Projects	247,198	–	247,198
Others	23,598,958	–	23,598,958
Total	209,760,886	–	209,760,886

Item	As at 30 September 2021 Carrying amount	Impairment provision	Net book value
	RMB	*RMB*	*RMB*
Huaxin Industrial Park Series projects	180,114,166	–	180,114,166
Annual Production of 200,000 tons of Anti-osmosis Energy-saving Special New Materials Production Line Construction Projects	6,899,365	–	6,899,365
Annual production of 50,000 tons of cement grinding processing special abrasive construction projects	838,129	–	838,129
Huaxin Packaging series project	104,697,625	–	104,697,625
Others	3,087,842	–	3,087,842
Total	295,637,127	–	295,637,127

(2) *Changes in significant construction in progress*

Project Name	Budget	Balance at 1 January 2018	Addition	Transferred to fixed assets	Other reduction	Balance at 31 December 2018	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Source of funds
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	
Huaxin Industrial Park Series Project	440,077,000	–	78,613,959	–	–	78,613,959	N/A	N/A	–	–	Working capital
Others	N/A	13,211,609	49,735,664	6,402,796	34,521,671	22,022,806	N/A	N/A	–	–	Working capital
Total		13,211,609	128,349,623	6,402,796	34,521,671	100,636,765					

Project Name	Budget	Balance at 1 January 2019	Addition	Transferred to fixed assets	Other reduction	Balance at 31 December 2019	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Source of funds
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	
Huaxin Industrial Park Series Project	440,077,000	78,613,959	116,001,820	–	–	194,615,779	N/A	N/A	–	–	Working capital
Annual Production of 200,000 Tons of Anti-osmosis Energy-saving Special New Materials Production Line Construction Projects	71,256,600	–	63,136,673	–	–	63,136,673	89%	89%	–	–	Working capital
Annual Production of 50,000 Tons of Cement Grinding Processing Special Abrasive Construction Projects	32,170,000	–	27,411,805	–	–	27,411,805	85%	85%	–	–	Working capital
Others	N/A	22,022,806	65,426,540	80,012,532	–	7,436,814	N/A	N/A	–	–	Working capital
Total		100,636,765	271,976,838	80,012,532	–	292,601,071					

Project Name	Budget	Balance at 1 January 2020	Addition	Transferred to fixed assets	Other reduction	Balance at 31 December 2020	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Source of funds
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	
Huaxin Industrial Park Series Project	440,077,000	194,615,779	–	–	9,636,514	184,979,265	N/A	N/A	–	–	Working capital
Annual Production of 200,000 Tons of Anti-osmosis Energy-saving Special New Materials Production Line Construction Projects	71,256,600	63,136,673	5,006,235	67,207,443	–	935,465	96%	96%	–	–	Working capital
Annual Production of 50,000 Tons of Cement Grinding Processing Special Abrasive Construction Projects	32,170,000	27,411,805	1,773,746	28,938,353	–	247,198	91%	91%	–	–	Working capital
Others	N/A	7,436,814	50,453,393	33,357,984	933,265	23,598,958	N/A	N/A	–	–	Working capital
Total		292,601,071	57,233,374	129,503,780	10,569,779	209,760,886					

Project Name	Budget	Balance at 1 January 2021	Addition	Transferred to fixed assets	Other reduction	Balance at 30 September 2021	Accumulated cost incurred out of budget	Progress	Accumulated capitalized interest	Including: capitalized interest for the period	Source of funds
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	%	%	*RMB*	*RMB*	
Huaxin Industrial Park Series Project	440,077,000	184,979,265	–	–	4,865,099	180,114,166	N/A	N/A	–	–	Working capital
Annual Production of 200,000 tons of Anti-osmosis Energy-saving Special New Materials Production Line Construction Projects	71,256,600	935,465	5,963,900	–	–	6,899,365	100%	100%	–	–	Working capital
Annual production of 50,000 tons of cement grinding processing special abrasive construction projects	32,170,000	247,198	590,931	–	–	838,129	94%	94%	–	–	Working capital
Huaxin Packaging Series Project	378,277,400	19,723,328	84,974,297	–	–	104,697,625	N/A	N/A	–	–	Working capital
Others	N/A	3,875,630	1,817,288	2,564,527	40,549	3,087,842	N/A	N/A	–	–	Working capital
Total		209,760,886	93,346,416	2,564,527	4,905,648	295,637,127					

11. INTANGIBLE ASSETS

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. 1 January 2018	45,882,870	17,930,600	14,255,065	–	98,203,949	176,272,484
2. Addition	–	–	–	–	291,262	291,262
(1) Purchase	–	–	–	–	291,262	291,262
(2) Transferred from construction in progress	–	–	–	–	–	–
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
(2) Others	–	–	–	–	–	–
4. 31 December 2018	45,882,870	17,930,600	14,255,065	–	98,495,211	176,563,746
II. Accumulated amortization						
1. 1 January 2018	15,496,459	8,367,613	6,788,126	–	95,738,543	126,390,741
2. Addition	921,731	1,793,060	678,813	–	744,737	4,138,341
(1) Provision made during the year	921,731	1,793,060	678,813	–	744,737	4,138,341
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
4. 31 December 2018	16,418,190	10,160,673	7,466,939	–	96,483,280	130,529,082
III. Net book value						
31 December 2018	29,464,680	7,769,927	6,788,126	–	2,011,931	46,034,664
1 January 2018	30,386,411	9,562,987	7,466,939	–	2,465,406	49,881,743

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. 1 January 2019	45,882,870	17,930,600	14,255,065	–	98,495,211	176,563,746
2. Addition	–	–	–	–	–	–
(1) Purchase	–	–	–	–	–	–
(2) Transferred from construction in progress	–	–	–	–	–	–
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
(2) Others	–	–	–	–	–	–
4. 31 December 2019	45,882,870	17,930,600	14,255,065	–	98,495,211	176,563,746
II. Accumulated amortization						
1. 1 January 2019	16,418,190	10,160,673	7,466,939	–	96,483,280	130,529,082
2. Addition	921,731	1,322,007	960,092	–	772,388	3,976,218
(1) Provision made during the year	921,731	1,322,007	960,092	–	772,388	3,976,218
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
4. 31 December 2019	17,339,921	11,482,680	8,427,031	–	97,255,668	134,505,300
III. Net book value						
31 December 2019	28,542,949	6,447,920	5,828,034	–	1,239,543	42,058,446
1 January 2019	29,464,680	7,769,927	6,788,126	–	2,011,931	46,034,664

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. 1 January 2020	45,882,870	17,930,600	14,255,065	–	98,495,212	176,563,747
2. Addition	–	–	–	–	1,882,466	1,882,466
(1) Purchase	–	–	–	–	1,882,466	1,882,466
(2) Transferred from construction in progress	–	–	–	–	–	–
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
(2) Others	–	–	–	–	–	–
4. 31 December 2020	45,882,870	17,930,600	14,255,065	–	100,377,678	178,446,213
II. Accumulated amortization						
1. 1 January 2020	17,339,921	11,482,680	8,427,031	–	97,255,669	134,505,301
2. Addition	921,730	1,003,025	907,563	–	710,720	3,543,038
(1) Provision made during the year	921,730	1,003,025	907,563	–	710,720	3,543,038
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
4. 31 December 2020	18,261,651	12,485,705	9,334,594	–	97,966,389	138,048,339
III. Net book value						
31 December 2020	27,621,219	5,444,895	4,920,471	–	2,411,289	40,397,874
1 January 2020	28,542,949	6,447,920	5,828,034	–	1,239,543	42,058,446

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
I. Original carrying amount						
1. 1 January 2021	45,882,870	17,930,600	14,255,065	–	100,377,679	178,446,214
2. Addition	–	–	–	–	40,550	40,550
(1) Purchase	–	–	–	–	40,550	40,550
(2) Transferred from construction in progress						
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
(2) Others	–	–	–	–	–	–
4. 30 September 2021	45,882,870	17,930,600	14,255,065	–	100,418,229	178,486,764
II. Accumulated amortization						
1. 1 January 2021	18,261,652	12,485,705	9,334,594	–	97,966,389	138,048,340
2. Addition	691,298	55,354	50,086	–	671,977	1,468,715
(1) Provision made during the period	691,298	55,354	50,086	–	671,977	1,468,715
3. Reduction	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–
4. 30 September 2021	18,952,950	12,541,059	9,384,680	–	98,638,366	139,517,055
IV. Net book value						
30 September 2021	26,929,920	5,389,541	4,870,385	–	1,779,863	38,969,709
1 January 2021	27,621,218	5,444,895	4,920,471	–	2,411,290	40,397,874

12. SHORT-TERM BORROWINGS

	As at 31 December			As at 30 September
Item	2018	2019	2020	2021
	RMB	*RMB*	*RMB*	*RMB*
Mortgaged bank borrowings	–	–	–	–
Unsecured bank borrowings	–	–	300,000,000	–
Total	–	–	300,000,000	–

13. ACCOUNTS PAYABLE

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Payables for raw materials	147,135,731	239,858,488	295,308,388	227,437,219
Payables for construction and equipment	55,486,373	86,700,590	43,190,672	37,929,886
Payables for transportation services	247,782	52,300,516	66,761,644	42,881,380
Payables for utility charges	2,227,083	3,845,476	1,042,338	123,557
Others	6,312,401	4,031,835	4,262,428	1,106,280
Total	211,409,370	386,736,905	410,565,470	309,478,322

14. OTHER PAYABLES

14.1 Summary of other payables

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Interests payable	67,118,203	20,756,667	22,543,588	6,876,795
Dividends payable	10,737,337	576,326	23,821,382	43,289,445
Other payables	3,810,853,500	4,809,095,440	7,178,214,529	6,932,690,022
Total	3,888,709,040	4,830,428,433	7,224,579,499	6,982,856,262

14.2 Interests payable

	As at 31 December			As at 30 September
Item	**2018**	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Corporate bond interest	64,181,670	20,756,667	20,756,667	4,238,000
Interest on long-term loans with interest paid by installments and due repayment	2,936,533	–	1,505,810	2,638,795
Interest payable on short-term borrowings	–	–	281,111	–
Total	67,118,203	20,756,667	22,543,588	6,876,795

14.3 Dividends payable

Item	As at 31 December 2018	2019	2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Ordinary share	10,737,337	576,326	23,821,382	43,289,445
Total	10,737,337	576,326	23,821,382	43,289,445

14.4 Other payables

(1) Details of other payables

Item	2018/12/31	2019/12/31	2020/12/31	As at 30 September 2021
Payables for acquisition of equity interests	3,646,020,831	4,779,568,788	7,147,812,679	6,903,162,090
Amounts due to minority interests	131,304,199	–	–	–
Deposits	8,320,487	5,688,222	9,501,717	9,560,727
Collected or paid for others	–	1,878,369	84,102	86,921
Amounts due to government	4,000,000	4,000,000	–	–
Others	21,207,983	17,960,061	20,816,031	19,880,284
Total	3,810,853,500	4,809,095,440	7,178,214,529	6,932,690,022

15. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	As at 31 December 2018	2019	2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Long-term borrowings due within one year	113,236,104	444,346,556	122,582,662	162,860,000
Bonds payable due within one year	2,100,000,000	–	1,199,284,591	–
Long-term payables due within one year	–	–	–	–
Lease liability due within one year	–	–	–	11,449,451
Total	2,213,236,104	444,346,556	1,321,867,253	174,309,451

16. LONG-TERM BORROWINGS

Item	As at 31 December 2018	2019	2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
Unsecured bank borrowings	909,402,630	505,585,050	798,500,000	1,185,000,000
Pledged bank borrowings	737,500,000	639,000,000	526,140,000	428,710,000
Mortgaged bank borrowings	–	–	–	–
Guaranteed bank borrowings	3,546,310	2,102,259	722,662	–
Less: Long-term borrowings due within one year	–	–	–	–
Unsecured bank borrowings	13,317,580	330,085,050	14,000,000	40,000,000
Pledged bank borrowings	98,500,000	112,860,000	107,860,000	122,860,000
Mortgaged bank borrowings	–	–	–	–
Guaranteed bank borrowings	1,418,524	1,401,506	722,662	–
Total	1,537,212,836	702,340,753	1,202,780,000	1,450,850,000

17. BONDS PAYABLE

Item	As at 31 December 2018	2019	2020	As at 30 September 2021
	RMB	*RMB*	*RMB*	*RMB*
2012 Issued Corporate Bonds I	–	–	–	–
2012 Issued Corporate Bonds II	–	–	–	–
2016 Issued Corporate Bonds I	1,196,831,761	1,198,058,176	–	–
2021 Issued Corporate Bonds I	–	–	–	1,297,597,907
Total	1,196,831,761	1,198,058,176	–	1,297,597,907

(2) Changes in bonds payable

Name of bond	Par Value	Issue date	Term of bond	Issue amount	As at 1 January 2018	Transfer to non-current liabilities due within one year	Amortization of premium or discount	Exchange gain or loss	Payment	Transfer to non-current liabilities due within one year	As at 31 December 2018	Interests by par value
2012 Issued Corporate Bonds I	1,000,000,000	2012/5/17	7 Years	1,000,000,000	1,000,000,000	–	–	–	–	1,000,000,000	–	56,500,000
2012 Issued Corporate Bonds II	1,100,000,000	2012/11/9	7 Years	1,100,000,000	1,100,000,000	–	–	–	–	1,100,000,000	–	64,900,000
2016 Issued Corporate Bonds I	800,000,000	2016/8/9	5 Years	1,200,000,000	1,195,605,346	–	1,226,415	–	–	–	1,196,831,761	57,480,000
Total				3,300,000,000	3,295,605,346	–	1,226,415	–	–	2,100,000,000	1,196,831,761	178,880,000

Name of bond	Par Value	Issue date	Term of bond	Issue amount	As at 1 January 2019	Transfer to non-current liabilities due within one year	Amortization of premium or discount	Exchange gain or loss	Payment	Transfer to non-current liabilities due within one year	As at 31 December 2019	Interests by par value
2012 Issued Corporate Bonds I	1,000,000,000	2012/5/17	7 Years	1,000,000,000	–	1,000,000,000	–	–	(1,000,000,000)	–	–	–
2012 Issued Corporate Bonds II	1,100,000,000	2012/11/9	7 Years	1,100,000,000	–	1,100,000,000	–	–	(1,100,000,000)	–	–	
2016 Issued Corporate Bonds I	1,200,000,000	2016/8/9	5 Years	1,200,000,000	1,196,831,761	–	1,226,415	–	–	–	1,198,058,176	20,756,667
Total				3,300,000,000	1,196,831,761	2,100,000,000	1,226,415	–	(2,100,000,000)	–	1,198,058,176	20,756,667

Name of bond	Par Value	Issue date	Term of bond	Issue amount	As at 1 January 2020	Transfer to non-current liabilities due within one year	Amortization of premium or discount	Exchange gain or loss	Payment	Transfer to non-current liabilities due within one year	As at 31 December 2020	Interests by par value
2016 Issued Corporate Bonds I	1,200,000,000	2016/8/9	5 Years	1,200,000,000	1,198,058,176	–	1,226,415	–	–	1,199,284,591	–	20,756,667
Total	1,200,000,000			1,200,000,000	1,198,058,176	–	1,226,415	–	–	1,199,284,591	–	20,756,667

Name of bond	Par Value	Issue date	Term of bond	Issue amount	As at 1 January 2021	Transfer to non-current liabilities due within one year	Amortization of premium or discount	Exchange gain or loss	Payment	Transfer to non-current liabilities due within one year	As at 30 September 2021	Interests by par value
2021 Issued Corporate Bonds I	1,300,000,000	2021/8/25	3 Years	1,300,000,000	–	–	93,907	–	–	–	1,297,597,907	4,238,000
Total	1,300,000,000			1,300,000,000	–	–	93,907	–	–	–	1,297,597,907	4,238,000

18. RETAINED PROFITS

Item	Amount for the year ended 31 December			Amount for the period ended 30 September
	2018	2019	2020	2021
	RMB	*RMB*	*RMB*	*RMB*
Opening balance of retained profits	4,415,356,360	5,717,023,232	6,745,724,011	7,370,600,800
Adjustments of total opening balance of retained	–	22,159,671	–	–
Adjusted opening balance of retained profits	4,415,356,360	5,739,182,903	6,745,724,011	7,370,600,800
Add: Net profit attributable to the shareholders of the Company	1,912,207,603	2,887,942,727	3,155,313,737	2,580,946,836
Less: Appropriation of statutory surplus reserve	191,220,760	159,194,595	–	–
Dividends	419,319,971	1,722,207,024	2,530,436,948	2,262,545,868
Closing balance of retained profits	5,717,023,232	6,745,724,011	7,370,600,800	7,689,001,768

19. OPERATING INCOME AND OPERATING COSTS

Operating income and operating costs

	As at 31 December						As at 30 September			
	2018		2019		2020		2020		2021	
Item	Income	Costs	Income	Costs	Income	Costs	Income	Costs	Income	Costs
	RMB		RMB		RMB		RMB		RMB	
Main operations	1,050,600,575	677,229,556	1,139,849,588	751,806,633	1,135,016,134	808,673,342	766,093,937	535,702,918	608,712,469	524,111,319
Other operations	1,852,853,873	1,468,006,246	2,972,819,511	2,622,721,664	2,878,207,488	2,574,643,647	1,821,808,017	1,718,378,293	2,815,592,611	2,647,094,364
Total	2,903,454,448	2,145,235,802	4,112,669,099	3,374,528,297	4,013,223,622	3,383,316,989	2,587,901,954	2,254,081,211	3,424,305,080	3,171,205,683

20. INVESTMENT INCOME

Item	Amount for the year ended 31 December			Amount for the period ended 30 September	
	2018	2019	2020	2020	2021
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Income from long-term equity investments under cost method	1,553,545,708	2,423,388,386	3,006,506,405	1,841,606,406	2,582,192,916
Investment income from disposal of subsidiaries	–	140,408,268	124,500,000	124,500,000	–
Income from long-term equity investments under equity method	72,318,401	106,996,430	67,717,486	65,454,007	6,684,682
Investment income of held-for-trading financial assets during the hold period	–	7,438,572	1,339,145	–	–
Dividend income of other equity instrument investments during the hold period	–	521,519	1,133,360	–	–
Dividend income of other non-current financial assets during the hold period	–	1,255,397	1,408,167	2,541,526	1,472,537
Income from disposal of financial asset at fair value through profit or loss	12,266,445	–	–	1,339,144	13,249,783
Income from available-for-sale financial assets	1,103,937	–	–	–	–
Others	1,440,223	–	–	–	–
Total	1,640,674,714	2,680,008,572	3,202,604,563	2,035,441,083	2,603,599,918

21. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

	Amount for the year ended 31 December			Amount for the period ended 30 September	
Supplementary information	2018	2019	2020	2020	2021
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
1. Reconciliation of net profit to cash flows from					
Net profit	1,912,207,603	2,887,942,727	3,155,313,737	1,948,409,628	2,580,946,836
Add: Provision for impairment losses of assets	16,256,077	58,993	206,466	97,231	469,719
Allowance for credit impairment	-	(380,768)	(398,978)	(350,454)	414,158
Depreciation of fixed assets	40,062,382	36,404,208	40,782,415	29,630,805	15,628,365
Depreciation of right of use assets	/	/	/	/	7,550,901
Amortization of intangible assets	4,138,341	3,976,218	3,543,039	2,606,133	1,468,715
Amortization of long-term prepaid expenses	881,758	3,758,906	2,413,779	1,767,403	1,673,760
Amortization of deferred income	(3,302,667)	-	(3,844,333)	(1,852,083)	(1,445,833)
(Gains) impairment losses on disposal of non-current assets	(10,046,325)	1,183,233	(10,798,209)	(1,602,454)	(352,661)
(Gains) impairment on retirement of fixed assets	-	(9,538,859)	148,238	21,723	(10,587,144)
(Gains) impairment from changes in fair value	(3,584,773)	(5,296,455)	(2,405,398)	6,359,274	14,881,911
Financial expenses	83,735,952	99,801,942	143,467,622	53,357,594	85,891,480
Investment (income)	(1,640,674,714)	(2,680,008,572)	(3,202,604,563)	(2,035,575,927)	(2,603,599,918)
(Increase) decrease in deferred tax assets	(223,435)	9,205,883	7,181,746	7,169,287	(4,438,891)
(Increase) decrease in inventories	(288,237,397)	63,181,742	(37,726,016)	(210,794,890)	(71,657,132)
(Increase) decrease in operating receivables	55,184,736	(1,294,495,925)	(153,368,102)	397,558,914	(1,092,693,620)
Increase(decrease) in operating payables	(345,485,198)	123,621,383	327,593,301	(65,863,853)	695,507,251
Net cash flow from operating activities	(179,087,660)	(760,585,344)	269,504,744	130,938,331	(380,342,103)
2. Net changes in cash and cash equivalents:					
Closing balance of cash	3,444,018,042	3,141,838,852	4,624,314,323	3,049,561,419	3,992,242,505
Less: Opening balance of cash	2,435,487,407	3,444,018,042	3,141,838,852	3,141,838,852	4,624,314,323
Net increase (decrease) in cash	1,008,530,635	(302,179,190)	1,482,475,471	(92,277,433)	(632,071,818)

華新水泥股份有限公司
HUAXIN CEMENT CO., LTD.

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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

Volume 2

LISTING OF THE OVERSEAS LISTED FOREIGN SHARES BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor

申萬宏源香港
SHENWAN HONGYUAN

PRC Financial Adviser

申万宏源承销保荐
SHENWAN HONGYUAN FINANCING SERVICES

* For identification purposes only

HUAXIN CEMENT CO., LTD.*

華新水泥股份有限公司

LISTING DOCUMENT

PART 2 OF 2

This listing document is published in two parts that together form the listing document. You should read each part of this listing document in conjunction with the other part in order to understand the matters to which this listing document relates. This listing document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.huaxincem.com.

* *For identification purposes only*

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (19) No.P00652

To the Shareholders of Huaxin Cement Co., Ltd.:

I. OPINION

We have audited the financial statements of Huaxin Cement Co., Ltd. (the "Company"), which comprise the consolidated and company's balance sheets as at 31 December 2018, the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2018, and the consolidated and company's results of operations and cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises ("CASBEs").

II. BASIS FOR 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 the China Code of Ethics for Certified Public Accountants issued by the Chinese Institute of 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. We have determined the matters described below to be key audit matters to be communicated in our report.

1. Impairment of goodwill

(1) Description of the matter

As set out in Note (V) 13, the carrying amount of goodwill was RMB447,472,492 in the consolidated balance sheet as at 31 December 2018, net of impairment of RMB69,557,768. As disclosed in Note (III) 17 to the consolidated financial statements, goodwill arising from business combination is tested for impairment at the end of each year. The recoverable amount of related assets (or asset groups), to which goodwill has been allocated, was determined by the management based on the present value of expected future cash flows. The management is required to estimate the future revenue growth rate, gross profit margin together with a suitable discount rate in the calculation of present value of expected future cash flows arising from the corresponding assets (or asset groups), which involves management's estimates and judgements. Therefore, we considered it as a key audit matter.

(2) How our audit addressed the key audit matter

Our procedures in relation to impairment of goodwill mainly included:

(a) Understood and evaluated the key internal controls in relation to impairment test of goodwill;

(b) Obtained the goodwill impairment test spreadsheet prepared by the management, and understood the process of preparation;

(c) Compared the underlying data used by the Company in goodwill impairment test with historical data and other supporting documents, and evaluated the appropriateness of the methodologies and reasonableness of management's key assumptions and judgements used in the impairment testing;

(d) Verified the mathematical accuracy of the goodwill impairment test calculation.

2. Assessment of fair value of long-term assets acquired in a business combination

(1) Description of the matter

As set out in Note (VI)1, the Company acquired 100% interest of Chongqing Lafarge Shui On Cement Co., Ltd. from Lafarge China Cement Co., Ltd at a the consideration of RMB253,300,000 on 1 April 2018. The transaction was a business combination not involving enterprises under common control. The determination of the fair value of long-term assets acquired in the business combination not involving enterprises under common control involves significant judgements and estimates of the management, therefore, we identified it as a key audit matter.

(2) How our audit addressed the key audit matter

Our procedures in relation to assessment of fair value of long-term assets obtained in business combination not involving enterprises under common control mainly included:

(a) Understood and evaluated the key internal controls in relation to assessment of fair value of long-term assets acquired in business combination not involving enterprises under common control;

(b) Reviewed relevant acquisition agreement, understood management's judgement of the acquisition date, understood the relevant contractual terms, and reviewed if accounting treatment was in compliance with the requirements of CASBEs;

(c) Evaluated the competency, capability and objectivity of the independent valuer engaged by the management;

(d) Evaluated the appropriateness of the methodology and the reasonableness of key assumptions and judgements and parameters used by the independent valuer in the assessment of fair value of long-term assets acquired.

3. Recognition of deferred tax assets

1. Description of the matter

As set out in Note (V)15, the net carrying amount of deferred tax assets was RMB283,272,115 in the consolidated balance sheet as at 31 December 2018. Considering its material impact on the consolidated financial statements and the involvement of management's estimates and judgements on future taxable profit, we considered it as a key audit matter.

2. How our audit addressed the key audit matter

Our procedures in relation to recognition of deferred tax assets mainly included:

(a) Understood and evaluated the key internal controls in relation to recognition of deferred tax assets;

(b) Obtained calculation spreadsheet of deferred tax assets prepared by the management and checked the mathematical accuracy;

(c) Obtained supporting documents including the income tax final settlement report of prior year, tax return and accounting records of current year of each company with deductible temporary differences and deductible tax losses and checked the appropriateness and accuracy of the amount of deductible temporary differences and deductible tax losses, and the expiration period of deductible tax losses;

(d) Obtained the profit forecast of each entity with deductible temporary differences and deductible tax losses approved by the management, evaluated the reasonableness of the forecast based on the industry trend and historical financial performance of the entities; reviewed if the recognition of deferred tax assets was recognised to the extent of the taxable income that probably would be available in the future to utilize the deductible temporary differences and deductible tax losses.

IV. OTHER INFORMATION

The Company's 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 thereon.

Our opinion on the financial statements does not cover the other information and we do 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF 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 the CASBEs and designing, implementing and maintaining such internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 unless 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 the financial reporting process of the Company.

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 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.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(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 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 management.

(4) Conclude on the appropriateness of management's use of the going concern basis 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 by CSAs 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, structure and content of the financial statements, including the disclosures, 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 the Company to express an 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.

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 the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

28 March 2019

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under China Accounting Standards for Business Enterprises. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED BALANCE SHEET

At 31 December 2018

RMB

Assets	*Note*	Closing balance	Opening balance
Current assets			
Cash and bank balances	*V(1)*	5,326,761,911	3,606,246,276
Financial assets at fair value through profit or loss	*V(2)*	207,144,438	453,990,407
Notes receivable and accounts receivable	*V(3)*	2,073,465,426	2,353,371,486
Including: Notes receivable	*V(3.2)*	1,548,929,075	1,711,160,593
Accounts receivable	*V(3.3)*	524,536,351	642,210,893
Prepayments	*V(4)*	323,717,031	225,637,668
Other receivables	*V(5)*	375,429,575	379,786,691
Inventories	*V(6)*	2,078,566,938	1,621,482,745
Non-current assets due within one year		–	3,600,000
Other current assets	*V(7)*	165,387,334	122,926,210
Total Current Assets		10,550,472,653	8,767,041,483
Non-current assets			
Available-for-sale financial assets	*V(8)*	60,487,319	71,198,874
Long-term receivables		29,279,695	31,124,087
Long-term equity investments	*V(9)*	512,469,490	435,003,431
Fixed assets	*V(10)*	16,118,856,112	15,758,662,922
Construction in progress	*V(11)*	1,322,976,101	1,302,962,540
Intangible assets	*V(12)*	3,403,613,645	3,026,753,484
Goodwill	*V(13)*	447,472,492	447,472,492
Long-term prepaid expenses	*V(14)*	376,208,038	281,061,433
Deferred tax assets	*V(15)*	283,272,115	378,042,451
Other non-current assets		56,397,942	–
Total Non-current Assets		22,611,032,949	21,732,281,714
TOTAL ASSETS		33,161,505,602	30,499,323,197

RMB

Liabilities and Shareholders' Equity	*Note*	Closing balance	Opening balance
Current liabilities			
Short-term borrowings	*V(16)*	621,000,000	1,141,500,000
Notes payable and accounts payable	*V(17)*	3,789,324,069	4,154,025,215
Receipts in advance	*V(18)*	638,732,781	562,705,382
Employee benefits payable	*V(19)*	392,173,556	281,087,404
Taxes payable	*V(20)*	935,736,726	507,945,221
Other payables	*V(21)*	897,653,363	910,399,656
Including: Interest payable	*V(21.2)*	70,507,991	113,171,188
Dividends payable	*V(21.3)*	160,590,225	174,309,238
Non-current liabilities due within one year	*V(22)*	2,877,217,204	1,682,733,582
Total Current Liabilities		10,151,837,699	9,240,396,460
Non-current liabilities			
Long-term borrowings	*V(23)*	2,444,189,091	4,058,959,121
Bonds payable	*V(24)*	1,196,831,761	3,295,605,346
Long-term payables	*V(25)*	261,696,441	99,385,421
Long-term employee benefits payable	*V(26)*	124,171,344	96,353,657
Provisions	*V(27)*	238,759,221	162,893,548
Deferred income	*V(28)*	262,432,189	252,146,422
Deferred tax liabilities	*V(15)*	162,198,735	138,012,090
Total Non-current Liabilities		4,690,278,782	8,103,355,605
TOTAL LIABILITIES		14,842,116,481	17,343,752,065

RMB

Liabilities and Shareholders' Equity	*Note*	Closing balance	Opening balance
SHAREHOLDERS' EQUITY			
Share capital	*V(29)*	1,497,571,325	1,497,571,325
Capital reserve	*V(30)*	2,510,252,020	2,510,252,020
Other comprehensive income	*V(31)*	(9,023,883)	(20,053,747)
Surplus reserve	*V(32)*	952,685,662	761,464,902
Retained profits	*V(33)*	11,721,477,654	7,150,569,774
Total equity attributable to shareholders of the Company		16,672,962,778	11,899,804,274
Minority interests		1,646,426,343	1,255,766,858
TOTAL SHAREHOLDERS' EQUITY		18,319,389,121	13,155,571,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		33,161,505,602	30,499,323,197

The accompanying notes form part of the financial statements.

The financial statements on pages II-7 to II-126 were signed by the following:

Legal representative: *Principal in charge of accounting:* *Head of accounting department:*

BALANCE SHEET OF THE COMPANY

At 31 December 2018

RMB

Assets	*Note*	**Closing balance**	**Opening balance**
Current assets			
Cash and bank balances		3,451,321,002	2,452,643,578
Financial assets at fair value through profit or loss		207,144,438	453,990,407
Notes receivable and accounts receivable		794,371,353	788,575,187
Including: Notes receivable		211,818,382	446,551,919
Accounts receivable	XV(1)	582,552,971	342,023,268
Prepayments		183,137,324	106,287,105
Other receivables	XV(2)	4,639,099,436	5,428,951,612
Including: Dividends receivable		71,129,700	20,000,000
Inventories		332,152,305	44,099,137
Non-current assets due within one year		3,609,824	4,855,490
Other current assets		34,471,735	12,828,851
Total Current Assets		9,645,307,417	9,292,231,367
Non-current assets			
Available-for-sale financial assets		41,431,819	50,143,374
Long-term receivables		19,083,573	19,239,519
Long-term equity investments	XV(3)	10,190,014,554	9,674,396,153
Fixed assets		300,150,484	336,047,804
Construction in progress		100,636,765	13,296,182
Intangible assets		46,034,664	49,881,743
Long-term prepaid expenses		34,521,671	881,758
Deferred tax assets		39,250,259	39,026,824
Total Non-current Assets		10,771,123,789	10,182,913,357
TOTAL ASSETS		20,416,431,206	19,475,144,724

RMB

Liabilities and Shareholders' Equity	*Note*	Closing balance	Opening balance
Current liabilities			
Short-term borrowings		–	220,000,000
Accounts payable		211,409,370	280,018,627
Receipts in advance		13,992,917	21,027,466
Employee benefits payable		84,435,340	29,714,834
Taxes payable		119,097,062	39,351,347
Other payables		3,888,709,040	1,965,616,985
Including: Interest payable		67,118,203	109,814,961
Dividends payable		10,737,337	29,581,523
Non-current liabilities due within one year		2,213,236,104	1,117,508,420
Total Current Liabilities		6,530,879,833	3,673,237,679
Non-current liabilities			
Long-term borrowings		1,537,212,836	2,854,573,061
Bonds payable		1,196,831,761	3,295,605,346
Long-term employee benefits payable		35,594,796	19,236,904
Provisions		7,920,053	7,551,106
Deferred income		12,732,333	16,035,000
Total Non-current Liabilities		2,790,291,779	6,193,001,417
TOTAL LIABILITIES		9,321,171,612	9,866,239,096

RMB

Liabilities and Shareholders' Equity	*Note*	Closing balance	Opening balance
Shareholders' equity			
Share capital		1,497,571,325	1,497,571,325
Capital reserve		2,908,595,304	2,908,595,304
Other comprehensive income		19,384,071	25,917,737
Surplus reserve		952,685,662	761,464,902
Retained profits		5,717,023,232	4,415,356,360
TOTAL SHAREHOLDERS' EQUITY		11,095,259,594	9,608,905,628
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,416,431,206	19,475,144,724

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Operating income	V(34)	27,466,044,481	20,889,291,990
Less: Operating costs	V(34)	16,575,214,537	14,716,492,598
Taxes and levies	V(35)	500,174,955	331,811,251
Selling and distribution expenses	V(36)	1,701,838,126	1,402,119,400
General and administrative expenses	V(37)	1,336,820,828	1,196,177,344
Research and development expense		10,773,061	7,841,977
Financial expenses	V(38)	465,623,749	660,630,215
Including: Interest expenses		451,222,378	525,195,334
Interest income		37,891,458	28,503,838
Impairment losses of assets	V(39)	67,103,768	269,466,670
Add: Other income	V(40)	256,980,281	165,219,286
Investment income	V(41)	83,512,256	108,409,622
Including: Income from investment in associates		71,745,531	99,089,919
Gains from changes in fair values	V(42)	3,584,774	2,697,595
Gains/(Losses) on disposal of assets	V(43)	17,624,464	(1,576,103)
II. Operating profit		7,170,197,232	2,579,502,935
Add: Non-operating income	V(44)	20,668,991	272,310,194
Less: Non-operating expenses	V(45)	59,795,254	39,778,618
III. Profit before tax		7,131,070,969	2,812,034,511
Less: Income tax expenses	V(46)	1,425,576,154	600,276,283
IV. Net profit		5,705,494,815	2,211,758,228
(I) Classified by the continuity of operation		5,705,494,815	2,211,758,228
1. Net profit for the year from continuing operations		5,705,494,815	2,211,758,228
(II) Classified by the ownership		5,705,494,815	2,211,758,228
1. Net profit attributable to owners of the Company		5,181,448,611	2,077,640,568
2. Profit or loss attributable to minority interests		524,046,204	134,117,660

RMB

Item	Note	Amount for the current period	Amount for the prior period
V. Other comprehensive income, net of tax		20,290,033	(51,719,266)
Other comprehensive income attributable to shareholders of the Company, net of tax		11,029,864	(22,943,394)
(I) Items that will be reclassified subsequently to profit or loss		11,029,864	(22,943,394)
1. Gain or loss on changes in fair value of available-for-sale financial assets		(6,533,666)	6,863,436
2. Exchange differences on translation of financial statements denominated in foreign currencies		17,563,530	(29,806,830)
Other comprehensive income attributable to minority interests, net of tax		9,260,169	(28,775,872)
VI. Total comprehensive income		5,725,784,848	2,160,038,962
Total comprehensive income attributable to shareholders of the Company		5,192,478,475	2,054,697,174
Total comprehensive income attributable to minority interests		533,306,373	105,341,788
VII. Earnings per share			
Basic earnings per share (RMB)		3.46	1.39

INCOME STATEMENT OF THE COMPANY
For the year ended 31 December 2018

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Operating income	XV(4)	2,903,454,448	1,487,413,678
Less: Operating costs	XV(4)	2,145,235,802	1,080,110,074
Taxes and levies		23,214,011	14,100,932
Selling and distribution expenses		53,618,214	46,071,180
General and administrative expenses		308,754,142	188,088,827
Financial expenses		65,125,543	163,154,455
Including: Interest expenses		372,945,995	413,028,258
Interest income		289,210,043	271,307,858
Impairment losses of assets		16,256,077	1,723,104
Add: Other income		13,992,664	5,077,167
Investment income	XV(5)	1,640,674,714	1,776,247,518
Including: Income from investment in associates		72,318,401	98,670,161
Gains from changes in fair values		3,584,773	2,697,595
Gains/(Losses) on disposal of assets		11,134,589	(1,256,330)
II. Operating profit		1,960,637,399	1,776,931,056
Add: Non-operating income		588,875	162,969
Less: Non-operating expenses		2,655,396	1,818,427
III. Profit before tax		1,958,570,878	1,775,275,598
Less: Income tax expenses		46,363,275	47,078,113
IV. Net profit		1,912,207,603	1,728,197,485
(I) Net profit for the year from continuing operations		1,912,207,603	1,728,197,485
V. Other comprehensive income, net of tax		(6,533,666)	6,863,436
(I) Items that will be reclassified subsequently to profit or loss		(6,533,666)	6,863,436
1. Gain or loss on changes in fair value of available-for-sale financial assets		(6,533,666)	6,863,436
VI. Total comprehensive income		1,905,673,937	1,735,060,921

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		30,517,753,199	23,796,537,126
Receipts of tax refunds		183,944,112	109,776,064
Other cash receipts relating to operating activities	*V(47)(1)*	158,108,427	106,623,146
Sub-total of cash inflows from operating activities		30,859,805,738	24,012,936,336
Cash payments for goods purchased and services received		16,418,254,738	15,720,483,792
Cash payments to and on behalf of employees		2,238,257,475	1,910,326,299
Payments of various types of taxes		3,574,274,547	1,792,139,248
Other cash payments relating to operating activities	*V(47)(2)*	729,412,873	685,910,949
Sub-total of cash outflows from operating activities		22,960,199,633	20,108,860,288
Net Cash Flow from Operating Activities	*V(48)(1)*	7,899,606,105	3,904,076,048

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		3,000,000,000	1,157,200,000
Cash receipts from investment income		14,810,605	62,537,786
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		300,181,056	28,626,285
Net cash receipts from disposals of subsidiaries and other business units	*V(48)(3)*	1,483,175	–
Other cash receipts relating to investing activities	*V(47)(3)*	–	83,528,027
Sub-total of cash inflows from investing activities		3,316,474,836	1,331,892,098
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,215,937,319	1,121,968,095
Cash payments to acquire investments		2,750,000,000	800,205,327
Net cash paid for acquisitions of subsidiaries	*V(48)(2)*	173,700,292	1,044,025,863
Other cash payments relating to investing activities		5,720,528	–
Sub-total of cash outflows from investing activities		5,145,358,139	2,966,199,285
Net Cash Flow used in Investing Activities		(1,828,883,303)	(1,634,307,187)

RMB

Item	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		10,500,000	6,000,000
Including: cash receipts from capital contributions from minority owners of subsidiaries		10,500,000	6,000,000
Cash receipts from borrowings		1,231,955,556	2,985,363,377
Other cash receipts relating to financing activities	*V(47)(4)*	18,163,077	217,951,576
Sub-total of cash inflows from financing activities		1,260,618,633	3,209,314,953
Cash repayments of borrowings		4,378,415,650	4,252,566,175
Cash payments for interest expenses and distribution of dividends		1,084,702,827	833,256,542
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		146,010,747	128,616,539
Other cash payments relating to financing activities	*V(47)(5)*	181,400,938	482,978,017
Sub-total of cash outflows from financing activities		5,644,519,415	5,568,800,734
Net Cash Flow used in Financing Activities		(4,383,900,782)	(2,359,485,781)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		17,091,219	(20,260,302)
V. Net Increase (Decrease) in Cash and Cash Equivalents		1,703,913,239	(109,977,222)
Add: Opening balance of Cash and Cash Equivalents		3,532,308,895	3,642,286,117
VI. Closing Balance of Cash and Cash Equivalents	*V(48)(4)*	5,236,222,134	3,532,308,895

CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2018

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,399,522,322	1,622,832,192
Receipts of tax refunds		3,267,459	230,127
Other cash receipts relating to operating activities		108,394,166	148,410,371
Sub-total of cash inflows from operating activities		3,511,183,947	1,771,472,690
Cash payments for goods purchased and services received		2,911,538,372	1,372,941,364
Cash payments to and on behalf of employees		231,811,206	205,997,889
Payments of various types of taxes		84,414,929	73,451,066
Other cash payments relating to operating activities		462,507,100	25,515,148
Sub-total of cash outflows from operating activities		3,690,271,607	1,677,905,467
Net Cash Flow (used in)/from Operating Activities	*XV(6)*	(179,087,660)	93,567,223

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		3,000,000,000	1,150,000,000
Cash receipts from investment income		1,583,424,204	1,603,278,591
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,054,926	321,966
Other cash receipts relating to investing activities		4,065,346,107	1,141,588,495
Sub-total of cash inflows from investing activities		8,662,825,237	3,895,189,052
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		130,327,177	25,119,452
Cash payments to acquire investments		2,940,000,000	800,205,327
Net cash paid for acquisitions of subsidiaries		253,300,000	1,427,640,000
Other cash payments relating to investing activities		3,143,450,000	1,974,985,685
Sub-total of cash outflows from investing activities		6,467,077,177	4,227,950,464
Net Cash Flow from/(used in) Investing Activities		2,195,748,060	(332,761,412)

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		393,500,000	1,760,013,652
Other cash receipts relating to financing activities		2,393,230,285	785,632,762
Sub-total of cash inflows from financing activities		2,786,730,285	2,545,646,414
Cash repayments of borrowings		2,935,000,000	1,761,651,986
Cash payments for interest expenses and distribution of dividends		853,650,964	550,828,179
Other cash payments relating to financing activities		7,302,960	4,920,604
Sub-total of cash outflows from financing activities		3,795,953,924	2,317,400,769
Net Cash Flow (used in)/from Financing Activities		(1,009,223,639)	228,245,645
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		1,093,874	(4,492,812)
V. Net Increase (Decrease) in Cash and Cash Equivalents		1,008,530,635	(15,441,356)
Add: Opening balance of Cash and Cash Equivalents		2,435,487,407	2,450,928,763
VI. Closing Balance of Cash and Cash Equivalents		3,444,018,042	2,435,487,407

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

RMB

	Attributable to owners of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total owners' equity
	V(29)	V(30)	V(31)	V(32)	V(33)		
I. Balance at 1 January 2018	1,497,571,325	2,510,252,020	(20,053,747)	761,464,902	7,150,569,774	1,255,766,858	13,155,571,132
II. Changes in the year	–	–	11,029,864	191,220,760	4,570,907,880	390,659,485	5,163,817,989
(I) Total comprehensive income	–	–	11,029,864	–	5,181,448,611	533,306,373	5,725,784,848
(II) Owners' contributions and reduction in capital	–	–	–	–	–	8,489,030	8,489,030
1. Ordinary shares invested by shareholders	–	–	–	–	–	10,500,000	10,500,000
2. Others	–	–	–	–	–	(2,010,970)	(2,010,970)
(III) Profit distribution	–	–	–	191,220,760	(610,540,731)	(151,135,918)	(570,455,889)
1. Transfer to surplus reserve	–	–	–	191,220,760	(191,220,760)	–	–
2. Distribution to shareholders	–	–	–	–	(419,319,971)	(151,135,918)	(570,455,889)
Balance at 31 December 2018	1,497,571,325	2,510,252,020	(9,023,883)	952,685,662	11,721,477,654	1,646,426,343	18,319,389,121

RMB

	Attributable to owners of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total owners' equity
	V(29)	V(30)	V(31)	V(32)	V(33)		
I. Balance at 1 January 2017	1,497,571,325	2,509,753,457	2,889,647	588,645,153	5,396,004,651	1,378,833,194	11,373,697,427
II. Changes in the year	–	498,563	(22,943,394)	172,819,749	1,754,565,123	(123,066,336)	1,781,873,705
(I) Total comprehensive income	–	–	(22,943,394)	–	2,077,640,568	105,341,788	2,160,038,962
(II) Owners' contributions and reduction in capital	–	–	–	–	–	(18,072,310)	(18,072,310)
1. Ordinary shares invested by shareholders	–	–	–	–	–	39,551,379	39,551,379
2. Others	–	–	–	–	–	(57,623,689)	(57,623,689)
(III) Profit distribution	–	–	–	172,819,749	(322,576,882)	(210,335,814)	(360,092,947)
1. Transfer to surplus reserve	–	–	–	172,819,749	(172,819,749)	–	–
2. Distribution to shareholders	–	–	–	–	(149,757,133)	(210,335,814)	(360,092,947)
(IV) Transfers within owners' equity	–	498,563	–	–	(498,563)	–	–
1. Others	–	498,563	–	–	(498,563)	–	–
Balance at 31 December 2017	1,497,571,325	2,510,252,020	(20,053,747)	761,464,902	7,150,569,774	1,255,766,858	13,155,571,132

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total owners' equity
I. Balance at 1 January 2018	1,497,571,325	2,908,595,304	25,917,737	761,464,902	4,415,356,360	9,608,905,628
II. Changes in the year	–	–	(6,533,666)	191,220,760	1,301,666,872	1,486,353,966
(I) Total comprehensive income	–	–	(6,533,666)	–	1,912,207,603	1,905,673,937
(II) Profit distribution	–	–	–	191,220,760	(610,540,731)	(419,319,971)
1. Transfer to surplus reserve	–	–	–	191,220,760	(191,220,760)	–
2. Distribution to shareholders	–	–	–	–	(419,319,971)	(419,319,971)
III. Balance at 31 December 2018	1,497,571,325	2,908,595,304	19,384,071	952,685,662	5,717,023,232	11,095,259,594

RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total owners' equity
I. Balance at 1 January	1,497,571,325	2,908,595,304	19,054,301	588,645,153	3,009,735,757	8,023,601,840
II. Changes in the year	–	–	6,863,436	172,819,749	1,405,620,603	1,585,303,788
(I) Total comprehensive income	–	–	6,863,436	–	1,728,197,485	1,735,060,921
(II) Profit distribution	–	–	–	172,819,749	(322,576,882)	(149,757,133)
1. Transfer to surplus reserve	–	–	–	172,819,749	(172,819,749)	–
2. Distribution to shareholders	–	–	–	–	(149,757,133)	(149,757,133)
III. Balance at 31 December 2017	1,497,571,325	2,908,595,304	25,917,737	761,464,902	4,415,356,360	9,608,905,628

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

I. BASIC INFORMATION ABOUT THE COMPANY

Huaxin Cement Co., Ltd. (the "Company") is a limited company established in the People's Republic of China (the "PRC"). In 1994, as approved by Hubei Provincial People's Government, the Company's shares were listed on the Shanghai Stock Exchange. In 2006, as approved by the Ministry of Commence of the PRC, the legal status of the Company was changed to a Sino-foreign joint stock limited company. In May 2011, based on its total share capital of 403,600,000 shares at the end of 2010, the Company allotted shares from its capital reserve or surplus reserve at 10 shares for every 10 shares, amounting to RMB403,600,000. As a result, the share capital of the Company increased from 403,600,000 shares to 807,200,000 shares. On 4 November 2011, a private placement in A share was completed in which additional 128,099,928 shares were issued to designated investors. As a result, the total shares of the Company increased to 935,299,928. In June 2014, based on its total share capital of 935,299,928 shares at the end of 2013, the Company allotted shares from its capital reserve or surplus reserve at 6 shares for every 10 shares, amounting to RMB561,179,957. As a result, the total shares of the Company increased to 1,496,479,885. In July 2015, 1,091,440 stock options were exercised at RMB9.06 per share for Phase I stock option in the Company's equity incentive plan. As a result, the total shares of the Company changed to 1,497,571,325, including 972,771,325 A shares and 524,800,000 B shares.

The Company and its subsidiaries (together, the "Group") are principally engaged in manufacturing and sales of cement. The Group's revenue is mainly generated in the PRC. The address of the Company's registered office is No. 600, East Daqi Avenue, Huangshi City, Hubei Province and the office address of the headquarter is Huaxin Plaza, No. 426 Gaoxin Avenue, Donghu New Technology Development District, Wuhan City, Hubei Province.

The Company's and consolidated financial statements were authorized for issue by the Company's Board of Directors on 28 March 2019.

Principal subsidiaries included in the scope of consolidation are listed in Note VII. " Equity Interests in Other Entities". The detailed changes in the scope of the consolidated financial statements in this year are included in Note VI "Changes Scope of Consolidation".

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group adopts China Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. In addition, the Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (Revised in 2014).

Basis of going concern

The group has evaluated its risk of going concern for future 12 months since 31 December 2018, and found no significant doubts about it. Hence, the financial reports are prepared on the basis of going concern basis.

Basis of accounting and principle of measurement

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

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

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

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

For financial assets which are transacted at fair value on initial recognition, and a valuation technique involving unobservable input is used in subsequent measurement, the valuation technique calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Hints of accounting policy and accounting assumption

According to the characteristics of production and operation activities, the Group determines the accounting policies and the accounting assumptions, which are mainly embodied in provision of expected credit loss for receivables (Note III(9)), the depreciation of fixed assets and the amortization of intangible assets (Note III(13), (16)) and the time point of time of revenue recognition (Note III(22)).

The key judgement made by the Group in determining significant accounting policy are detailed in note III(27).

1. Statement of compliance with the CASBEs

The financial statements of the Company have been prepared in accordance with China Accounting Standards for Business Enterprises ("CASBEs"), and present truly and completely, the Company's and consolidated financial position as of 31 December 2018, and the Company's and consolidated results of operations, changes in shareholders' equity and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries, namely, Huaxin Gayur (Sogd) Cement LLC and Huaxin Yovon Cement LLC, determine TJS as their functional currency based on the currency of the primary economic environment in which they operate. Cambodian Cement Chakrey Ting Factory Co., Ltd. determines USD as its functional currency based on the currency of the primary economic environment in which it operates. The Group adopts RMB to present its financial statements.

4. Business combination

Business combinations are classified into business combinations under common control and business combinations not involving enterprises under common control. The Group's business combination only involves business combinations not involving enterprises under common control.

4.1 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

5. Preparation of consolidated financial statements

5.1 Preparation of consolidated financial statements

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

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

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

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

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

All intra-group transactions are eliminated on consolidation.

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

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

The unrealized internal transaction gains and losses arising from the sale of assets by the Company to its subsidiaries shall be fully eliminated against the net profits attributable to the shareholders of the Company; the unrealized internal transaction gains and losses arising from the sale of assets by the subsidiaries to the company shall be proportionally eliminated between the net profits attributable to the shareholders of the Company and the gains and losses of minority shareholders based on distribution ratio of the Company to its subsidiaries. The unrealized internal transaction gains and losses arising from the sale of assets between subsidiaries shall be eliminated by the distribution proportion of the parent company to the subsidiaries of the seller between the net profits attributable to the shareholders of the Company and the minority shareholders' gains and losses.

If the transaction is recognised differently between the Group and the Company or subsidiaries, the transaction is adjusted based on the perspective of the Group.

6. Cash and cash equivalents

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

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

7.1 Transactions denominated in foreign currencies

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

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

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

7.2 Translation of financial statements denominated in foreign currencies

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

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

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

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

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

8.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

8.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on dates of transactions. The Group has no held-to-maturity investment.

8.2.1. Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and financial assets designated as measured at fair value and whose changes are included in the current profit or loss. The Group's financial assets at FVTPL only include financial assets held for trading.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

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

8.2.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, other receivables, non-current assets due within one year and long-term receivables etc.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

8.2.3. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale and financial assets that are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests income earned and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

8.3 Impairment of financial assets

The Group performs impairment tests on the carrying amounts of financial assets other than those at FVTPL at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

The objective evidence of impairment on available-for-sale financial assets suggest a serious or non-temporary decline in the fair value of available-for-sale financial assets. On balance sheet day, the Group separately inspects the available-for-sale equity financial assets. If the fair value of available-for-sale financial assets invested on the balance sheet day is less than 50% of their initial investment cost (including 50%) or less than initial investment cost over one year (including one year), the impairment will occur. If the fair value of available-for-sale is below its initial investment cost, which is more than 20% (including 20%) but not up to 50%, the Group will take into account other relevant factors such as price volatility to determine whether the equity instrument investment should be impaired.

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss can be reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

8.4 Transfer of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

8.5 Classification, recognition and measurement of financial liabilities

On initial recognition, financial instruments or their components issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments. The Group's financial liabilities are mainly other financial liabilities, including accounts payable, loans and bonds payable.

8.5.1 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

The other financial liabilities, whose maturity is less than one year (including one year), are listed as current liabilities. The other financial liabilities whose original maturity is more than one year but are due within one year (including one year) from the balance sheet date, are listed as non-current liabilities due within one year. Hence, the rests are listed as non-current liabilities.

8.6 Derecognition of financial liabilities

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

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

8.7 Offsetting financial assets and financial liabilities

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

8.8 Equity instruments

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

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

9. Receivables

9.1 Receivables that are individually significant and for which bad debt provision is individually assessed:

Basis or monetary criteria for determining an individually significant receivable	An account receivable that exceeds RMB3,000,000 and other receivable that exceeds RMB2,000,000 are deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	According to the difference between the present value of the expected future cash flow and its book value.

9.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis with similar credit risk characteristics:

Basis for determining a portfolio is as follows:

Name of portfolio	Basis
Portfolio 1	Significant and main project receivables
Portfolio 2	Accounts receivable except for significant and main project receivables
Portfolio 3	Deposits, security deposits, advances to staff, petty each fund and funds paid on behalf of governments
Portfolio 4	Other receivables except for those included in Group 3
Bank acceptances	Banks with lower credit risk

Method of determining provision on a portfolio basis:

Name of portfolio	Basis of determination
Portfolio 1	The provision rate is zero based on the historical loss ratio of receivables with similar credit risk characteristics
Portfolio 2	Aging analysis
Portfolio 3	The provision rate is zero based on the historical loss ratio of receivables with similar credit risk characteristics
Portfolio 4	Aging analysis
Bank acceptances	Not accrued

Portfolios that aging analysis is used for bad debt provision:

	Provision as a proportion of accounts receivable and other receivables (%)
Within 1 year	0%
1 to 2 years	10%
2 to 3 years	20%
Over 3 years	40%

9.3 Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:

Reasons for making individual bad debt provision	Receivables that are not individually significant are subject to separate impairment assessment and a provision for impairment of such receivables is made if there is objective evidence that the Group will not be able to collect the amount under the original terms.
Bad debt provision methods	According to the difference between the present value of the expected future cash flow and its book value.

10. Inventories

10.1 Categories of inventories

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

10.2 Valuation method of inventories upon delivery

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

10.3 Basis for determining net realizable value of inventories

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

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

The inventory provision is accrued based on the difference between the inventory cost and its net realizable value. After the provision for inventory is made, if the influencing factors that caused the previously written down of inventory have disappeared, resulting in the net realizable value of the inventory being higher than its book value, the amount of the inventory provision that has been accrued is reversed to the extent of the previously provision amount, and the amount reversed is recorded in the current profit or loss.

10.4 Inventory count system

The perpetual inventory system is maintained.

10.5 Amortization method for low cost and short-lived consumable items and packaging materials

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

11. Assets held-for-sale

When the Group recovers its book value mainly by selling rather than continuing to use a non-current asset or disposal assets, it is classified as assets held-for-sale.

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

The Group records the non-current assets held for sale at the lower of book value and fair value minus the selling expense. If the book value is higher than the fair value minus the selling expenses, the book value shall be written down to the net amount that the fair value minus the selling expenses. The amount written down shall be recognized as the loss of impairment of assets, and shall be included in the current profit or loss, and the provision for impairment of assets held for sale shall be included. If the fair value of the non-current assets held for sale minus the selling expenses increases on the subsequent balance sheet day recognised before, the amount previously written down shall be reversed in the profit or loss to the extent of provision. Losses of impairment of assets recognized before classifying as assets held-for-sale shall not be reversed.

The non-current assets of assets held-for-sale is not depreciated or amortized. The other interest and expenses of the liability of held for sale shall continue to be recognized.

12. Long-term equity investments

12.1 Criteria for determining joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination under non-common control, the investment cost of the long-term equity investment is the cost of acquisition.

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

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

12.3 *Subsequent measurement and recognition of profit or loss*

12.3.1. Long-term equity investment accounted for using the cost method

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

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

12.3.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence.

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

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

12.4 *Disposal of long-term equity investments*

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

13. Fixed assets

13.1 Recognition criteria for fixed assets

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

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

13.2 Depreciation method

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

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

Category	Depreciation period	Residual value rate	Annual depreciation rate
Buildings	25-40 years	4%	2.4% to 3.8%
Machinery and equipment	5-18 years	4%	5.3% to 19.2%
Office equipment	5-10 years	4%	9.6% to 19.2%
Transportation vehicles	4-12 years	4%	8% to 24%

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

13.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

13.4 Other explanations

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

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

14. Construction in progress

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

15. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as expense in the period in which they are incurred.

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

16. Intangible assets

16.1 Measurement method and useful life of intangible assets

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

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

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

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

17. Impairment of long-term assets

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

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

If the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Once the impairment loss of such assets is recognized, it is not to be reversed in any subsequent period.

18 Long-term prepaid expenses

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

19 Employee benefits

19.1 Accounting treatment of short-term benefits

Short-term compensation includes salaries or wages, bonuses and allowances, subsidies, staff welfare, social insurance, including injury insurance, maternity insurance, housing funds, labor union funds and education fee. In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

19.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans. The Group's defined contribution plan includes basic pension insurance and unemployment insurance.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability by the Company and charged to profit or loss in the period, or included in cost of related assets. For defined benefit plan, the Group attributes benefits obligations arising from the defined benefit plan to the period in which employees render services based on the formula determined by the expected accumulated benefits unit method, and includes such obligations in profit or loss for the period or cost of related assets. Costs of employee benefits arising from the defined benefit plan are classified into the following components:

- Service cost (including the current and past service cost and gains or losses from as well as gains and loses on curtailments and settlements);
- Net interest from net liabilities/assets of the defined benefit plan (including interest income of the plan assets, obligations and interest expenses of the defined benefit plan, and interest affected by the ceiling of assets); and
- Changes arising from re-measurement of net liabilities/assets of the defined benefit plan.

Service cost and net interest on net liabilities/assets of the defined benefit plan are included in profit or loss for the period or cost of related assets. Changes arising from re-measurement of net liabilities/assets of the defined benefit plan (including actuarial gains/ losses, returns from plan assets net of the amount included in net interest on net liabilities/assets of the defined benefit plan, changes in the maximum effect of assets net of the amount included in net interest on net liabilities/assets of the defined benefit plan are recognized in other comprehensive income.

Pension insurance

Employees of the Group participate in the social pension insurance organized by the local labour and social security departments. The Group pay pension insurance premium to the pension insurance agency with the local provision of social pension insurance base pay and proportional monthly. When the employee is retired, the local labour and social security departments have the responsibility to pay the basic pension insurance to retired employees. In an accounting period in which an employee has rendered service to the Group, the amount will be recognized as liabilities and charged to profit or loss for the period or the costs of related assets.

19.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognizes any related restructuring costs.

Early retirement benefits

The Group provides early retirement benefits to employees who accept voluntary redundancy in exchange for these benefits. Early retirement benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The early retirement benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for early retirement benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognised with a corresponding charge to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognised in the current profits and losses.

Termination benefits falling due within one year are reclassified as a current liability.

20. Provisions

Provisions are recognized when the Group has a present obligation (legal or mine restoration) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

The provision required to be paid within one year started from the balance sheet date is presented as current liability.

21. Share-based payment

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

21.1 Cash-settled share-based payments

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

22. Revenue

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

(1) Sales of goods

The Group is engaged in manufacturing and sales of cement. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the customers, the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

(2) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the contract costs attributable to the contract can be clearly identified and measured reliably; and (iv) both the contract costs to complete the contract and stage of contract completion at the end of the reporting period can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the contract costs incurred are not recoverable, the contract cost is recognized as an expense immediately. The contract revenue and contract cost is recognized over the period of the contract by reference to the stage of completion when the uncertainties on stage of completions ceased.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The contract revenue and cost in the current year are recognized as differences between the accumulated revenue and cost recognized by reference to completion stage and the accumulated revenue and cost recognized in prior periods.

The accumulated costs incurred in progress and the accumulated recognized gross profit (loss) and the settled price are stated in the balance sheet as net amount. The sum of the accumulated costs incurred in progress and the accumulated recognized gross profit (loss) exceeds the settled price is presented as inventory; the settlement price exceeds the sum of the cumulative cost incurred and the accumulated recognized gross profit (loss) is presented as receipt in advance.

For the projects of Build-Operate-Transfer (BOT), in which the Group participates in public infrastructure construction business, the group recognizes related income and expenses for the construction services provided during the construction of the project in accordance with the China Accounting Standards for Business Enterprises No. 15 — Construction Contract; After completion of infrastructure, the income and expenses related to the operating business services will be recognised in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue.

(3) Service income

Service income is recognised when related service is rendered to customers.

(4) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

23. Government grants

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

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

23.1 Judgment basis and accounting treatments for government grants related to assets

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

Government grants related to assets are recognized as deferred income, and systematically amortized to profit or loss within the useful life of the related asset. The Group adopts same presentation method for same category of government grants.

23.2 Judgment basis and accounting treatments for government grants related to income

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

For government grants related to income, where the grants are a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grants are recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grants are a compensation for related expenses or losses already incurred by the Group, the grants are recognized immediately in profit or loss in the current period.

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

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

24. Deferred tax assets/ deferred tax liabilities

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

24.1. Current income tax

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

24.2. Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

24.2. Deferred tax assets and deferred tax liabilities

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

24.3. Offsetting income tax

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

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

25. Leases

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

25.1. Accounting treatment of operating leases

25.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

25.2. Accounting treatment of finance leases

25.2.1 The Group as lessee under finance leases

Relevant accounting treatment is set out in Note (III) "13.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases"

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

26. Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and the internal reporting system, and discloses segment information of reportable segments determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its ordinary activities; (ii) the Group's management can regularly review the operating results of the segment and make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristic, and satisfy certain conditions, they are aggregated into a single operating segment.

27. Critical accounting estimates and judgements

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

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

(1) Estimation on impairment of goodwill

The Group assesses goodwill impairment annually. The recoverable amount of CGU and group of CGUs is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note V(13)).

If management revises the gross margin used in the calculation of the future cash flows of CGU and group of CGUs, and the revised gross margin is lower than the one currently used, the Group would need to recognize further impairment against goodwill.

If management revises the sales growth rate used in the calculation of the future cash flows of CGU and group of CGUs, and the sales growth rate is lower than the one currently used, the Group would need to recognize further impairment against goodwill.

If management revises the discount rate used in the calculation of the future cash flows of CGU and group of CGUs, and the discount rate is higher than the one currently used, the Group would need to recognize further impairment against goodwill.

If the actual gross margin, growth rate or pre-tax discount rate is higher or lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(2) Estimated impairment of fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of fixed assets have been determined based on value-in-use calculations. These calculation and valuations require the use of judgment and estimates, such as gross margin, sales growth rate and discount rate.

If the Group revises the gross margin, sales growth rate or discount rate that is used in the calculation of the future cash flows of fixed assets, and the revised factor is lower/higher than the one currently used, the Group would need to recognize further impairment against fixed assets. If the actual gross margin, sale growth rate or discount rate is higher/lower than management's estimates, the impairment loss of fixed assets previously provided for is not allowed to be reversed by the Group.

(3) Depreciation and amortization

Fixed assets (taking account of the estimated residual values), intangible assets with limited service life and long-term prepaid expenses are depreciated or amortized on the straight-line basis or the exploitation basis over their estimated useful lives. Management estimated useful lives of fixed assets based on the experience and expected technical innovations periodically to determine the related depreciation and amortization expenses for the reporting period. When the previous estimate changes significantly, the depreciation and amortization expenses would be adjusted in future periods.

(4) Income taxes

The Group is subject to income taxes in different jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the management in determining the provision for income taxes in each of these jurisdictions. The Group recognizes income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(5) Deferred taxation

Deferred tax assets arising from related accumulated deductible losses, tax deduction and other deductible temporary differences have been recognized on respective balance sheet dates. Deferred tax asset is recognized for the tax losses that can be carried forward to subsequent years for deduction of the taxable profit with applicable tax rates in according with the tax law. Income tax expense (income) and balance of deferred tax may be variable to changes of applicable tax rates and reverse of temporary differences. Changes of estimation mentioned above may cause significant adjustment of deferred tax.

(6) Assessment of fair value of long-term asset from business combination under non-common control

In the business combination under non-common control, the Group estimates fair value of acquiree's long-term asset at the acquisition date. When making the estimation, the reasonableness of the parameters and assumptions used in the valuation process is thoroughly considered and only the assumptions that match the concurrent market condition are adopted in the calculation, including:

The valuation method of fixed asset is replacement cost method: the asset's fair value will be its replacement cost at the moment deducting all other costs;

Intangible assets mainly include land use rights and mining rights. Fair value of land use rights is determined by using benchmark land price method. The mining rights is mainly evaluated by discounted cash flow method. In order to calculate the present value of future cash flow, the management predicts and estimates the selling price of mineral resources, mining cost, operating cost and applicable discount rate of mineral resources in the future years.

The appraised value is calculated based on different assumptions and may be different from the actual value because of the influence of uncertainties.

28. Changes in accounting policies

Changes in accounting policies and reasons	Approval procedures
The Company started adopting the Notice of the Revised Format of 2018 Financial Statements for General Business Enterprise (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the Ministry of Finance on 15 June 2018 since the preparation of financial statements for the year of 2018. Cai Kuai No.15 Document revised the presenting items in the balance sheet and income statement, added line items of "Notes Receivable and Accounts Receivable", "Notes Payable and Accounts Payable", and "Research and Development Expenses", revised the presenting contents of the line items of "Other Receivables", "Fixed Assets", "Construction in Progress", "Other Payables" and "Long-term Payables", removed the line items of "Notes Receivable", "Accounts Receivable", "Dividends Receivable", "Interest Receivable", "Disposal of Fixed Assets", "Materials for construction of fixed assets", "Notes Payable", "Accounts Payable", "Interest Payable", "Dividends Payable" and "Special Payables", added line items of "Including: Interest Expenses" and "Interest Income" under "Financial Expenses", and adjusted the presenting location of some accounts in the income statement. The Company has accounted for the above changes in presenting items using retrospective application, and adjusted comparable data for prior year retrospectively.	Making amendment in accordance with the uniformly used accounting standard, not applicable

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Enterprise income tax *(Note I)*	Taxable income	13%, 15%, 25%
VAT *(Note II)*	Taxable value added amount (tax payable represents output VAT calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input)	3%, 5%, 6%, 10%, 11%, 16%, 17%
Resource tax	Taxable sales income	6%
Environmental protection tax	Pollutant discharge equivalent	RMB1.2 or 2.4 per equivalent

Note I: Except for the company mentioned in NOTE IV(2) that enjoys the preferential corporate income tax rate, other companies in the Group shall pay the corporate income tax at 25%.

Note II: According to the provisions of Cai Shui [2018] No. 32 "Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of VAT Tax Rate", the tax rates of taxpayers who have engaged in VAT taxable sales or imported goods have changed from 17% and 11% to 16% and 10% respectively from 1 May 2018.

Some subsidiaries of the Group are engaged in concrete and aggregate business, the tax rate of whose product sales is 3%. Before 30 April 2016, the tax rate of real estate sales or real estate leasing is 5%. And the tax rate of the related companies within the Group providing IT services, share services and collecting capital occupancy fees is 6%.

2. Tax preferences

2.1 Enterprise income tax

Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. and Huaxin E'zhou Packaging Co., Ltd. were approved to be a new high-tech enterprise by Hubei Provincial Science & Technology Department in 2017 and 2018. Pursuant to the Enterprise Income Tax Law of the PRC, the above companies can enjoy the preference enterprise income tax rate at 15% for 2018.

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., Huaxin Cement (Dongjun) Co., Ltd., Huaxin Guizhou Dingxiao Special Cement Co., Ltd. are manufacturing enterprises established in Western Development Zone of the PRC. Pursuant to Cai Shui [2011] No.58 *Notice on Tax Policy Issues concerning Further Implementing the Western China Development Strategy*, the applicable enterprise income tax rate of these companies for the years from 2011 to 2020 is reduced to 15%.

Huaxin Cement (Tibet) Co., Ltd. and Tibet Huaxin Construction Materials Co., Ltd. are manufacturing enterprises established in western development zone of the PRC. Pursuant to Zang Zheng Fa [2011] No.14 *Notice of the People's Government of Tibet Autonomous Region on Issues Concerning the Enterprise Income Tax Rate in the Region*, the applicable enterprise income tax rate for these two entities is 15% from 2011 to 2020.

Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan Republic ("Tajikistan"). A new manufacturing company is exempted for enterprise income tax for five years since its establishment according to local tax laws. Accordingly, Huaxin Yovon Cement LLC enjoyed tax exemption from September 2011 to September 2016, and Huaxin Gayur (Sogd) Cement LLC can enjoy tax exemption from June 2014 to June 2019. The applicable enterprise income tax rate of Huaxin Yovon Cement LLC for current year is 13%.

Cambodian Cement Chakrey Ting Factory Co., Ltd. is located in Cambodia. According to local tax laws, companies with government-encouraged investing project is exempted from income tax during the start-up period, which is earlier of the period from date of obtain of registration certificate to the date firstly generating operating profit or the three-years period from the date firstly generating revenue; after the start-up period, the company is exempted from income tax for a three-year period; afterwards, the company can further enjoy an additional 2-5 years' tax exemption period depending on its industries. According to its industry and investment scale, Cambodian Cement Chakrey Ting Factory Co., Ltd. is entitled on an additional 3 years' tax exemption period. Thus, in total, the company is exempted from income tax for a nine-years period from 2013 to 2021.

Pursuant to the item 3 of clause 27 of Corporate Income Tax Law of the PRC, because the business of certain environment engineering companies of the Group can meet the definition of environment protection and energy and water conservation, their profits generated from the business of environment protection and energy and water conservation are exempted from corporate income tax in the first three year starting from date of firstly generating revenue, and can enjoy a 50% reduction from the fourth year to the sixth year.

2.2 VAT

Based on regulations in *VAT Preference Items for Resource Comprehensively Utilized Products and Labor* (Cai Shui [2015] No. 78), certain subsidiaries of the Group which produce cement are entitled to preference policy of VAT refunding upon paying with refunded ratio at 70%.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	Closing balance	Opening balance
Cash on hand	1,014,354	2,581,513
Bank balances	5,235,207,780	3,529,727,382
RMB	4,767,112,228	3,170,385,407
USD	459,559,325	350,872,924
TJS	6,184,234	6,079,432
Others	2,351,993	2,389,619
Other monetary assets	90,539,777	73,937,381
RMB	89,402,481	67,404,488
Others	1,137,296	6,532,893
Total	5,326,761,911	3,606,246,276
Including: Cash deposited overseas	136,153,570	215,923,859

As at 31 December 2018, other monetary assets include mine restoration deposit of RMB32,947,396, guarantee deposits of RMB44,990,351, carbon emission trading deposit of RMB11,576,566, bank acceptance notes and letters of credit deposits of RMB725,462, and other bank deposits of RMB300,002, amounting to RMB90,539,777 in total (31 December 2017: RMB73,937,381). The restricted cash is not regarded as cash when preparing the cash flow statements.

2. Financial assets at fair value through profit or loss

RMB

Item	Closing balance	Opening balance
Financial assets held for trading	207,144,438	453,990,407
Including: Money market fund (a)	207,144,438	453,513,045
Others	–	477,362
Total	207,144,438	453,990,407

(a) Money market fund is issued by China International Fund Management Co., Ltd. The fair value of this product is based on the market value of the last trading day of 2018.The Group's intended holding period of the monetary market fund is within one year.

3. Notes receivable and accounts receivable

3.1 Presentation by categories

RMB

Item	Closing balance	Opening balance
Notes receivable	1,548,929,075	1,711,160,593
Accounts receivable	524,536,351	642,210,893
Total	2,073,465,426	2,353,371,486

3.2 Notes receivable

(1) Classification of notes receivable

RMB

Category	Closing balance	Opening balance
Bank acceptances	1,548,929,075	1,711,160,593

(2) As at 31 December 2018, notes receivable that have been endorsed or discounted but were not yet due in the Group are as follows:

RMB

Item	Derecognized amount	Derecognized amount
Bank acceptances – endorsed but has not yet expired	1,065,268,099	27,510,016

(3) As at 31 December 2018, notes that has been converted to accounts receivable by the Group due to issuers' failure to discharge obligations are as follows:

RMB

Item	Amounts converted to accounts receivable
Bank acceptances	14,520,926

3.3 *Accounts receivable*

(1) Accounts receivable classified by different creditability grouping

RMB

	Closing balance					Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Book value	Amount	Proportion	Amount	Proportion of provision	Book value
		(%)		(%)			(%)		(%)	
Receivables that are individually significant and for which bad debt provision is individually assessed	94,315,289	14	74,001,564	78	20,313,725	57,532,471	8	47,438,589	82	10,093,882
Receivables for which bad debt provision is collectively assessed on a portfolio basis	443,853,226	64	4,783,391	1	439,069,835	586,287,124	76	10,823,086	2	575,464,038
Portfolio 1	221,482,976	32	–	–	221,482,976	327,840,822	43	–	–	327,840,822
Portfolio 2	222,370,250	32	4,783,391	2	217,586,859	258,446,302	34	10,823,086	4	247,623,216
Receivable that are not individually significant but for which bad debt provision is individually assessed	152,119,029	22	86,966,238	57	65,152,791	123,270,088	16	66,617,115	54	56,652,973
Total	690,287,544	100	165,751,193	24	524,536,351	767,089,683	100	124,878,790	16	642,210,893

As at 31 December 2018, accounts receivable that are individually significant and for which bad debt provision is individually assessed:

RMB

	Closing balance			
Accounts receivable (by client)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
			(%)	
Client A	24,417,713	12,834,184	53	Overdue, the counterparty's financial situation deteriorated
Client B	12,453,750	12,453,750	100	Overdue, the counterparty's financial situation deteriorated
Client C	9,922,440	1,192,244	12	Overdue, the counterparty's financial situation deteriorated
Client D	8,974,092	8,974,092	100	Overdue, the counterparty's financial situation deteriorated
Client E	6,346,094	6,346,094	100	Overdue, the counterparty's financial situation deteriorated
Others	32,201,200	32,201,200	100	Overdue, the counterparty's financial situation deteriorated
Total	94,315,289	74,001,564		

Portfolios that aging analysis is used for bad debt provision:

RMB

	Closing balance		
Aging	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**
			(%)
Within 1 year	193,572,961	–	–
1 to 2 years	21,572,734	2,157,273	10
2 to 3 years	1,318,521	263,704	20
Over 3 years	5,906,034	2,362,414	40
Total	222,370,250	4,783,391	

(2) *Bad debt provision made, recovered or reversed in the reporting period*

Bad debt provision made in the reporting period amounted to RMB55,100,989. Provision recovered or reversed was RMB2,978,198. There was no individually significant bad debt provision reversed. In addition, accounts receivables of RMB29,391,469 written off in prior years are recovered in the current period.

(3) *Accounts receivable written off in the reporting period*

RMB

Item	**Write-off amounts**
Accounts receivable written off	11,250,388

(4) Top five entities with the largest balances of accounts receivable:

RMB

Item	**Closing balance of accounts receivable**	**% of total balance**	**Closing balance of bad debt provision**
Client A	24,417,713	4	12,834,184
Client F	15,382,370	2	568,691
Client B	14,575,837	2	–
Client G	12,453,750	2	12,453,750
Client H	12,000,471	2	–
Total	78,830,141	12	25,856,625

4. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

	Closing balance		**Opening balance**	
Item	**Amount**	**% of total balance**	**Amount**	**% of total balance**
Within 1 year	296,332,894	92	220,351,543	98
Between 1 and 2 years	23,794,839	7	4,447,395	2
Between 2 and 3 years	2,798,180	1	415,093	0
Over 3 years	791,118	0	423,637	0
Total	323,717,031	100	225,637,668	100

As at 31 December 2018, prepayments with aging over one year amounted to RMB27,384,137 (31 December 2017: RMB5,286,125), mainly comprising the prepayments for raw materials not yet settled.

(2) Top five entities with the largest balances of prepayments:

RMB

Name of supplier	Amount	% of total balance
Supplier A	76,820,149	24
Supplier B	31,207,857	10
Supplier C	26,133,785	8
Supplier D	25,933,353	8
Supplier E	24,400,000	8
Total	184,495,144	58

5. Other receivables

5.1 Disclosure of other receivables by categories

RMB

	Closing balance					Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
Categories	Amount	Proportion	Amount	Proportion of provision	Book value	Amount	Proportion	Amount	Proportion of provision	Book value
		(%)		(%)			(%)		(%)	
Receivables that are individually significant and for which bad debt provision is individually assessed	61,970,206	14	50,755,380	82	11,214,826	55,477,758	13	48,113,758	87	7,364,000
Receivables for which bad debt provision is collectively assessed on a portfolio basis	337,849,431	76	1,553,950	–	336,295,481	351,762,973	79	3,173,531	1	348,589,442
Portfolio 3	326,393,021	73	–	–	326,393,021	321,612,460	72	–	–	321,612,460
Portfolio 4	11,456,410	3	1,553,950	14	9,902,460	30,150,513	7	3,173,531	11	26,976,982
Receivable that are not individually significant but for which bad debt provision is individually assessed	41,973,689	10	14,054,421	33	27,919,268	35,506,837	8	11,673,588	33	23,833,249
Total	441,793,326	100	66,363,751	15	375,429,575	442,747,568	100	62,960,877	14	379,786,691

Other receivables that are individually significant and for which bad debt provision has been assessed individually:

RMB

	Closing balance			
Other receivables (by client)	**Other receivables**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
			(%)	
Client I	27,027,341	27,027,341	100	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Client J	15,514,967	15,514,967	100	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Client K	7,700,000	2,880,000	37	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Client L	6,324,101	1,264,820	20	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Others	5,403,797	4,068,252	75	Uncertainty in recoverability due to deterioration of the counterparty's financial situation
Total	61,970,206	50,755,380	82	

Portfolios that aging analysis is used for bad debt provision:

RMB

	Closing balance		
Aging	**Other receivables**	**Bad debt provision**	**Proportion of provision**
			(%)
Within 1 year	5,262,716	–	–
1 to 2 years	2,145,092	214,509	10
2 to 3 years	1,400,000	280,000	20
Over 3 years	2,648,602	1,059,441	40
Total	11,456,410	1,553,950	

5.2 *Classification by nature*

RMB

Nature	Closing carrying amount	Opening carrying amount
Guarantee deposits	333,018,406	325,439,358
Advances to third-party companies	78,861,154	74,574,250
Petty cash	6,659,335	6,926,409
Others	23,254,431	35,807,551
Total	441,793,326	442,747,568

5.3 *Bad debt provision made, recovered or reversed in the current period*

Bad debt provision made for the year amounted to RMB8,250,422. Provision recovered or reversed in the current year was RMB4,164,381. In addition, other receivables of RMB1,042,114 written off in prior years are recovered in the current period.

5.4 *Other receivables written off in the reporting period:*

RMB

Item	Write-off amounts
Other receivables written off	683,167

5.5 *Top five entities with the largest balances of other receivables:*

RMB

Item	Closing balance of other receivables	(%) of total balance	Aging	Closing balance of Bad debt provision
Client M	38,927,223	9	1-2 year	–
Client N	29,599,227	7	Above 3 year	–
Client O	27,711,764	6	Above 3 year	–
Client I	27,027,341	6	Above 3 year	27,027,341
Client J	15,514,967	4	Above 3 year	15,514,967
Total	138,780,522	32		42,542,308

6. Inventories

(1) Categories of inventories:

RMB

Item	Closing balance: Carrying amount	Closing balance: Provision for decline in value of inventories	Closing balance: Book value	Opening balance: Carrying amount	Opening balance: Provision for decline in value of inventories	Opening balance: Book value
Raw materials	565,132,205	2,744,569	562,387,636	559,959,938	2,426,954	557,532,984
Semi-finished goods	374,387,985	165,122	374,222,863	308,187,595	165,122	308,022,473
Finished goods	789,006,981	–	789,006,981	377,050,927	–	377,050,927
Turnover materials	31,559,628	–	31,559,628	51,066,002	–	51,066,002
Auxiliary materials	166,826,040	16,566,709	150,259,331	130,667,075	14,242,570	116,424,505
Spare parts	192,996,213	33,717,916	159,278,297	244,105,111	32,719,257	211,385,854
Inventories arising from construction contracts	11,852,202	–	11,852,202	–	–	–
Total	2,131,761,254	53,194,316	2,078,566,938	1,671,036,648	49,553,903	1,621,482,745

(2) ***Provision for decline in value of inventories***

RMB

Item	Opening balance	Increase: Provision	Decrease: Reversal	Decrease: Write-off	Closing balance
Raw materials	2,426,954	317,615	–	–	2,744,569
Semi-finished goods	165,122	–	–	–	165,122
Auxiliary materials	14,242,570	2,780,090	455,951	–	16,566,709
Spare parts	32,719,257	1,077,840	–	79,181	33,717,916
Total	49,553,903	4,175,545	455,951	79,181	53,194,316

(3) Inventories arising from construction contracts:

RMB

Item	Closing balance
Accumulated costs incurred	464,847,133
Accumulated gross profit recognized	21,387,131
Less: Amount for which settlement has been processed	474,382,062
Inventories arising from construction contracts	11,852,202

7. Other current assets

RMB

	Closing balance	Opening balance
Retained input VAT	125,573,949	99,241,327
Prepaid income tax	39,000,369	15,392,058
Other taxes prepaid	813,016	8,292,825
Total	165,387,334	122,926,210

8. Available-for-sale financial assets

(1) Available-for-sale financial assets

RMB

	Closing balance			Opening balance		
Item	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Available-for-sale debt instruments	21,055,500	2,000,000	19,055,500	21,055,500	–	21,055,500
Available-for-sale equity instruments	44,207,419	2,775,600	41,431,819	52,918,974	2,775,600	50,143,374
At fair value	29,707,153	–	29,707,153	38,418,708	–	38,418,708
At cost	14,500,266	2,775,600	11,724,666	14,500,266	2,775,600	11,724,666
Total	65,262,919	4,775,600	60,487,319	73,974,474	2,775,600	71,198,874

(2) Available-for-sale financial assets measured at fair value at the end of the period

RMB

Categories of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost	3,861,725	21,055,500	24,917,225
Fair value	29,707,153	19,055,500	48,762,653
Cumulative changes in fair value recognized in other comprehensive income, net of tax	19,384,071	–	19,384,071
Impairment recognized	–	2,000,000	2,000,000

(3) Available-for-sale financial assets measured at cost at the end of the period

RMB

	Carrying amount				Impairment provision				
Item	Opening balance	Increase	Decrease	Closing balance	Opening balance	Increase	Decrease	Closing balance	Equity interest in investee
									%
Huangshi Power Generation Co., Ltd.	11,724,466	–	–	11,724,466	–	–	–	–	1.4988
Zhengzhou New Star Group Corporation	2,000,000	–	–	2,000,000	2,000,000	–	–	2,000,000	–
Hubei Building Materials Industry and Trade Group Corporation	505,800	–	–	505,800	505,600	–	–	505,600	–
Changjiang Economic Development Corporation	150,000	–	–	150,000	150,000	–	–	150,000	–
Pingdingshan Zhongnan Coal Company	100,000	–	–	100,000	100,000	–	–	100,000	–
Huaxin Group Yidu Company	20,000	–	–	20,000	20,000	–	–	20,000	–
Total	14,500,266	–	–	14,500,266	2,775,600	–	–	2,775,600	–

(4) Changes in the provision for impairment losses for available-for-sale financial assets during the reporting period

RMB

Categories of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Balance at the beginning of the year	2,775,600	–	2,775,600
Additions	–	2,000,000	2,000,000
Reversals	–	–	–
Balance at the end of the year	2,775,600	2,000,000	4,775,600

9. Long-term equity investments

RMB

	Opening balance	Changes for the period: Increase in investment	Changes for the period: Investment income/losses under equity method	Closing balance	Closing balance of impairment provision
I. Associates					
Shanghai Wan'an Huaxin Cement Co., Ltd.	162,618,952	–	436,641	163,055,593	–
Tibet High-tech Building Materials Group co. Ltd.	269,473,964	–	71,881,760	341,355,724	–
Zhangjiajie Tianzi Concrete Co., Ltd.	2,910,515	–	(572,870)	2,337,645	–
Nanguang Huasen Environmental Engineering Co., Ltd.	–	5,720,528	–	5,720,528	–
Total	435,003,431	5,720,528	71,745,531	512,469,490	–

10. Fixed assets

10.1 Categories

RMB

Item	Closing balance	Opening balance
Fixed assets	16,116,628,188	15,756,941,609
Disposal of fixed assets	2,227,924	1,721,313
Total	16,118,856,112	15,758,662,922

10.2 Fixed assets

(1) Fixed assets

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Original carrying amount					
1. Opening balance	11,927,315,767	14,690,132,326	316,235,870	542,981,697	27,476,665,660
2. Addition	715,778,297	1,141,422,007	19,810,079	23,715,459	1,900,725,842
(1) Purchase	36,947,280	70,308,829	3,891,098	8,179,969	119,327,176
(2) Transferred from construction in progress	547,318,410	851,414,885	14,998,750	14,971,350	1,428,703,395
(3) Increase due to business combination	131,512,607	219,698,293	920,231	564,140	352,695,271
3. Reduction	126,113,453	208,414,437	38,419,398	41,066,101	414,013,389
(1) Disposal	126,113,453	208,414,437	38,419,398	41,066,101	414,013,389
4. Translation difference	102,943	23,541,777	308,266	159,951	24,112,937
5. Closing balance	12,517,083,554	15,646,681,673	297,934,817	525,791,006	28,987,491,050
II. Accumulated depreciation					
1. Opening balance	2,960,107,736	7,832,992,389	233,369,684	440,847,438	11,467,317,247
2. Addition	393,860,066	980,023,262	7,251,984	34,795,777	1,415,931,089
(1) Provision made during the year	393,860,066	980,023,262	7,251,984	34,795,777	1,415,931,089
3. Reduction	62,710,159	167,422,541	35,010,282	36,232,639	301,375,621
(1) Disposal	62,710,159	167,422,541	35,010,282	36,232,639	301,375,621
4. Translation difference	120,334	4,297,455	(928)	127,493	4,544,354
5. Closing balance	3,291,377,977	8,649,890,565	205,610,458	439,538,069	12,586,417,069
III. Provision for impairment losses					
1. Opening balance	113,598,062	138,735,194	73,548	–	252,406,804
2. Addition	21,068,441	14,001,157	4,082	–	35,073,680
(1) Provision made during the year	21,068,441	14,001,157	4,082	–	35,073,680
3. Reduction	511,645	2,509,049	13,997	–	3,034,691
(1) Disposal	511,645	2,509,049	13,997	–	3,034,691
4. Closing balance	134,154,858	150,227,302	63,633	–	284,445,793
IV. Net book value					
1. Closing balance	9,091,550,719	6,846,563,806	92,260,726	86,252,937	16,116,628,188
2. Opening balance	8,853,609,969	6,718,404,743	82,792,638	102,134,259	15,756,941,609

As at 31 December 2018, buildings and equipment with net book value of RMB557,430,713 (original carrying amount of RMB1,449,308,807) (31 December 2017: net book value of RMB450,978,811, the original carrying amount of RMB1,087,108,133) are used as the collateral for short-term borrowings and long-term borrowings (NOTE V, 16 and 23).

(2) Fixed assets leased under finance lease:

RMB

Item	Book value	Accumulated depreciation	Impairment provision	Net book value
Machinery and equipment (2018)	150,000,000	64,249,478	–	85,750,522

(3) Fixed assets leased out under operating lease:

RMB

Item	Net book value
Concrete batching plant	69,390,174

(4) Fixed assets of which certificates of title have not been obtained:

RMB

Item	Net book value
Buildings	1,355,983,349

11. Construction in progress

11.1 Categories

RMB

Item	Closing balance	Opening balance
Construction in progress	1,194,218,803	1,248,084,829
Materials for construction of fixed assets	128,757,298	54,877,711
Total	1,322,976,101	1,302,962,540

11.2 Construction in progress

(1) Details of construction in progress are as follows:

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Kunming Chongde 4000TPD Luquan Second Line Production Line Project	156,644,367	–	156,644,367	11,753,981	–	11,753,981
Huangshi Annual Production of 2.85 Million Tons of Cement Clinker Production Line Construction Project	133,398,311	–	133,398,311	–	–	–
Huaxin New Materials and Intelligent Equipment Manufacturing Technology Park Construction Project	78,613,958	–	78,613,958	–	–	–
Huaxin Environmental Engineering Series Project – Yunyang Waste Treatment Project	75,512,305	–	75,512,305	54,123,228	–	54,123,228
Tibet Shannan Hour Production of 1000 Tons of Waste Rock Comprehensive Utilization Project	35,795,819	–	35,795,819	–	–	–
Changyang New Materials Annual Production of 6 Million Tons of Aggregate Production Line Project	32,721,226	–	32,721,226	–	–	–
Zhuzhou Environmental Hazardous Waste Disposal Plant Expands Production Capacity Investment Project	31,932,523	–	31,932,523	–	–	–
Huaxin Environmental Engineering Series Project – Municipal Waste Treatment Project	30,664,049	–	30,664,049	11,808,380	–	11,808,380
Huaxin Environmental Engineering Series Project – Changshankou Waste Treatment Project	–	–	–	320,790,977	–	320,790,977

	Closing balance			Opening balance		
Item	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Tibet Phase III Annual Production of 1.2 Million Tons Cement Production Line Construction Project	–	–	–	89,240,326	–	89,240,326
Huaxin Environmental Engineering Series Project – Shiyan Waste Treatment Project	–	–	–	103,717,127	–	103,717,127
Huaxin Building Materials Yangxin Cement Stone Powder Brick Production Line Construction Project	–	–	–	4,467,979	–	4,467,979
Huaxin Environmental Engineering Series Project – Yichang Sludge Treatment Project	–	–	–	16,725,319	–	16,725,319
Huaxin Environmental Engineering Series Project – Others	171,413,027	–	171,413,027	169,413,396	–	169,413,396
Others	457,395,772	9,872,554	447,523,218	475,381,425	9,337,309	466,044,116
Total	1,204,091,357	9,872,554	1,194,218,803	1,257,422,138	9,337,309	1,248,084,829

(2) *Changes in significant construction in progress:*

RMB

Project name	Budget	Opening balance	Addition	Transferred to fixed assets	Other reduction	Closing balance	Accumulated cost incurred out of budget (%)	Progress (%)	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
Tibet Phase III Annual Production of 1.2 Million Tons Cement Production Line Construction Project	460,000,000	89,240,326	344,830,590	434,070,916	–	–	100	100	–	–	–	Working capital
Kunming Chongde 4000TPD Luquan Second Line Production Line Project	669,320,000	11,753,981	144,890,386	–	–	156,644,367	23	23	–	–	–	Working capital
Huangshi Annual Production of 2.85 Million Tons of Cement Clinker Production Line Construction Project	1,847,573,900	–	133,398,311	–	–	133,398,311	7	7	–	–	–	Working capital
Huaxin Environmental Engineering Series Project – Shiyan Waste Treatment Project	200,000,000	103,717,127	89,112,391	–	192,829,518	–	100	100	5,064,312	1,750,639	5.25%	Working capital and borrowings
Huaxin New Materials and Intelligent Equipment Manufacturing Technology Park Construction Project	207,560,000	–	78,613,958	–	–	78,613,958	38	38	–	–	–	Working capital
Huaxin Environmental Engineering Series Project – Changshankou Waste Treatment Project	388,070,000	320,790,977	61,708,479	346,020,649	36,478,807	–	100	100	14,873,649	5,996,005	5.25%	Working capital and borrowings
Tibet Shannan Hour Production of 1000 Tons of Waste Rock Comprehensive Utilization Project	74,820,000	–	35,795,819	–	–	35,795,819	48	48	–	–	–	Working capital

Project name	Budget	Opening balance	Addition	Transferred to fixed assets	Other reduction	Closing balance	Accumulated cost incurred out of budget (%)	Progress (%)	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period	Source of funds
Huaxin Building Materials Yangxin Cement Stone Powder Brick Production Line Construction Project	41,670,000	4,467,979	33,086,869	37,554,848	–	–	100	100	–	–	–	Working capital
Changyang New Materials Annual Production of 6 Million Tons of Aggregate Production Line Project	230,000,000	–	32,909,205	187,979	–	32,721,226	14	14	–	–	–	Working capital
Zhuzhou Environmental Hazardous Waste Disposal Plant Expands Production Capacity Investment Project	53,392,300	–	31,932,523	–	–	31,932,523	60	60	–	–	–	Working capital
Huaxin Environmental Engineering Series Project – Yichang Sludge Treatment Project	42,500,000	16,725,319	21,795,760	–	38,521,079	–	100	100	78,257	–	–	Working capital and borrowings
Huaxin Environmental Engineering Series Project – Municipal Waste Treatment Project	40,000,000	11,808,380	18,855,669	–	–	30,664,049	77	77	–	–	–	Working capital
Huaxin Environmental Engineering Series Project – Yunyang Waste Treatment Project	79,800,000	54,123,228	21,389,077	–	–	75,512,305	95	95	734,516	–	–	Working capital and borrowings
Huaxin Environmental Engineering Series Project – Others	N/A	169,413,396	94,550,380	92,550,748	–	171,413,028	N/A	N/A	42,621,165	1,620,001	–	Working capital and borrowings
Total others	N/A	466,044,116	587,642,124	518,318,255	87,844,768	447,523,217	N/A	N/A				Self-owned funds
Total		1,248,084,829	1,730,511,541	1,428,703,395	355,674,172	1,194,218,803	–	–	63,371,899	9,366,645	–	

(3) *Changes in provision for impairment losses for construction in progress are as follows:*

RMB

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for provision
Qingshan Project of Huaxin Concrete	7,401,126	–	–	7,401,126	Management decides to terminate these projects because of failure in obtaining governmental approval.
Lengshuijiang Project of Huaxin Concrete	940,164	–	–	940,164	
Daoxian Project of Huaxin Concrete	–	277,395	–	277,395	
Chibi Project of Huaxin Concrete	–	257,850	–	257,850	
Others	996,019	–	–	996,019	
Total	9,337,309	535,245	–	9,872,554	

11.3 Materials for construction of fixed assets

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Machinery and equipment	128,757,298	–	128,757,298	54,877,711	–	54,877,711

12. Intangible assets

RMB

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Original carrying amount						
1. Opening balance	2,535,877,920	756,321,053	186,734,009	–	221,938,528	3,700,871,510
2. Addition	162,012,581	82,120,343	81,308,415	231,350,597	14,821,487	571,613,423
(1) Purchase	5,328,349	24,518,727	80,169,388	–	14,076,112	124,092,576
(2) Transferred from construction in progress	38,681,265	14,294,221	1,139,027	231,350,597	653,900	286,119,010
(3) Increase due to business combination	118,002,967	43,307,395	–	–	91,475	161,401,837
3. Reduction	69,744,454	15,318,660	15,306,444	–	1,798,229	102,167,787
(1) Disposal or retirement	15,467,005	15,318,660	5,407,009	–	1,798,229	37,990,903
(2) Others	54,277,449	–	9,899,435	–	–	64,176,884
4. Closing balance	2,628,146,047	823,122,736	252,735,980	231,350,597	234,961,786	4,170,317,146

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
II. Accumulated amortization						
1. Opening balance	318,310,077	139,532,456	52,426,953	–	163,848,540	674,118,026
2. Addition	57,626,433	30,439,447	5,953,713	2,528,618	16,934,322	113,482,533
(1) Provision made during the year	57,626,433	30,439,447	5,953,713	2,528,618	16,934,322	113,482,533
3. Reduction	15,070,256	–	4,041,179	–	1,785,623	20,897,058
(1) Disposal or retirement	6,210,165	–	1,713,948	–	1,785,623	9,709,736
(2) Others	8,860,091	–	2,327,231	–	–	11,187,322
4. Closing balance	360,866,254	169,971,903	54,339,487	2,528,618	178,997,239	766,703,501
III. Net book value						
Closing balance	2,267,279,793	653,150,833	198,396,493	228,821,979	55,964,547	3,403,613,645
Opening balance	2,217,567,843	616,788,597	134,307,056	–	58,089,988	3,026,753,484

As at 31 December 2018, the land use right with a net book value of RMB14,272,894 (original carrying amount of RMB24,274,843) (31 December 2017: net book value of RMB15,816,767, original carrying amount of RMB31,471,127) is used as the collateral for short-term borrowing and long-term borrowing (NOTE V, 16 and 23).

13. Goodwill

(1) Original carrying amount of goodwill

RMB

Name of investee	Closing & opening balance
Huaxin Cement (Daye) Co., Ltd.	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135
Huaxin Cement (Nantong) Co., Ltd.	9,469,146
Total	517,030,260

(2) Provision for impairment of goodwill

RMB

Name of investee	Closing & opening balance
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768

(3) The recoverable amounts are determined based on the present value of expected future cash flows. The future cash flow projections are based on financial budgets approved by management covering a five-year period. The cash flows beyond the five-year period are calculated based on the following key assumptions:

Sales growth rate	–2%-5%
Gross margin	19%-38%
Discount rate	16%

14. Long-term prepaid expenses

RMB

Item	Opening balance	Increase in the period	Amortization in the period	Closing balance
Mine development cost	268,514,332	90,625,079	69,020,411	290,119,000
Others	12,547,101	80,217,794	6,675,857	86,089,038
Total	281,061,433	170,842,873	75,696,268	376,208,038

15. Deferred tax assets and liabilities

(1) Details of deferred tax assets before offsetting:

RMB

	Closing balance		Opening balance	
Item	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Provision for impairment of assets	153,712,730	36,190,239	97,002,639	23,142,335
Difference between the fair value and the tax base of identifiable assets of business combination	407,227,793	84,965,817	581,922,794	118,306,293
Temporary difference arising from expense recognition	353,760,365	83,953,404	323,579,396	77,486,642
Unrealized profit arising from elimination of intra-group transactions	230,131,456	57,532,864	217,934,712	54,483,678
Deductible tax losses	17,887,695	4,191,002	461,916,599	100,865,201
Provision for staff welfare	137,546,941	25,590,852	96,503,042	21,718,305
Others	880,788	132,118	1,722,340	258,351
Total	1,301,147,768	292,556,296	1,780,581,522	396,260,805

(2) ***Details of deferred tax liabilities before offsetting:***

RMB

	Closing balance		Opening balance	
	Taxable temporary differences	**Deferred tax liabilities**	**Taxable temporary differences**	**Deferred tax liabilities**
Capitalization of general borrowing interest	57,023,917	14,255,979	65,684,060	16,421,015
Changes in fair value of available-for-sale financial assets	25,845,428	6,461,356	34,556,983	8,639,246
Fair value adjustment upon business combination not involving enterprises under common control	207,168,666	46,198,066	210,217,626	50,459,243
Depreciation difference of fixed assets between accounting and tax basis	439,386,715	82,138,044	345,666,207	62,413,842
Others	159,754,485	22,429,471	136,000,830	18,297,098
Total	889,179,211	171,482,916	792,125,706	156,230,444

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

RMB

Item	**The amount offset at the end of the period**	**Deferred tax assets or liabilities after offset at the end of the period**	**The amount offset at the beginning of the period**	**Deferred tax assets or liabilities after offset at the beginning of the period**
Deferred tax assets	9,284,181	283,272,115	18,218,354	378,042,451
Deferred tax liabilities	9,284,181	162,198,735	18,218,354	138,012,090

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

RMB

Item	**Closing balance**	**Opening balance**
Deductible temporary differences	2,480,110,976	2,795,021,106
Deductible tax losses	987,933,080	1,548,829,053
Total	3,468,044,056	4,343,850,159

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

RMB

Year	Closing balance	Opening balance
2018	–	94,205,788
2019	155,549,091	311,600,774
2020	332,035,821	546,679,577
2021	242,972,073	407,511,234
2022	180,277,056	188,831,680
2023	77,099,039	–
Total	987,933,080	1,548,829,053

16. Short-term borrowings

(1) Category of short-term borrowings:

RMB

Item	Closing balance	Opening balance
Mortgaged bank borrowings *(Note 1)*	31,000,000	81,000,000
Unsecured bank borrowings *(Note 2)*	590,000,000	950,500,000
Guaranteed bank borrowings	–	110,000,000
Total	621,000,000	1,141,500,000

Note 1: As at 31 December 2018, parts of buildings, machinery and equipment (Note V(10)) and land use rights (Note V(12)) of the Group are the collateral of the mortgaged bank borrowings of RMB31,000,000 (2017:RMB81,000,000).

Note 2: As at 31 December 2018, unsecured bank borrowings amounting to RMB141,000,000 (2017: RMB492,000,000) guaranteed by the Company for its subsidiaries within the Group.

As at 31 December 2018, the interest rate of short-term borrowings ranges from 2.35% to 4.35% per annum (31 December 2017: from 4.30% to 4.79% per annum).

The Group has no overdue short-term borrowings.

17. Notes payable and accounts payable

17.1 *Categories:*

RMB

Item	Closing balance	Opening balance
Notes payable	–	14,450,000
Accounts payable	3,789,324,069	4,139,575,215
Total	3,789,324,069	4,154,025,215

17.2 *Notes payable*

RMB

	Closing balance	Opening balance
Bank acceptance notes	–	14,450,000

17.3 *Accounts payable*

RMB

Item	Closing balance	Opening balance
Payables for raw materials	2,371,944,417	2,720,640,435
Payables for construction and equipment	934,700,160	1,033,498,258
Payables for transportation services	191,881,135	199,782,333
Payables for utility charges	92,984,125	72,781,671
Others	197,814,232	112,872,518
Total	3,789,324,069	4,139,575,215

(1) *Significant accounts payable over one year*

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Construction and equipment payables and construction warranty payable	561,207,244	Part of project is under construction, so related amounts have not been settled.
Total	561,207,244	

18. Receipts in advance

(1) *Receipts in advance*

RMB

Item	Closing balance	Opening balance
Advance from customers	638,732,781	556,730,942
Advances for construction contracts	–	5,974,440
Total	638,732,781	562,705,382

(2) *Significant receipts in advance over one year*

RMB

	Closing balance	Opening balance
Advance from customers for sales of cement	35,023,917	25,561,949

19. Employee benefits payable

(1) *Summary of employee benefits payable*

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Short-term employee benefits payable	257,049,545	2,134,844,941	2,019,531,314	372,363,172
2. Defined contribution plan	6,235,758	201,123,090	200,924,060	6,434,788
3. Defined benefit plan (the portion payable within one year)	4,748,365	4,029,385	4,748,365	4,029,385
4. Termination benefits payable	13,053,736	9,346,211	13,053,736	9,346,211
Total	281,087,404	2,349,343,627	2,238,257,475	392,173,556

(2) Short-term employee benefits

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Salaries or wages, bonuses and allowances	224,570,063	1,649,541,088	1,546,176,464	327,934,687
2. Staff welfare	2,979,986	193,342,715	183,808,420	12,514,281
3. Social insurance	7,237,968	146,129,836	142,626,256	10,741,548
Including: Medical insurance	5,718,476	128,378,857	124,758,413	9,338,920
Injury insurance	1,084,997	12,611,337	12,590,343	1,105,991
Maternity insurance	434,495	5,139,642	5,277,500	296,637
4. Housing funds	11,031,704	104,099,459	109,208,632	5,922,531
5. Labor union funds and employee education fee	11,229,824	41,731,843	37,711,542	15,250,125
Total	257,049,545	2,134,844,941	2,019,531,314	372,363,172

(3) Defined contribution plan

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Basic pension insurance	4,102,991	195,683,019	194,571,263	5,214,747
2. Unemployment insurance	2,132,767	5,440,071	6,352,797	1,220,041
Total	6,235,758	201,123,090	200,924,060	6,434,788

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, the Group pays monthly expenses to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively. In addition to the above monthly deposit expenses, the Group shall not undertake any further payment obligations. The corresponding expenditure is recorded into the current profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB195,683,019 and RMB5,440,071 (2017: RMB168,299,632 and RMB5,408,342) to the basic pension insurance and unemployment insurance plans respectively this year. As at 31 December 2018, the Group has outstanding expenses of RMB5,214,746 and RMB1,220,041 (31 December 2017: RMB4,102,991 and RMB2,132,767) which has not been paid to the pension insurance and unemployment insurance plans, but relevant outstanding expenses have been paid after the reporting period.

20. Taxes payable

RMB

Item	Closing balance	Opening balance
Enterprise income tax	623,436,893	240,690,380
VAT	187,394,897	197,828,619
Flood prevention fee	18,862,548	18,517,288
Resource tax	17,691,208	8,078,067
Environment tax	18,424,841	–
Individual income tax	17,604,530	10,897,399
Others	52,321,809	31,933,468
Total	935,736,726	507,945,221

21. Other payables

21.1 Summary of other payables

RMB

Item	Closing balance	Opening balance
Interests payable	70,507,991	113,171,188
Dividends payable	160,590,225	174,309,238
Other payables	666,555,147	622,919,230
Total	897,653,363	910,399,656

21.2 Interests payable

RMB

Item	Closing balance	Opening balance
Interest for corporate bonds	64,181,670	105,342,960
Interest for long-term borrowings	5,010,308	6,363,814
Interest for short-term borrowings	1,316,013	1,464,414
Total	70,507,991	113,171,188

21.3 *Dividends payable*

RMB

Item	Closing balance	Opening balance
Ordinary share	10,737,338	29,581,522
Minority interests		
– Tibet Changsheng Road & Bridge Construction Co., Ltd	87,518,955	75,518,957
– Gayur Liability Limited Company	62,332,731	69,208,759
– Diqing Rongshunlin Product Development Co., Ltd.	1,201	–
Total	160,590,225	174,309,238

21.4 *Other payables*

(1) *Details of other payables*

RMB

Item	Closing balance	Opening balance
Payables for acquisition of equity interests	249,207,680	253,815,152
Amounts due to minority interests	141,011,960	134,175,377
Deposits	126,722,501	112,535,085
Collected or paid for others	32,527,298	30,274,096
Amounts due to government	30,637,244	12,474,167
Others	86,448,464	79,645,353
Total	666,555,147	622,919,230

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

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Amounts due to minority interests, and deposits of major construction contracts paid to the Group	497,245,936	Payment criteria for acquisition of equity yet to be archived; final settlement of related project has not been processed.

22. Non-current liabilities due within one year

RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year *(Note V 23)*	741,592,004	700,032,324
Bonds payable due within one year *(Note V 24)*	2,100,000,000	799,866,667
Long-term payables due within one year *(Note V 25)*	35,625,200	182,834,591
Total	2,877,217,204	1,682,733,582

23. Long-term borrowings

(1) *Categories of long-term borrowings*

RMB

Item	Closing balance	Opening balance
Unsecured bank borrowings *(Note 1)*	2,236,234,785	3,981,076,841
Pledged bank borrowings *(Note 2)*	737,500,000	612,500,000
Mortgaged bank borrowings *(Note 3)*	208,500,000	160,500,000
Guaranteed bank borrowings *(Note 4)*	3,546,310	4,914,604
Less: Long-term borrowings due within one year		
Unsecured bank borrowings	478,173,480	556,128,151
Pledged bank borrowings	98,500,000	89,000,000
Mortgaged bank borrowings	163,500,000	53,500,000
Guaranteed bank borrowings	1,418,524	1,404,173
Total	2,444,189,091	4,058,959,121

Note 1: As at 31 December 2018, unsecured RMB denominated long-term borrowings of RMB635,550,000 (31 December 2017: RMB495,810,000), USD denominated long-term borrowings of RMB243,643,600 (31 December 2017: RMB930,466,631) were guaranteed by the Company, of which the principals are to be repaid in batches during the period from 2019 to 2022.

Note 2: As at 31 December 2018, long-term pledged bank borrowings of RMB737,500,000 (31 December 2017: RMB612,500,000) were secured by the investment in subsidiaries of the Group, of which the principals are to be repaid by installment from 2019 to 2024.

Note 3: As at 31 December 2018, parts of buildings, machinery and equipment (Note V(10)) and land use rights (Note V(12)) of the Group are the collateral of the mortgaged bank borrowings of RMB208,500,000 (2017:RMB160,500,000).

Note 4: As at 31 December 2018, long-term borrowings denominated in DKK equivalent to RMB3,546,310 (31 December 2017: RMB4,914,604) was guaranteed by Construction Bank of China, Hubei Provincial Branch and Hubei Provincial Planning Commission, of which the principals are to be repaid by installment from 2019 to 2021.

As at 31 December 2018, the interest rate of long-term borrowings ranges from 2.9% to 6.89% per annum (31 December 2017: from 2.77% to 6.65% per annum).

24. Bonds payable

(1) *Bonds payable*

RMB

Item	Closing balance	Opening balance
2012 Issued Corporate Bonds I *(Note 1)*	–	1,000,000,000
2012 Issued Corporate Bonds II *(Note 1)*	–	1,100,000,000
2016 Issued Corporate Bonds I *(Note 2)*	1,196,831,761	1,195,605,346
Total	1,196,831,761	3,295,605,346

(2) *Changes in bonds payable*

RMB

Name of bond	Par Value	Issue date	Term of bond	Issue amount	Opening balance	Amortization of premium or discount	Transfer to non-current liabilities due within one year	Closing balance	Interests by par value
2012 Issued Corporate Bonds I	1,000,000,000	17/05/2012	7 Years	1,000,000,000	1,000,000,000	–	1,000,000,000	–	56,500,000
2012 Issued Corporate Bonds II	1,100,000,000	09/11/2012	7 Years	1,100,000,000	1,100,000,000	–	1,100,000,000	–	64,900,000
2016 Issued Corporate Bonds I	1,200,000,000	9/08/2016	5 Years	1,200,000,000	1,195,605,346	1,226,415	–	1,196,831,761	57,480,000
Total	3,300,000,000			3,300,000,000	3,295,605,346	1,226,415	2,100,000,000	1,196,831,761	178,880,000

Note I: Pursuant to the relevant approval ([2012] 615) from China Securities Regulatory Commission, the Company issued two batches of corporate bonds on 17 May 2012 and 9 November 2012 respectively.

The principal of first batch of corporate bonds amounted to RMB2 billion, of which 1 billion had been paid on 17 May 2017, and another 1 billion was carrying interest rate of 5.65% per annum and seven-year tenure. The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the fifth year. On 17 May 2017, no bond holder executed the redemption option. The corporate bonds will be repaid on 17 May 2019, and had been reclassified into non-current liabilities due within one year.

On 9 November 2012, the Company issued seven-year tenure corporate bonds with principal of RMB1,100,000,000 and interest rate of 5.90% per annum ("2012 Issued Corporate Bonds II"). The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the fifth year. On 9 November 2017, no investors executed the early redemption option. The corporate bonds will be repaid on 19 November 2019, and had been reclassified into non-current liabilities due within one year.

Note II: Pursuant to the relevant approval ([2016] 1255) from China Securities Regulatory Commission (CSRC), the Company issued, five-year tenure corporate bonds with principal of RMB1,200,000,000 and interest rate of 4.79% per annum on 19 August 2016 ("2016 Issued Corporate Bonds I").

25. Long-term payables

25.1 *Summary of long-term payables*

RMB

Item	Closing balance	Opening balance
Long-term payables	71,032,113	99,385,421
Special payables	190,664,328	–
Total	261,696,441	99,385,421

25.2 *Long-term payables*

(1) *Long-term payables by nature*

RMB

Item	Closing balance	Opening balance
Finance lease payables	103,910,917	280,718,912
Others	2,746,396	1,501,100
Less: Finance lease payables due within one year	35,625,200	182,834,591
Total	71,032,113	99,385,421

As at 31 December, 2018, payables for the finance lease amounted to RMB103,910,917 and were secured by letters of guarantee of RMB15,000,000 (Note V (1)).

Payables for finance lease represents the minimum lease payments less unrecognized finance charges. The future payment plan of finance lease payables is as follows:

RMB

	Closing balance	Opening balance
1st year subsequent to the balance sheet date	34,306,813	182,834,591
2nd year subsequent to the balance sheet date	32,936,978	34,306,813
3rd year subsequent to the balance sheet date	31,550,150	32,936,978
Subsequent periods	15,258,676	46,808,826
Total Minimum lease payments	114,052,617	296,887,208
Unrecognized finance costs	10,141,700	16,168,296
Finance lease payables	103,910,917	280,718,912
Including: Finance lease payables due within one year	35,625,200	182,834,591
Finance lease payables due after one year	68,285,717	97,884,321

25.3 *Special payables*

(1) *Special payables by nature*

RMB

Item	Opening balance	Increase	Decrease	Closing balance
Compensation for relocation of subsidiaries	–	264,100,000	73,435,672	190,664,328

Note: Due to ecological restoration request in Wushan Zone, Nantong city, the local government and Huaxin Cement (Nantong) Co., Ltd. ("Nantong Plant") entered into the relocation compensation agreement in which the Nantong Plant ceases production and migrates from the plant area and processes the cancellation of property right, local government provides compensation of RMB278 million. As of 31 December 2018, Nantong Plant has received compensation of RMB264,100,000 and incurred loss of RMB73,435,672 related to relocation, the migration of plant hasn't been completed.

26. Long-term employee benefits payable

(1) Long-term employee benefits payable by nature

RMB

Item	Opening balance	Increase	Decrease	Closing balance
Retired staff compensation payable (a)	50,718,806	3,911,644	20,456,382	34,174,068
Early-retired employee benefits payable (b)	50,272,210	–	13,077,704	37,194,506
Long-term employee incentives payable (c)	13,164,742	53,013,624	–	66,178,366
Sub-total	114,155,758	56,925,268	33,534,086	137,546,940
Less: To be paid in one year	17,802,101			13,375,597
Total	96,353,657			124,171,344

(a) Retired staff compensation: Pursuant to the Group's policies, the Company and its certain subsidiaries are obliged to pay basic pension insurance, allowances and material and supplementary medical insurance to certain retired employees until they pass away.

Management determine the provision for employee benefits based on expected accumulated benefit unit method.

At the balance sheet date, the key assumptions for the calculation of Group's retired staff compensation payable are as follows:

Item	At the end of the period	At the beginning of the period
Discount rate	2.60%~3.70%	3.79%~4.23%
Salary/wage growth rate	10%	10%
Average life expectancy	77	77

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

(c) Long-term employee incentives payable

Long-term employee benefits payable represents a long-term incentive plan with three-year tenure (2017-2019) for core management. The amount of awards granted to the core management under this incentive plan is based on the virtual shares of the Company.

According to the achievement of performance target of the Group in the designated period under the incentive plan, the core management would be granted certain number of virtual shares of the Company. At the end of the third years after grant date ("the settlement date"), the core management can receive a cash bonus calculated by the share price at the settlement date multiplied by the number of the granted virtual shares. If the share price at the settlement date is over 200% of the share price of the grant date, the cash bonus should be capped at the 200% of share price of the grant date; if the share price at the settlement date is lower than 50% of the share price at the grant date, the cash bonus should be calculated at the minimum price i.e. the 50% of share price at the grant date.

RMB

The measurement on the liability incurred by the Company that is calculated and determined on the basis of the shares or other equity instruments	The fair value is determined by share price of the Company on settlement date
The accumulated amount of liabilities of cash-settled share-based payment	66,178,366
Incurred expenses for cash-settled share-based payment	53,013,624

27. Provisions

RMB

Item	Closing balance	Opening balance
Provision for mine restoration	238,237,421	162,371,748
Provision for pending litigation	521,800	521,800
Total	238,759,221	162,893,548

28. Deferred income

RMB

Item	Opening balance	Addition	Reduction	Closing balance	Underlying reason
Government grants	252,146,422	39,371,097	29,085,330	262,432,189	Government grants related to assets

Items involving government grants:

RMB

Government Item	Opening balance	Subsidies increased for the period	Amount recognized in non-operating income for the period	Amount recognized in other income for the period	Closing balance	Related to assets/ income
Cement kiln line infrastructure	158,678,821	37,714,897	205,802	15,320,201	180,867,715	Related to assets
Energy saving technological transformation	93,467,601	1,656,200	–	13,559,327	81,564,474	Related to assets
Total	252,146,422	39,371,097	205,802	28,879,528	262,432,189	

29. Share capital

RMB

Item	Closing and opening balance
Listed shares without restriction of trading	
A shares listed	972,771,325
B shares listed	524,800,000
Total share capital	1,497,571,325

30. Capital reserve

RMB

Item	Closing and opening balance
Share premium	2,410,355,433
Share option	4,146,565
Transferred from capital reserve recognized under the previous accounting system	45,377,303
Compensation from government for plant relocation	7,553,919
Government grants for capital investments	42,818,800
Total	2,510,252,020

31. Other comprehensive income

RMB

Item	Opening balance	Amount for the current period: Amount for the period before tax	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to the minority interest after tax	Closing balance
I. Items that may be subsequently reclassified to profit or loss						
Including: Changes in fair value of available-for-sale financial assets	25,917,737	(8,711,555)	2,177,889	(6,533,666)	–	19,384,071
Exchange differences on translation of financial statements denominated in foreign currencies	(45,971,484)	26,823,699	–	17,563,530	9,260,169	(28,407,954)
Total	(20,053,747)	18,112,144	2,177,889	11,029,864	9,260,169	(9,023,883)

32. Surplus reserve

RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	697,884,573	191,220,760	–	889,105,333
Discretionary surplus reserve	63,580,329	–	–	63,580,329
Total	761,464,902	191,220,760	–	952,685,662

In accordance with the Company Law of the PRC and the Company's Articles of Association, appropriations of 10% of net profit should be made to the statutory surplus reserve, after offsetting accumulated losses from prior years. The Company appropriated RMB191,220,760, 10% of net profit for the year ended 31 December 2018 to the statutory surplus reserve (2017: 10% of net profit, RMB172,819,749).

The amount of appropriation to the discretionary surplus reserve should be proposed by the board of directors of the Company and approved by general meeting of shareholders. Discretionary surplus reserve can be used to make up losses or to increase share capital after certain approval. The Company has not made any appropriation to discretionary surplus reserves in 2018 (2017: nil)

33. Retained profits

RMB

Item	The current period	The prior period
Opening balance of retained profits	7,150,569,774	5,396,004,651
Add: Net profit attributable to the shareholders of the Company	5,181,448,611	2,077,640,568
Less: Appropriation of statutory surplus reserve	191,220,760	172,819,749
Dividends *(Note)*	419,319,971	149,757,133
Others	–	498,563
Closing balance of retained profits	11,721,477,654	7,150,569,774

Note: Pursuant to the resolution at the Annual General Meeting on 24 April 2018, cash dividends of RMB419,319,971 (RMB2.80 per 10 shares) were paid to all shareholders based on the issued shares of 1,497,571,325.

34. Operating income and operating costs

RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Principal operation	27,322,893,020	16,503,935,133	20,781,741,749	14,642,772,283
Other operation	143,151,461	71,279,404	107,550,241	73,720,315
Total	27,466,044,481	16,575,214,537	20,889,291,990	14,716,492,598

Income from principal operations is presented by products:

RMB

	Amount for the current period		Amount for the prior period	
Item	**Income**	**Cost**	**Income**	**Cost**
Sales of cement	23,106,659,496	13,677,266,820	17,791,012,105	12,495,638,933
Sales of concrete	1,354,687,191	1,035,753,582	942,026,198	739,484,598
Sales of clinker	777,558,830	542,868,436	737,738,807	613,771,575
Sales of aggregate	826,953,578	299,057,941	513,278,808	242,647,625
Others	1,257,033,925	948,988,354	797,685,831	551,229,552
Total	27,322,893,020	16,503,935,133	20,781,741,749	14,642,772,283

Income from other operations is presented by products:

RMB

	Amount for the current period		Amount for the prior period	
Item	**Income**	**Cost**	**Income**	**Cost**
Sales of materials	32,315,193	11,675,227	42,303,997	28,058,035
Rental income	12,976,971	2,912,657	22,213,943	16,712,779
Clinker outsourcing	7,145,513	6,955,283	15,159,679	14,340,576
Others	90,713,784	49,736,237	27,872,622	14,608,925
Total	143,151,461	71,279,404	107,550,241	73,720,315

35. Taxes and levies

RMB

Item	**Amount for the current period**	**Amount for the prior period**
Resource tax	129,241,898	106,287,155
City maintenance and construction tax	96,665,340	61,555,490
Environmental protection tax	78,729,020	–
Educational surcharge	55,852,817	34,907,115
Land holding tax	51,295,647	58,678,078
Property tax	32,386,384	30,485,211
Others	56,003,849	39,898,202
Total	500,174,955	331,811,251

36. Selling and distribution expenses

RMB

Item	Amount for the current period	Amount for the prior period
Transportation, carriage and handling labor expenses	482,436,151	436,674,378
Material costs	478,153,904	431,430,031
Staff costs	366,038,216	264,804,513
Utilities expenses	72,188,289	62,564,611
Depreciation and amortization expenses	69,185,564	64,680,956
Entertainment expenses	46,462,570	37,999,726
Traveling expenses	44,776,104	21,712,269
Rental expenses	15,137,055	6,745,701
Repair expenses	42,822,836	23,947,870
Others	84,637,437	51,559,345
Total	1,701,838,126	1,402,119,400

37. General and administrative expenses

RMB

Item	Amount for the current period	Amount for the prior period
Staff costs	731,160,152	613,960,793
Depreciation and amortization expenses	111,735,935	109,285,911
Entertainment expenses	58,372,291	38,720,366
Traveling expenses	43,602,949	59,485,214
Office and meeting expenses	43,340,517	25,196,434
Outsourced labor expenses	37,242,963	34,047,729
Intermediary service expenses	36,898,566	30,708,788
Rental expenses	30,572,443	12,987,527
Utilities expenses	19,196,164	23,054,417
Property insurance expenses	14,778,615	14,047,935
Pollution expenses	12,748,172	82,304,380
Communication expenses	7,092,074	11,545,187
Services fees	6,226,415	6,391,748
Others	183,853,572	134,440,915
Total	1,336,820,828	1,196,177,344

38. Financial expenses

RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	460,589,023	555,488,877
Less: capitalized interest	9,366,645	22,293,543
Finance discount	–	8,000,000
Interest expenses	451,222,378	525,195,334
Less: interest income	37,891,458	28,503,838
Exchange losses	28,242,923	143,010,038
Others	24,049,906	20,928,681
Total	465,623,749	660,630,215

39. Impairment losses of assets

RMB

Item	Amount for the current period	Amount for the prior period
I. Bad debt losses	25,775,249	61,465,283
II. Losses from decline in value of inventories	3,719,594	11,695,118
III. Impairment losses of available-for-sale financial assets	2,000,000	–
IV. Impairment losses of fixed assets	35,073,680	194,370,086
V. Impairment losses of construction in progress	535,245	1,936,183
Total	67,103,768	269,466,670

40. Other income

RMB

Item	2018	2017	Related to assets/ income
Tax refunds from sales of goods having utilized waste natural materials	183,944,112	105,168,817	Related to income
Amortization of deferred income (V、28)(Note)	28,879,528	32,669,941	Related to assets
Other government grants (Note)	44,156,641	27,380,528	Related to income
Total	256,980,281	165,219,286	

Note: Other income in non-recurring profit or loss amounted to RMB73,036,169 in 2018.

41. Investment income

RMB

Item	Amount for the current period	Amount for the prior period
Share of profits accounted for using equity method of long-term equity investments	71,745,531	99,089,919
Losses on disposal of long-term equity investments	(3,043,880)	–
Income from financial assets at fair value through profit or loss	12,266,445	6,179,934
Income from available-for-sale financial assets	1,103,937	3,139,769
Others	1,440,223	–
Total	83,512,256	108,409,622

42. Gains from changes in fair values

RMB

Item	Amount for the current period	Amount for the prior period
Financial assets at FVTPL		
Includes: Money fund	3,631,393	2,923,248
Others	(46,619)	(225,653)
Total	3,584,774	2,697,595

43. Gains/(Losses) on disposal of assets

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss in 2018
Gains (losses) on disposal of fixed assets	12,210,125	(1,576,103)	12,210,125
Gains (losses) on disposal of intangible assets	5,414,339	–	5,414,339
Total	17,624,464	(1,576,103)	17,624,464

44. Non-operating income

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss in 2018
Government grants	351,593	100,000	351,593
Negative goodwill	4,489,836	257,243,520	4,489,836
Others	15,827,562	14,966,674	15,827,562
Total	20,668,991	272,310,194	20,668,991

45. Non-operating expenses

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss in 2018
Total losses on disposal of non-current assets	34,995,388	10,176,198	34,995,388
Includes: Losses on disposal of fixed assets	34,995,388	10,154,377	34,995,388
Losses on disposal of intangible assets	–	21,821	–
Donations	8,967,686	10,890,064	8,967,686
Others	15,832,180	18,712,356	15,832,180
Total	59,795,254	39,778,618	59,795,254

46. Income tax expenses

(1) Income tax expenses

RMB

Item	Amount for the current period	Amount for the prior period
Income tax expenses for the current period	1,314,563,048	503,649,984
Deferred income taxes	111,013,106	96,626,299
Total	1,425,576,154	600,276,283

(2) Reconciliations of profit before tax and income tax expense

RMB

Item	Amount for the current period	Amount for the prior period
Profit before tax	7,131,070,969	2,812,034,511
Income tax expense calculated based on 25%	1,782,767,742	703,008,628
Effect of preferential tax rates applicable to subsidiaries	(224,304,523)	(114,762,959)
Non-taxable income	(17,936,383)	(24,772,480)
Effect of non-deductible cost, expense and loss	8,200,697	34,691,454
Effect of utilizing deductible loss not recognized for deferred tax assets for prior period	(175,552,127)	(51,007,252)
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	22,005,749	99,495,472
Negative goodwill	(1,122,459)	(64,310,880)
Others	31,517,458	17,934,300
Income tax expenses	1,425,576,154	600,276,283

47. Notes to consolidated cash flow statement

(1) Other cash receipts relating to operating activities

RMB

Item	Amount for the current period	Amount for the prior period
Receipt of deposits	14,187,416	33,378,771
Receipt of government grants	83,673,529	27,480,528
Interest income	37,891,458	28,503,838
Others	22,356,024	17,260,009
	158,108,427	106,623,146

(2) Other cash payments relating to operating activities

RMB

Item	Amount for the current period	Amount for the prior period
Traveling expenses	88,385,853	81,292,691
Deposits	7,579,048	95,434,770
Pollution expenses	12,748,172	82,304,380
Entertainment expenses	104,834,861	76,720,092
Agency and other service charges	43,124,981	37,100,536
Low value consumables	56,799,404	50,215,156
Environmental maintenance expenses	48,562,684	37,924,458
Office and meeting expenses	43,340,517	31,322,261
Rental expenses	45,709,498	19,733,228
Premiums for property insurance	14,778,615	14,047,935
Donations and other social responsibility expenses	69,852,368	10,890,064
Others	193,696,872	148,925,378
Total	729,412,873	685,910,949

(3) Other cash receipts relating to investing activities

RMB

Item	Amount for the current period	Amount for the prior period
Receipt of government grants related to assets	–	55,948,210
Receipt of investing receivables	–	26,565,875
Others	–	1,013,942
Total	–	83,528,027

(4) Other cash receipts relating to financing activities

RMB

Item	Amount for the current period	Amount for the prior period
Receipt of consideration and deposit for sales and lease back of fixed assets	–	175,477,409
Cash advances from non-financial enterprises	–	34,474,167
Receipt of government loans and grants	18,163,077	8,000,000
Total	18,163,077	217,951,576

(5) Other cash payments relating to financing activities

RMB

Item	Amount for the current period	Amount for the prior period
Repayments of cash advances to non-financial enterprises	–	449,690,279
Repayments for principal and deposit of finance lease	181,400,938	16,200,000
Payments for acquiring minority interests	–	13,907,738
Payments of expenses for bond offering, raising of bank borrowings and finance leases	–	3,180,000
Total	181,400,938	482,978,017

48. Supplementary information of cash flow statements

(1) Net Cash Flow from Operating Activities

RMB

Supplementary information	Closing balance	Opening balance
Adjust net profit to cash flow of operating activities		
Net profit	5,705,494,815	2,211,758,228
Add: Provision for asset impairment	67,103,768	269,466,670
Depreciation of fixed assets	1,415,931,089	1,430,449,047
Amortization of intangible assets	113,482,533	96,873,175
Amortization of long-term prepaid expenses	75,696,268	84,961,725
Amortization of deferred income	(29,085,330)	(32,669,941)
Net loss on disposal of non-current assets	(17,624,464)	1,576,103
Net loss on retirement of fixed assets	34,995,388	10,176,198
Investment income	(83,512,256)	(108,409,622)
Changes in fair value recognized in profit	(3,584,774)	(2,697,595)
Financial expenses	451,222,378	525,195,344
Negative goodwill	(4,489,836)	(257,243,520)
Decrease in deferred income tax asset	94,770,336	112,434,236
Increase/(Decrease) in deferred income tax liabilities	16,242,770	(15,807,937)
Increase in inventories	(438,030,568)	(99,139,064)
(Increase)/Decrease in operating receivables	230,507,908	(464,112,692)
Increase in operating payables	270,486,080	141,265,693
Net cash flows from operating activities	7,899,606,105	3,904,076,048
Changes in cash and cash equivalents		
Ending balance of cash	5,236,222,134	3,532,308,895
Less: beginning balance of cash	3,532,308,895	3,642,286,117
Increase/(Decrease) in cash and cash equivalent	1,703,913,239	(109,977,222)

(2) ***Net cash paid for acquisitions of subsidiaries***

RMB

Item	Amount
Cash and cash equivalents paid for business combination in this year	253,300,000
Including: Chongqing Huaxin Cantian Cement Co., Ltd.	253,300,000
Less: Cash and cash equivalents held by the target companies at the date of acquisition	79,599,708
Including: Chongqing Huaxin Cantian Cement Co., Ltd.	79,599,708
Net cash paid to acquisition of subsidiaries	173,700,292

(3) ***Net cash receipts from disposals of subsidiaries and other business units***

RMB

Item	Amount
Cash and cash equivalent received from disposal of subsidiaries in current period	1,500,000
Including: Tongbai Xingshan Mining Co., Ltd.	1,500,000
Less: Cash and cash equivalents of the subsidiaries at the date of disposal	16,825
Including: Tongbai Xingshan Mining Co., Ltd.	16,825
Net cash received from disposal of subsidiaries	1,483,175

(4) ***The composition of cash and cash equivalents***

RMB

Item	Closing balance	Opening balance
Cash	5,236,222,134	3,532,308,895
Including: Cash in hand	1,014,354	2,581,513
Cash at bank without restriction	5,235,207,780	3,529,727,382
Closing balance of cash	5,236,222,134	3,532,308,895

49. Assets with limited ownership

RMB

Item	Closing balance	Opening balance
Cash at bank *(Note V, 1)*	90,539,777	73,937,381
Notes receivable *(Note V, 3)*	27,510,016	165,802,127
Fixed assets *(Note V, 10)*	557,430,713	450,978,811
Intangible assets *(Note V, 12)*	14,272,894	15,816,767
Total	689,753,400	706,535,086

In addition, the equity of some subsidiaries of the Group is pledged to the bank for long-term borrowing (Note V, 23). As at 31 December 2018, the net book value of such equity amounted to approximately RMB1,431,358,551 (31 December 2017: RMB581,176,475).

50. Foreign currency monetary items

(1) Foreign currency monetary items

RMB

Item	Closing balance of foreign currency	Exchange rate	RMB balance
Cash at bank and in hand			
Including: USD	54,064,565	6.8632	371,055,923
Euro	130,104	7.8473	1,020,965
HKD	62,207	0.8762	54,506
Other payables			
Including: HKD	17,030,340	0.8762	14,921,984
Non-current liabilities due within one year			
Including: USD	45,540,000	6.8632	312,550,128
DKK	1,340,000	1.0586	1,418,524
Long-term borrowings			
Including: USD	52,300,000	6.8632	358,945,360
DKK	2,010,000	1.0586	2,127,786

(2) The Group's major operation is carried out in Mainland China and majority of its transactions are denominated in RMB. Huaxin Gayur Cement Co., Ltd. and Huaxin Gayur (Sogd) Cement Co., Ltd., two of the Group's subsidiaries, operating in Tajikistan and their transactions are mainly denominated in Somoni. Cambodian Cement Chakrey Ting Factory Co., Ltd., one of the Group's subsidiaries, operating in Cambodia and its transactions are mainly denominated in USD.

VI. CHANGING SCOPE OF CONSOLIDATION

1. Business combination not involving enterprise under common control

(1) Business combination not involving enterprise under common control

RMB

Name of the acquiree	Acquisition consideration	Proportion of equity interest acquired	Consideration settled/to be settled by	Acquisition date	Determination basis of acquisition date	The revenue of the acquiree from the date of acquisition to the period-end	Net profit of the acquiree from the date of acquisition to the period-end
Chongqing Huaxin Cantian Cement Co., Ltd.(Original name: Chongqing Lafarge Shui On Cantian Cement Co., Ltd.)	253,300,000	100%	Cash	1 April 2018	Date of change in control	585,510,369	248,923,927

(2) Acquisition consideration and goodwill

RMB

Acquisition consideration	Chongqing Huaxin Cantian Cement Co., Ltd.
Cash	253,300,000
Total consideration	253,300,000
Less: Fair value of net identifiable asset	257,789,836
Difference between the acquisition consideration and the fair value of the net identifiable assets acquired	(4,489,836)

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

RMB

Item	Chongqing Huaxin Cantian Cement Co., Ltd. Fair value on Acquisition date
Assets	
Cash at bank and in hand	79,599,708
Notes receivable	28,326,416
Accounts receivable	11,761,089
Prepayments	15,964,742
Others receivables	10,947,096
Inventories	22,773,219
Fixed assets	352,695,271
Construction in progress	1,016,629
Intangible assets	161,401,837
Liabilities	
Short-term borrowings	214,641,246
Accounts payable	142,611,374
Advances from customers	21,449,502
Employee benefits payable	2,247,375
Taxes payable	11,413,176
Interests payable	4,473,707
Other payables	17,221,931
Provisions	2,516,095
Deferred tax liabilities	10,121,765
Net Asset	257,789,836
Less: Minority interests	–
Net asset acquired	257,789,836

The Group applied valuation techniques to determine the fair value of assets acquired and liabilities assumed. The valuation method of major assets and key assumptions are as below:

The valuation method of fixed assets is replacement cost method: the asset's fair value will be its current replacement cost deducting all relevant costs;

Intangible assets mainly include land use rights and mining rights. Fair value of land use rights is determined by using benchmark land price method. The mining rights is mainly evaluated by discounted cash flow method. In order to calculate the present value of future cash flow, the management predicts and estimates the selling price of mineral resources, mining cost, operating cost and applicable discount rate of mineral resources in the future years.

2. Disposal of subsidiaries

(1) As at 1 December 2018, the Company sold 80% of the equity of Tongbai Xingshan Mining Co.,Ltd. to its minority shareholders for RMB5,000,000.

VII. EQUITY INTERESTS IN OTHER ENTITIES

1. Equity interests in subsidiaries

(1) Components of the Group

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest		Acquisition mode
				Directly	Indirectly	
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	100	0	Set up
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement	100	0	Set up
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of cement	100	0	Set up
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	100	0	Set up
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	67	33	Set up
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Production and sale of cement	60	40	Set up
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sale of cement	79	0	Set up
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	100	0	Set up
Huaxin Cement (Xiantao) Co., Ltd.	Xiantao	Xiantao	Production and sale of cement	80	0	Set up
Huaxin Cement (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of cement	100	0	Set up
Hunan Huaxiang Environmental Industry Development Co., Ltd.	Xiangtan	Xiangtan	Production and sale of cement	60	0	Set up
Huaxin Cement (Nantong) Co., Ltd.	Nantong	Nantong	Production and sale of cement	85	0	Business combination
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sale of cement	100	0	Set up
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	100	0	Set up
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of cement	100	0	Set up
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sale of cement	100	0	Set up
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sale of cement	51	0	Business combination
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sale of cement	100	0	Set up
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of cement	100	0	Set up
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sale of cement	100	0	Set up

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sale of cement	51	0	Business combination
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of cement	100	0	Business combination
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	100	0	Set up
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sale of cement	100	0	Set up
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of cement	100	0	Business combination
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sale of cement	70	0	Business combination
Huaxin Cement (Danjiangkou) Co., Ltd.	Danjiangkou	Danjiangkou	Production and sale of cement	0	70	Business combination
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sale of cement	90	0	Set up
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sale of cement	69	0	Business combination
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sale of cement	80	0	Business combination
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sale of cement	60	0	Business combination
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Sangzhi	Production and sale of cement	80	0	Set up
Huaxin Gayur Cement Limited Liability Company *(Note ii)*	Tajikistan	Tajikistan	Production and sale of cement	0	75	Set up
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sale of cement	70	0	Business combination
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of cement	70	0	Business combination
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sale of cement	0	65.07	Business combination
Cambodian Cement Charkrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sale of cement	0	68	Business combination
Huaxin Gayur (Sogd) Cement Co., Ltd *(Note (ii))*	Tajikistan	Tajikistan	Production and sale of cement	0	95	Set up
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of cement	0	100	Business combination
Yunnan Huaxin Construction Materials Investment Holding Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sale of cement	0	100	Business combination
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Chuxiong	Production and sale of cement	0	100	Business combination
Hekou Honghe Cement Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination
Yanshan Yuanda Honghe Cement Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sale of cement	0	100	Business combination
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sale of cement	0	100	Business combination
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sale of cement	0	100	Business combination
Panzhihua Huaxin Cement Co., Ltd.	Panzhihua	Panzhihua	Production and sale of cement	0	100	Business combination
Kunming Chongde Cement Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Yunnan State-owned Cement Kunming Co.,Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	80	0	Business combination
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	97.27	0	Business combination
Chongqing Huaxin Shentian Cement Co.,Ltd.	Chongqing	Chongqing	Production and sale of cement	100	0	Business combination
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	0	100	Business combination
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	0	70	Business combination
Huaxin Narayani Cement Co., Ltd.	Narayani	Narayani	Production and sale of cement	100	0	Set up
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of cement	80	14	Set up
Wuhan Wugang Huaxin Cement Co., Ltd. *(Note (i))*	Wuhan	Wuhan	Production and sale of cement and scoria	50	0	Set up
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of concrete	100	0	Set up
Huaxin Concrete (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Jingmen) Co., Ltd.	Jingmen	Jingmen	Production and sale of concrete	0	100	Business combination
Xinyang Huaxin Concrete Co., Ltd.	Xinyang	Xinyang	Production and sale of concrete	0	100	Set up
Tibet Huaxin Construction Materials Co., Ltd.	Tibet	Tibet	Production and sale of concrete	0	56.4297	Set up
Jiujiang Huaxin Concrete Co., Ltd.	Jiujiang	Jiujiang	Production and sale of concrete	0	100	Set up
Jiujiang Rongda Energy Saving And Environmental Protection Building Materials Co.,Ltd.	Jiujiang	Jiujiang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xiaogan) Co., Ltd.	Xiaogan	Xiaogan	Production and sale of concrete	0	100	Set up
Huaxin Concrete Xiangyang Fancheng District Co.,Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	100	Set up

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Huaxin Building Materials Xiangyang Fancheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xiangyang Nanzhang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xianning) Co., Ltd.	Xianning	Xianning	Production and sale of concrete	0	100	Business combination
Zaoyang Huaxin Concrete Co., Ltd.	Zaoyang	Zaoyang	Production and sale of concrete	0	84.41	Business combination
Huaxin Concrete (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of concrete	0	100	Set up
Hubei Zhushen Building Materials Co.,Ltd.	Wuhan	Wuhan	Production and sale of concrete	0	84.41	Business combination
Huaxin Concrete (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of concrete	0	100	Set up
Huaxin Concrete (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Jianli) Co., Ltd.	Jianli	Jianli	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sale of concrete	0	51	Business combination
Huaxin Concrete (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Lengshuijia) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	84.41	0	Business combination
Huaxin Concrete Xiangyang Economic and Technological Development Zone Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	84.41	Business combination
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of concrete	100	0	Business combination
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of concrete	100	0	Business combination
Huaxin Concrete Yangxin New Material Co., Ltd.	Yangxin	Yangxin	Production and sale of concrete	0	100	Set up
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	100	0	Set up
Huaxin Environment Engineering (Huangshi) Co., Ltd.	Huangshi	Huangshi	Environmental design and construction and waste disposal	0	100	Set up

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Huaxin Environment Engineering (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Xinyang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Fengjie) Co., Ltd.	Fengjie	Fengjie	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhuhai) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	0	80	Set up
Huaxin Environment Engineering (Fangxian) Co., Ltd.	Fangxian	Fangxian	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (E'zhou) Co., Ltd.	Ezhou	Ezhou	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yingcheng) Co., Ltd.	Yingcheng	Yingcheng	Environmental design and construction and waste disposal	0	100	Set up
Enping Huaxin Environment Engineering Co., Ltd.	Enping	Enping	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zigui) Co., Ltd.	Zigui	Zigui	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Youxian) Co., Ltd.	Youxian	Youxian	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Daye) Co., Ltd.	Daye	Daye	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Loudi	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yunyang) Co., Ltd.	Yunyang	Yunyang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	0	100	Business combination

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Wuhan Dragon Mouth Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yidu) Co., Ltd.	Yidu	Yidu	Environmental design and construction and waste disposal	0	100	Set up
Chongqing Fulin Huaxin Environment Engineering Co., Ltd.	Chongqing	Chongqing	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Lijiang) Co., Ltd.	Lijiang	Lijiang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yichang) Co., Ltd.	Yichang	Yichang	Environmental design and construction and waste disposal	100	0	Set up
Huaxin Environment (Shiyan) Renewable Resources Utilization Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	0	100	Set up
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	0	80	Set up
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., Ltd.	Yangxin	Yangxin	Environmental design and construction and waste disposal	0	100	Set up
Huaxin (Nanzhang) Renewable Resources Utilization Co., Ltd.	Nanzhang	Nanzhang	Industrial solid waste, hazardous waste disposal and recycling	0	100	Set up
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of aggregate	0	100	Set up
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of aggregate	0	100	Set up
Huaxin Aggregate (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of aggregate	0	100	Set up
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	100	0	Set up
Chongqing Huaxin New Building Materials Co., Ltd.	Chongqing	Chongqing	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	0	60	Set up
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	0	65	Set up
Huangshi Huaxin New Packaging Co., Ltd.	Huangshi	Huangshi	Production, sale of cement packaging bags	100	0	Set up

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Huaxin Packaging (Chibi) Co., Ltd.	Chibi	Chibi	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Yidu) Co., Ltd	Yidu	Yidu	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (E'zhou) Co., Ltd	Ezhou	Ezhou	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Zhuzhou) Co., Ltd	Zhuzhou	Zhuzhou	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Nanzhang) Co., Ltd	Nanzhang	Nanzhang	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Quxian) Co., Ltd	Quxian	Quxian	Production, sale of cement packaging bags	0	100	Set up
Cambodia Zoretta Packaging Co.,Ltd.	Cambodia	Cambodia	Production, sale of cement packaging bags	0	68	Set up
Huaxin Cement (Huangshi) Bulk Storage And Transportation Co.,Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	0	Set up
Xiangyang Huaxin Logistics Co.,Ltd.	Xiangyang	Xiangyang	Loading and unloading, warehousing and other services	0	100	Set up
Kunming Huaxin logistics Co.,Ltd.	Kunming	Kunming	Loading and unloading, warehousing and other services	0	100	Business combination
Chongqing Huaxin logistics Co.,Ltd.	Chongqing	Chongqing	Loading and unloading, warehousing and other services	0	90.0166	Business combination
Huaxin logistics (Zigui) Co.,Ltd.	Zigui	Zigui	Loading and unloading, warehousing and other services	0	100	Set up
Zhuzhou Huaxin logistics Co.,Ltd.	Zhuzhou	Zhuzhou	Loading and unloading, warehousing and other services	0	100	Set up
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin Concrete Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin (Hong Kong) International Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment	100	0	Set up
Success Eagle Cement (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Investment	65	0	Business combination
Huaxin Hong Kong (Cambodia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	0	100	Set up

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest Directly	Indirectly	Acquisition mode
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	0	51	Set up
Huaxin Narayani Investment (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100	0	Set up
Yunnan Huaxin Building Materials Investment Co., Ltd.	Kunming	Kunming	Investment	100	0	Business combination
Somerset Mauritius Investment Co., Ltd.	Mauritius	Mauritius	Investment	100	0	Business combination
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	Huangshi	Huangshi	Building materials engineering design, etc	99	0	Set up
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100	0	Set up
Hunan Huaxiang Environmental Industry Development Co., Ltd.	Xiangtan	Xiangtan	Production and sale of mineral powder	0	60	Set up
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	0	100	Set up
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	100	0	Set up
Huaxin Xincai Landscape Engineering (Wuhan) Co., Ltd.	Wuhan	Wuhan	Building materials wholesale, construction consulting	0	100	Set up
Nanzhang Huaxin Xinrui Hotel Management Co.,Ltd.	Nanzhang	Nanzhang	Accommodation services	0	99	Set up

Note i. Wuhan Wugang Huaxin Cement Co., Ltd. is included in the scope of consolidation since the Company has the right to govern its operation decision making.

Note ii. The Group effectively holds 51% equity interest of Huaxin Hongkong (Central Asia) Investment Limited, Huaxin Hongkong (Central Asia) Investment Limited holds 75% equity interest of Huaxin Gayur Cement LLC, Huaxin Gayur Cement LLC effectively holds 95% equity interest of Huaxin Gayur (Sogd) Cement LLC, hence the Group effectively holds their equity interest with the proportion of 38.25% and 36.34% respectively. The approval mechanism of the board of directors of Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC is simple majority, the Group is eligible to assign three out of the four directors and thus holds 75% voting right. Hence, the Group obtains control of Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC.

(2) Significant non-wholly subsidiaries

RMB

Subsidiaries	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Closing balance of minority interest
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49.00%	77,812,247	–	261,463,967
Cambodia Cement Charkrey Ting Factory Co., Ltd.	32.00%	49,608,979	–	218,477,836
Huaxin Cement (Daye) Co., Ltd.	30.00%	47,133,441	–	178,198,926
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49.00%	72,486,075	36,197,566	176,596,640
Huaxin Cement (Tibet) Co., Ltd.	21.00%	46,225,963	42,000,000	166,471,878

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

RMB

Subsidiaries	Closing balance						Opening balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	202,217,956	1,047,548,702	1,249,766,658	474,533,039	326,619,795	801,152,834	173,052,420	1,124,599,432	1,297,651,852	541,037,341	433,746,881	974,784,222
Cambodian Cement Charkrey Ting Factory Co., Ltd.	137,337,777	723,016,683	860,354,460	139,687,486	37,923,737	177,611,223	97,932,249	702,451,875	800,384,124	171,258,920	101,410,025	272,668,945
Huaxin Cement (Daye) Co., Ltd.	336,544,315	466,930,308	803,474,623	186,997,363	22,480,841	209,478,204	248,426,359	461,555,568	709,981,927	248,310,324	24,786,655	273,096,979
Huaxin Hongta Cement (Jinghong) Co., Ltd.	112,220,857	336,239,846	448,460,703	76,106,899	7,628,055	83,734,954	98,441,970	358,587,092	457,029,062	158,160,049	8,201,447	166,361,496
Huaxin Cement (Tibet) Co., Ltd.	452,630,670	944,081,887	1,396,712,557	472,251,708	173,261,153	645,512,861	521,966,039	495,129,079	1,017,095,118	275,232,746	6,700,889	281,933,635

RMB

Subsidiaries	2018				2017			
	Sales	Net profit	Total comprehensive income	Net cash flows from operating activities	Sales	Net profit	Total comprehensive income	Net cash flows from operating activities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	741,902,205	125,746,194	125,746,194	163,893,902	622,606,640	30,479,649	30,479,649	234,682,968
Cambodian Cement Charkrey Ting Factory Co., Ltd.	549,844,528	123,661,664	155,028,058	197,573,712	514,844,106	88,939,200	58,864,191	204,810,104
Huaxin Cement (Daye) Co., Ltd.	777,794,727	157,111,471	157,111,471	261,723,411	617,308,477	59,708,374	59,708,374	97,503,821
Huaxin Hongta Cement (Jinghong) Co., Ltd.	479,852,429	147,930,766	147,930,766	147,228,095	396,002,241	81,947,378	81,947,378	142,023,359
Huaxin Cement (Tibet) Co., Ltd.	949,412,429	216,038,213	216,038,213	274,944,941	762,091,304	220,761,215	220,761,215	275,058,114

2. Equity interests in associates

(1) Significant associates

Associates	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Accounting treatment for investment in associates
				Direct	Indirect	
Shanghai Wan'an Huaxin Cement Co., Ltd.	Shanghai	Shanghai	Production and sale of cement	49	0	Equity method
Tibet High-Tech building materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	43	0	Equity method

(2) Main financial information of significant associates

RMB

	Closing balance/ Amount for the current period		Opening balance/ Amount for the prior period	
	Shanghai Wan'an Huaxin Cement Co., Ltd.	**Tibet High-Tech building materials Co., Ltd.**	**Shanghai Wan'an Huaxin Cement Co., Ltd.**	**Tibet High-Tech building materials Co., Ltd.**
Current Assets	235,603,439	395,860,084	235,412,395	571,179,725
Non-current Assets	106,500,021	945,180,958	106,500,021	508,378,316
Total Assets	342,103,460	1,341,041,042	341,912,416	1,079,558,041
Current Liabilities	7,293,540	288,735,068	7,621,081	266,559,148
Non-current Liabilities	2,043,402	112,136,081	2,415,922	96,349,367
Total Liabilities	9,336,942	400,871,149	10,037,003	362,908,515
Minority interests	–	127,513,564	–	92,827,068
Equity interest attributable to the shareholders of the parent company	332,766,518	812,656,329	331,875,413	623,822,458
Share of net assets calculated based on the proportion of shareholding	163,055,593	349,442,221	162,618,952	268,243,657
Adjustment – unrealized profits in internal transactions	–	(8,086,497)	–	1,230,307
Carrying amount of equity investment in associates	163,055,593	341,355,724	162,618,952	269,473,964
Operating income	21,062,104	727,375,879	13,777,880	722,209,027
Net profit	891,105	167,166,883	(5,931,193)	276,149,527
Other comprehensive income	–	–	–	–
Total comprehensive income	891,105	167,166,883	(5,931,193)	276,149,527
Dividends from associates in the current period	–	–	–	51,600,000

(3) Summarised information of non-significant associates

RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the current period
Associates		
Gross carrying amount of investments	8,058,173	2,910,515
Total amounts calculated based on proportion of ownership interest:		
– Net profit	(572,870)	419,758
– Other comprehensive income	–	–
– Total comprehensive income	(572,870)	419,758

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank balance, FVTPL, notes receivables and accounts receivable, other receivable, available-for-sale financial assets, long-term receivables, borrowings, notes payables and account payables, other payables, bonds payable and long-term payables, etc. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

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

1.1 *Market risk*

1.1.1. *Currency risk*

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. Several of the Group's subsidiaries have purchases and sales denominated in USD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2018, The Group's exposure to the currency risk is primarily associated with USD. The balance of other foreign currencies is insignificant and has no significant impact on the Group's foreign exchange risk.

RMB

	Closing balance	Opening balance
Cash and bank balances	371,055,925	298,679,007
Accounts payable	–	67,240,515
Borrowings	671,495,488	766,853,712

The finance department of the headquarter of the Group monitors the size of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts to avoid foreign exchange risks. During 2018 and 2017, the Group did not sign any forward foreign exchange contracts or currency swap contracts

Sensitivity analysis on currency risk

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

RMB

		Current period		Prior period	
Item	Change in exchange rate	Effect on profit before tax	Effect on shareholders' equity	Effect on profit before tax	Effect on shareholders' equity
USD	5% up	(15,021,978)	(13,407,823)	(26,770,761)	(22,841,066)
USD	5% down	15,021,978	13,407,823	26,770,761	22,841,066

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

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. As at 31 December 2018, the balance of long-term borrowings of the Group's variable interest rate was RMB2,440,642,781 (Opening balance: RMB4,054,044,517) (Note (V).23). Financial liabilities with variable interest rates expose the Group to cash flow interest rate risk. Financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. It is the Group's policy to keep its borrowings at variable rate of interests so as to eliminate the fair value interest rate risk. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding variable rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2018 and 2017, the Group did not enter into any interest rate swap agreements.

The sensitivity analysis on interest rate

As at 31 December 2018, where all other variables are held constant, the variable interest rate had been 100 basis points higher or lower, the effect on the pre-tax profit and shareholders' equity is set out as below:

RMB

	Current period		Prior period	
Change in interest rate	**Effect on profit before tax**	**Effect on shareholders' equity**	**Effect on profit before tax**	**Effect on shareholders' equity**
Benchmark interest rate increased by 1%	(24,406,428)	(18,304,821)	(40,540,445)	(30,405,334)
Benchmark interest rate reduced by 1%	24,406,428	18,304,821	40,540,445	30,405,334

1.1.3. *Other price risk*

The Group's available-for-sale financial assets and held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the securities market.

1.2. *Credit risk*

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure to discharge an obligation by the counterparties, which is the carrying amount of the financial assets recognized in the consolidated balance sheet.

The Group manages credit risks by portfolios. Credit risks mainly arise from bank deposits, notes receivable and accounts receivable, other receivables, etc.

The Group's bank deposits are mainly deposited in banks with high credit rating. The Group believes that there is lower credit risk and there will be no significant losses due to the default of the counterparties.

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

Based on the analysis of the customer's financial performance and its credit records, the Group believes that there is no objective evidence that this part of the payment cannot be recovered according to the original terms. Overdue receivable but not impaired is as below:

	Closing Balance					Opening Balance				
	With 1 year	1-2 year	2-3 year	Above 3 year	Total	With 1 year	1-2 year	2-3 year	Above 3 year	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Account Receivable	139,454,673	34,426,420	297,848	10,394,626	184,573,567	236,711,281	297,848	272,405	10,122,221	247,403,755
Other Receivable	–	–	–	27,711,764	27,711,764	–	–	–	30,000,000	30,000,000
Total	139,454,673	34,426,420	297,848	38,106,390	212,285,331	236,711,281	297,848	272,405	40,122,221	277,403,755

1.3. *Liquidity risk*

Each subsidiary within the Group is responsible for its own cash flow forecast. Based on the cash flow forecast of each subsidiary, the finance department of the headquarter of the Group continuously monitors the short-term and long-term capital demands at the Group level to ensure the maintenance of sufficient cash reserves. At the same time, it continuously monitors of compliance with the provisions of the loan agreement and acquires the loan commitment from the major financial institutes to meet short-term and long-term capital demands.

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

RMB

	Within I year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Non derivatives financial liabilities					
Short-term borrowings	636,396,166	–	–	–	636,396,166
Accounts payable	3,789,324,069	–	–	–	3,789,324,069
Interest payable	70,507,991	–	–	–	70,507,991
Dividend payable	160,590,225	–	–	–	160,590,225
Other payables	666,555,147	–	–	–	666,555,147
Long-term borrowings	882,601,000	1,168,567,677	1,091,761,539	428,095,056	3,571,025,272
Bonds payable	2,234,673,425	57,480,000	1,233,839,432	–	3,525,992,857
Long-term payables	34,306,813	32,936,978	46,808,826	–	114,052,617
Total	8,474,954,836	1,258,984,655	2,372,409,797	428,095,056	12,534,444,344

IX. DISCLOSURE OF FAIR VALUE

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

RMB

Item	Closing balance Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	–	207,144,438	–	207,144,438
1. Financial assets held for trading	–	207,144,438	–	207,144,438
(II) Available-for-sale financial assets	29,707,153	–	19,055,500	48,762,653
(1) Equity instrument investments	29,707,153	–	–	29,707,153
(2) Debt instrument investments	–	–	19,055,500	19,055,500
Total assets continuously measured at fair value	29,707,153	207,144,438	19,055,500	255,907,091

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

Item	Fair Value at 31 December 2018	Valuation technique	Input: Item	Range	Relation with fair value	Observable/ unobservable
Available-for-sale financial assets						
Available-for-sale debt instruments	19,055,500	Discount cash flow method	Interest rate	10%-18%	Negative	Unobservable

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

The Group's financial assets and liabilities not measured at fair value mainly include: cash and bank balances, accounts receivable, other receivables, available-for-sale financial assets, bank borrowings, payables, bonds payable and other financial liabilities, etc. As at 31 December 2018, there are no significant difference between the carrying amount and the fair value of the Group's financial assets and financial liabilities.

X. RELATED PARTY RELATIONSHIPS AND SIGNIFICANT RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

Names	Place of registration	Nature of business	Registered capital	Proportion of shareholdings in the Company	Proportion of voting rights in the Company
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	100,000 Euros	39.85%	41.84%
Huaxin Group Co. Ltd.	Huangshi City, the PRC	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of service etc.	RMB340,000,000	16.01%	16.01%

Holchin B.V. is the Company's largest shareholder and its ultimate holding shareholder is Lafarge Holcim Ltd.

Holpac Limited, the person acting in concert of Holchin B.V., holds 1.99% equity of the Company. Therefore, Holchin B.V. maintains 41.84% voting rights of the Company.

2. The Company's subsidiaries

See note (VII) for details of the Company's subsidiaries.

3. The Company's associates

See note (VII) for details of the Company's significant associates.

4. Other related parties

Other related parties	Relationship with the Group
LafargeHolcim Energy Solutions S.A.S.	Controlled by Lafarge Holcim Ltd.
Lafarge Ciments Distribution	Controlled by Lafarge Holcim Ltd.
Lafarge Holcim Construction Material (China) Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Lafarge China Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Lafarge Holcim Ltd.
Holcim Technology Ltd.	Controlled by Lafarge Holcim Ltd.
Holcim Philippines, Inc.	Controlled by Lafarge Holcim Ltd.
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Hubei Huaxin Real Estate Co., Ltd.	Controlled by Huaxin Group Co. Ltd.
Tibet Shigatse High-tech Xuelian Cement Co.,Ltd.	Associate of the Group
Shanghai Wan'an Huaxin Cement Co., Ltd.	Associate of the Group

Note: Chongqing Lafarge Shui On Cantian Cement Co., Ltd. became the Group's subsidiary on 1 April 2018 (note VI.1), and the following part of related party transactions only summarizes the transactions before 1 April 2018.

5. Related party transactions

(1) Sales/purchase of goods and services provided/ received of related party transactions

Purchase of goods / receipts of services

RMB

Related Parties	Nature of transactions	Amount for the current period	Amount for the prior period
LafargeHolcim Energy Solutions S.A.S.	Purchase of fuel	193,735,493	162,781,617
Holcim Technology Ltd.	Technical Services	7,549,520	7,187,620
Huaxin Group Co. Ltd.	Receipts of integrated management services	6,226,415	6,391,748
Lafarge Ciments Distribution	Purchase of materials	4,344,435	–
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	1,472,472	795,547
LAFARGE ASIA SDN BHD	Technical Services	150,318	–

Sales of goods/provision of services

RMB

Related Parties	Nature of transactions	Amount for the current period	Amount for the prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of spare parts and construction services, etc.	332,972,723	4,135,971
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Technical Services	1,178,190	1,709,490
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	Sale of materials	–	8,666,082
Holcim Philippines, Inc.	Construction contract	–	USD 1,828,668

(2) ***Leases with related parties***

Leases where a group entity is the lessee:

RMB

Related Party	Nature of transaction	Amount for the current period	Amount for the prior period
Hubei Huaxin Real Estate Co., Ltd.	Rent of an office building	19,075,593	–

(3) ***Business combination***

RMB

Related Party	Nature of transaction	Amount for the current period	Amount for the prior period
Lafarge China Cement Co., Ltd.	Purchase of subsidiaries	253,300,000	1,375,000,000

6. Remuneration of key management

RMB

Item	Closing balance	Opening balance
Remuneration of key management	41,563,900	34,955,634

7. **Receivables from and payables to related parties**

(1) ***Amounts due from related parties***

RMB

Accounts	Related Parties	Closing balance	Opening balance
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	5,920,700	7,429,916
Accounts receivable	Holcim Philippines,Inc.	–	5,974,440
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	–	2,109,286
Accounts receivable	Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	–	10,139,316
Prepayment	Lafarge Ciments Distribution	170,254	–
Other receivables	Lafarge China	–	18,907,764
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	1,325,956	1,600,861
Other receivables	Shanghai Wan'an Huaxin Cement Co., Ltd.	20,918	20,918

(2) ***Amounts due to related parties***

RMB

Accounts	Related Parties	Closing balance	Opening balance
Receipts in advance	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	49,524,103	–
Account payables	LAFARGE ASIA SDN BHD	194,035	369,764
Account payables	Huaxin Group Co., Ltd.	–	550,000
Account payables	Holcim Technology Ltd.	–	7,187,620
Account payables	LafargeHolcim Energy Solutions S.A.S.	–	33,639,368
Other payables	Lafarge China	–	5,810,894
Other payables	LAFARGE ASIA SDN BHD	1,604,652	1,454,334
Dividend payables	Holchin B.V.	–	29,005,197

8. Commitments in relation to related parties

The commitments in relation to related parties contracted for at the balance sheet date but not recognised in the balance sheet are analysed as follows:

RMB

Item	Closing balance	Opening balance
– Guarantee commitments		–
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	–	130,000,000

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Capital commitments

RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	1,032,630,289	189,402,688

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	13,685,676	13,612,086
2nd year subsequent to the balance sheet date	13,759,264	13,685,676
3rd year subsequent to the balance sheet date	13,832,853	13,759,264
Subsequent periods	102,051,161	115,884,014
Total	143,328,954	156,941,040

2. Contingencies

In August 2012, Hubei Guoxin Real Estate Co., Ltd. filed a lawsuit against Huaxin Concrete (Wuhan) Co., Ltd. ("Wuhan Concrete"), a subsidiary of the Company, and pursued a compensation amounting to RMB36,381,674 due to the low quality of concrete provided by Wuhan Concrete. In September 2016, Hubei Wuhan Intermediate People's Court judged Wuhan Concrete to compensate RMB22,372,810. Both parties raised appeals in September 2016. Hubei Higher People's Court judged that first trial was not well argued and thus revoked the judgement of first trial and remanded for retrial on December 21 2016. The retrial was proceed in April 2017. In March 2018, Hubei Guoxin Real Estate Co., Ltd. changed its claim and claimed the infringement damages, it required Wuhan Concrete to compensate for the direct economic losses caused by the quality problems of the products of RMB31,831,674 and indirect losses of RMB5,000,000. And it demanded that Xinqi Construction Group undertakes joint and several liability. As of the reporting date, the case was still in process. Based on the status and lawyer's advice, management considered that the result cannot be reliably estimated and no accrued liability is needed at this stage.

XII. EVENTS AFTER BALANCE SHEET DATE

In accordance with the resolution of the board of directors on 28 March, 2019, the board of directors proposed that the Company distribute cash dividends of RMB1,557,474,178 to all shareholders, and increase the capital of the Company by allotting shares from its capital reserve at 4 shares for every 10 shares, accounting to RMB599,028,530. The total equity of the Company increased from 1,497,571,325 shares to 2,096,599,855 shares. The above proposal is pending approval by the shareholders' meeting.

XIII. CAPITAL MANAGEMENT

The Group manages its capital to ensure the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital of the Group is the total equity in the consolidated balance sheet. The Group monitors capital on the basis of the gearing ratio without restrictions of external compulsive capital requirement. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note V(1)). Total borrowings includes short-term borrowings (Note V(16)), non-current liabilities due within one year (Note VII(22)), long-term borrowings (Note VII(23)), bonds payable (Note VII(24)), and long-term payables (Note VII(25)).

The gearing ratios at 31 December 2018 and 2017 were as follows:

RMB

	Closing balance	Opening balance
Total borrowings	7,206,723,859	10,273,268,866
Less: Cash at bank and in hand	5,326,761,911	3,606,246,276
Net debt	1,879,961,948	6,667,022,590
Shareholders' equity	18,319,389,121	13,155,571,132
Leverage ratios	10%	51%

XIV. SEGMENT REPORTING

1. Determination basis and accounting policies of reporting segments

As operating income, expenses, assets and liabilities of the Group are primarily attributable to manufacturing and sales of cement and related products, subsidiaries in the Group are considered to have the similar business nature. Thus, no segment information of the Group is presented after considering the internal organization and the management structure and the system of internal financial reporting to key management personnel in the Group.

2. Financial information of reporting segments

(1) External income categorized by locations of goods physically delivered:

RMB

	Amount for the current period	Amount for the prior period
China	26,174,297,748	19,732,505,437
Tajikistan	741,902,205	641,942,447
Cambodia	549,844,528	514,844,106
Total	27,466,044,481	20,889,291,990

(2) Non-current assets categorized by locations of assets:

RMB

	Closing balance	Opening balance
China	20,497,441,849	19,422,955,803
Tajikistan	1,052,803,178	1,126,508,624
Cambodia	687,748,793	702,451,875
Total	22,237,993,820	21,251,916,302

Note: The above non-current assets do not include available-for-sale investments/long-term receivables and deferred tax assets.

XV. NOTES TO THE MATERIAL ITEMS IN THE COMPANY FINANCIAL STATEMENTS

1. Accounts receivable

(1) Accounts receivable classified by different creditability grouping:

RMB

	Closing balance					Opening balance				
	Carrying amount		Bad debt provisions			Carrying amount		Bad debt provisions		
species	Amount	%	Bad debt provision	% of provision	Book value	Amount	%	Amount	%	Book value
Debtors with significant balance	27,590,927	5	16,007,397	58	11,583,530	–	–	–	–	–
Debtors grouped by credit risk	570,978,423	94	8,982	–	570,969,441	339,924,411	97	1,912,186	1	338,012,225
Group 1	566,918,909	94	–	–	566,918,909	318,921,350	91	–	–	318,921,350
Group 2	4,059,514	0	8,982	0	4,050,532	21,003,061	6	1,912,186	9	19,090,875
Others with insignificant balance but assessed individually	7,440,861	1	7,440,861	100	–	11,216,247	3	7,205,204	64	4,011,043
Total	606,010,211	100	23,457,240	4	582,552,971	351,140,658	100	9,117,390	3	342,023,268

As at 31 December 2018, accounts receivable that are individually significant and the related provision for bad debts is provided on the individual basis are analyzed as follows:

RMB

	Closing balance			
Accounts receivable	Accounts receivable	Bad debt provision	% of provision	Reasons for provision
Client A	24,417,713	12,834,184	53	Uncertainty in recoverability due to long aging
Client B	3,173,214	3,173,213	100	Uncertainty in recoverability due to long aging
Total	27,590,927	16,007,397	58	

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis method:

RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	3,969,698	–	–
Between 1 and 2 years	89,816	8,982	10
Total	4,059,514	8,982	

(2) ***Provisions, recovery or reversal of bad debts for the period***

The provision for bad debts for the period is RMB18,552,887 and the reversed bad debt provision is RMB2,259,724. No provision for bad debts of accounts receivable with significant single amount was reversed.

(3) ***Accounts receivable written off in the reporting period***

RMB

Item	Write-off amounts
Accounts receivable actually written-off	1,953,313

(4) ***Top five accounts receivable categorized by debtor***

RMB

Item	Closing balance of account receivable	Proportion of the total closing balance of accounts receivable (%)	Closing balance of bad debt provisions
The total amount of the top five accounts receivable	123,790,063	20	12,834,184

2. Other receivables

2.1 Disclosure of other receivables by categories:

RMB

	Closing balance					Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Individually significant and for which bad debt provision has been assessed individually	146,785,077	3	44,383,694	30	102,401,383	146,883,682	3	44,383,694	30	102,499,988
Debtors grouped by credit risk	4,462,852,750	97	–	–	4,462,852,750	5,306,391,625	97	253,266	–	5,306,138,359
Group 3	4,462,491,173	97	–	–	4,462,491,173	5,305,660,892	97		–	5,305,660,892
Group 4	361,577	0	–	–	361,577	730,733	0	253,266	35	477,467
Others with insignificant balance but assessed individually	5,204,695	0	2,489,092	48	2,715,603	2,595,092	0	2,281,827	88	313,265
Total	4,614,842,522	100	46,872,786	1	4,567,969,736	5,455,870,399	100	46,918,787	1	5,408,951,612

At the end of the period, other receivables that are individually significant and the related provision for bad debts is provided on the individual basis are analysed as follows:

RMB

	Closing balance			
Accounts receivable (by entity)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision (%)**	**Reasons for the provision**
Huaxin Cement (Wuhan) Co., Ltd.	146,785,077	44,383,694	30	Shutdown of subsidiaries, significant uncertainty in the future earnings

Other receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

RMB

	Closing balance		
Aging	**Other receivables**	**Bad debt provision**	**Proportion of provision (%)**
Within 1 year	361,577	–	–

2.2 *Classified by nature*

RMB

Nature	Closing balance	Opening balance
Borrowings due from related parties	4,135,807,878	5,057,703,985
Receivables due from related parties	384,826,653	351,180,760
Guarantee and deposits	91,341,062	45,495,617
Others	2,866,929	1,490,037
Total	4,614,842,522	5,455,870,399

2.3 ***Provisions, recovery or reversal of bad debts for the period:***

The provision for bad debts for the period is RMB3,999; the recovered or reversed bad debt provision for the period is RMB50,000, and there is no reversal of bad debt provision for accounts receivable with significant individual amount.

2.4 ***Other receivables written off in the reporting period***

RMB

Item	Write-off amounts
Other receivables actually written-off	–

2.5 ***Top five other receivables categorized by debtor***

RMB

Item	Closing balance	Percentage of total closing other receivables (%)	Closing balance of bad debt provision
Huaxin Cement (Enping) Co., Ltd.	512,315,442	11	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	445,960,404	9	–
Huaxin Concrete (Wuhan) Co., Ltd.	281,812,287	6	–
Huaxin (Hong Kong) International Holdings Limited	260,178,772	6	–
Huaxin Cement Chongqing Fuling Co., Ltd.	167,145,290	4	–
Total	1,667,412,195	36	–

3. Long-term equity investments

RMB

	Closing balance	Opening balance
Subsidiaries	9,727,603,237	9,284,303,237
Associates	504,411,317	432,092,916
	10,232,014,554	9,716,396,153
Less: Impairment provision for long-term equity investment	42,000,000	42,000,000
	10,190,014,554	9,674,396,153

(1) *Subsidiaries*

RMB

		Changes in the current year			
Name of subsidiaries	Opening balance	Businesses combination not involving common control	Additional investment	Closing balance	Amount of impairment provision
Hunan Huaxin Steel Cement Co., Ltd.	85,500,000	–	–	85,500,000	–
Huaxin Aggregate Co., Ltd.	258,100,000	–	–	258,100,000	–
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	–	–	91,601,080	–
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	–	–	1,000,000,000	–
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	–	–	80,502,159	–
Huaxin Concrete Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	–	–	363,802,268	–
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	–	–	500,000	–
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	–	–	197,590,806	–
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	–	–	220,000,000	–
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Daye) Co., Ltd.	420,100,753	–	–	420,100,753	–
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	–	–	65,550,000	–
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	–	–	99,437,031	–
Huaxin Cement (Enping) Co., Ltd.	674,058	–	–	674,058	–
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	–	–	40,200,000	–
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	–	–	30,124,664	–
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	24,300,483	–	–	24,300,483	–
Huaxin Cement (Huangshi) Bulk Storage and Transportation Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Huangshi) Co., Ltd.	–	–	190,000,000	190,000,000	–

		Changes in the current year			
Name of subsidiaries	Opening balance	Businesses combination not involving common control	Additional investment	Closing balance	Amount of impairment provision
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	–	–	70,800,000	–
Huaxin Cement Research and Design Co., Ltd.	990,000	–	–	990,000	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	–	–	65,000,000	–
Huaxin Cement (Nantong) Co., Ltd.	89,680,203	–	–	89,680,203	–
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	–	–	120,000,000	–
Huaxin Cement (Suizhou)Co., Ltd.	24,600,000	–	–	24,600,000	–
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	–	–	190,000,000	
Huaxin Cement (Wuhan)Co., Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	–	–	14,658,135	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	–	–	45,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	108,623,689	–	–	108,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co.,Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co.,Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Chongqing Huaxin Cantian Cement Co., Ltd.	–	253,300,000	–	253,300,000	–
Total	9,284,303,237	253,300,000	190,000,000	9,727,603,237	42,000,000

(2) Associates

RMB

	Opening balance	Changes in the current year: Additional investment	Changes in the current year: Investment income and losses based on equity method	Closing balance	Balance of provision at year end
Associates					
Shanghai Wan'an Huaxin Cement Co., Ltd.	162,618,952	–	436,641	163,055,593	–
Tibet high-tech building materials group co. Ltd.	269,473,964	–	71,881,760	341,355,724	–
Total	432,092,916	–	72,318,401	504,411,317	–

(3) Provision for long-term equity investment

RMB

	Closing balance and opening balance
Subsidiaries –	
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000

4. Operating income and operating costs

RMB

Item	Amount for the current period: Income	Amount for the current period: Cost	Amount for the prior period: Income	Amount for the prior period: Cost
Principal operations	1,050,600,575	677,229,556	799,604,018	623,878,754
Other operations	1,852,853,873	1,468,006,246	687,809,660	456,231,320
Total	2,903,454,448	2,145,235,802	1,487,413,678	1,080,110,074

5. Investment income

RMB

	Amount for the current period	Amount for the prior period
Income from long-term equity investment under cost method	1,553,545,708	1,669,602,749
Share of profits from long-term equity investments under equity method	72,318,401	98,670,161
Income from disposal of financial asset at FVTPL	12,266,445	6,179,934
Income from available-for-sale financial assets	1,103,937	1,794,674
Others	1,440,223	–
Total	1,640,674,714	1,776,247,518

6. Supplementary information to the cash flow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	1,912,207,603	1,728,197,485
Add: Provision for impairment losses of assets	16,256,077	1,723,105
Depreciation of fixed assets	40,062,382	51,196,301
Amortization of intangible assets	4,138,341	4,631,265
Amortization of long-term prepaid expenses	881,758	3,035,627
Amortization of deferred income	(3,302,667)	(3,302,667)
Losses (gains) on disposal of non-current assets	(10,046,325)	1,256,330
Investment income	(1,640,674,714)	(1,776,247,518)
Gains from changes in fair value	(3,584,773)	(2,697,595)
Financial expense	83,735,952	166,337,698
(Decrease) increase in deferred tax assets	(223,435)	42,118,827
(Decrease) increase in inventories	(288,237,397)	12,067,424
Decrease in operating receivables	55,184,736	28,473,867
Decrease in operational payables	(345,485,198)	(163,222,926)
Net cash flow (used in) from operating activities	(179,087,660)	93,567,223
2. Net changes in cash and cash equivalents:		
Closing balance of cash	3,444,018,042	2,435,487,407
Less: Opening balance of cash	2,435,487,407	2,450,928,763
Net increase (decrease) in cash	1,008,530,635	(15,441,356)

XVI. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

RMB

Item	Amount
Profit or loss on disposal of non-current assets	(17,370,924)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	73,387,762
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	16,955,156
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	4,489,836
Losses on disposal of investment in subsidiaries	(3,043,880)
Non-operating items other than aforesaid items	(8,972,304)
Others	1,440,223
Effect of income tax	13,361,711
Effect of minority interest (after tax)	(382,389)
Total	53,906,547

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by the Group in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	36.27	3.46	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	35.89	3.42	N/A

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (20) No.P01993

To the Shareholders of Huaxin Cement Co., Ltd.,

I. OPINION

We have audited the financial statements of Huaxin Cement Co., Ltd. (the "Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2019, the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2019, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises ("CASBEs").

II. BASIS FOR 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 the China Code of Ethics for Certified Public Accountants issued by the Chinese Institute of 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. We have determined the matters described below to be key audit matters to be communicated in our report.

(i) Impairment of goodwill

(1) Description of the matter

As set out in Note (V) 16, the carrying amount of goodwill was RMB476,084,798 in the consolidated balance sheet as at 31 December 2019, net of impairment of RMB91,049,903. As disclosed in Note (III) 18 and 28 to the consolidated financial statements, goodwill arising from business combination is tested for impairment at the end of each year. The recoverable amount of related assets (or asset groups), to which goodwill has been allocated, was determined by the management based on the present value of expected future cash flows. The management is required to estimate the future revenue growth rate, gross profit margin together with a suitable discount rate in the calculation of present value of expected future cash flows arising from the corresponding assets (or asset groups), which involves management's estimates and judgements. Therefore, we considered it as a key audit matter.

(2) How our audit addressed the key audit matter

Our procedures in relation to impairment of goodwill mainly included:

(a) Understood and evaluated the key internal controls in relation to impairment test of goodwill;

(b) Obtained the goodwill impairment test spreadsheet prepared by the management, and understood the process of preparation;

(c) Compared the underlying data used by the Company in goodwill impairment test with historical data and other supporting documents, and evaluated the appropriateness of the methodologies and reasonableness of management's key assumptions and judgements used in the impairment test;

(d) Verified the mathematical accuracy of the goodwill impairment test calculation.

(ii) Expected credit loss ("ECL") of accounts receivable

(1) Description of the matter

As set out in Note (V) 4, the carrying amount of accounts receivable was RMB561,894,121 in the consolidated balance sheet as at 31 December 2019, net of provision for ECL of RMB185,441,915. As set out in Note (III) 9 to the consolidated financial statements, accounts receivable are subsequently measured at amortized cost, and the ECL is the present value of the difference between the contractual cash flows receivable and the cash flows expected to be received. In determining the ECL of accounts receivable, the management is required to appropriately considered the Group's historical credit loss experiences, macro-economic environment and other present conditions and reasonably predict the future economic conditions. As the amount of accounts receivable was significant and the determination of ECL required significant judgement of management, we identified the ECL of accounts receivable as a key audit matter.

(2) How our audit addressed the key audit matter

Our procedures in relation to ECL of accounts receivable mainly included:

(a) Understood and evaluated the key internal controls in relation to the ECL of accounts receivable;

(b) Obtained the model prepared by the management for determination of ECL of accounts receivable, understood the process of preparation of the model, tested the underlying data used in the calculation (e.g.: aging, etc.), and evaluated the appropriateness of the methodologies and reasonableness of management's key assumptions and judgements used;

(c) Verified the mathematical accuracy of the ECL calculated by the management using the above ECL model;

(d) Understood the management's special consideration for the measurement of ECL for the credit–impaired accounts receivable obtained the related supporting documents and evaluated the reasonableness of ECL determined by the management.

IV. OTHER INFORMATION

The Company's 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 thereon.

Our opinion on the financial statements does not cover the other information and we do 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF 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 the CASBEs and designing, implementing and maintaining such internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 unless 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 the financial reporting process of the Company.

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 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.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(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 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 management.

(4) Conclude on the appropriateness of the management's use of the going concern basis 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 by CSAs 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, structure and content of the financial statements, including the disclosures, 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 the Company to express an 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.

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 the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

27 April 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under China Accounting Standards for Business Enterprises. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED BALANCE SHEET

31 December 2019

RMB

Assets	Note	Balance at 31 December 2019	Balance at 31 December 2018
Current Assets			
Cash and bank balances	V(1)	5,107,514,423	5,326,761,911
Financial assets at fair value through profit or loss	V(2)	N/A	207,144,438
Notes receivable	V(3)	97,734,290	1,548,929,075
Accounts receivable	V(4)	561,894,121	524,536,351
Financing with receivables	V(5)	1,308,788,934	N/A
Prepayments	V(6)	258,828,106	323,717,031
Other receivables	V(7)	485,987,186	375,429,575
Inventories	V(8)	1,996,995,776	2,078,566,938
Other current assets	V(9)	330,744,967	165,387,334
Total Current Assets		10,148,487,803	10,550,472,653
Non-current Assets			
Debt investments		7,500,000	N/A
Available-for-sale financial assets		N/A	60,487,319
Long-term receivables		29,148,833	29,279,695
Long-term equity investments	V(10)	414,090,759	512,469,490
Other equity instrument investments	V(11)	38,230,101	N/A
Other non-current financial assets	V(12)	35,003,608	N/A
Fixed assets	V(13)	16,718,113,646	16,118,856,112
Construction in progress	V(14)	4,113,162,732	1,322,976,101
Intangible assets	V(15)	3,869,622,351	3,403,613,645
Development expenditure		440,897	–
Goodwill	V(16)	476,084,798	447,472,492
Long-term prepaid expenses	V(17)	328,639,529	376,208,038
Deferred tax assets	V(18)	338,810,643	283,272,115
Other non-current assets		128,051,017	56,397,942
Total Non-current Assets		26,496,898,914	22,611,032,949
TOTAL ASSETS		36,645,386,717	33,161,505,602

RMB

Liabilities and Shareholders' Equity	*Note*	Balance at 31 December 2019	Balance at 31 December 2018
Current Liabilities			
Short-term borrowings	*V(19)*	197,000,000	621,000,000
Notes payable	*V(20)*	191,505,647	–
Accounts payable	*V(21)*	5,120,908,908	3,789,324,069
Receipts in advance	*V(22)*	616,086,758	638,732,781
Employee benefits payable	*V(23)*	484,465,267	392,173,556
Taxes payable	*V(24)*	965,576,744	935,736,726
Other payables	*V(25)*	679,448,864	897,653,363
Non-current liabilities due within one year	*V(26)*	769,685,711	2,877,217,204
Total Current Liabilities		9,024,677,899	10,151,837,699
Non-current Liabilities			
Long-term borrowings	*V(27)*	2,039,543,196	2,444,189,091
Bonds payable	*V(28)*	1,198,058,176	1,196,831,761
Long-term payables	*V(29)*	81,962,612	261,696,441
Long-term employee benefits payable	*V(30)*	124,555,420	124,171,344
Provisions	*V(31)*	192,091,010	238,759,221
Deferred income	*V(32)*	317,140,694	262,432,189
Deferred tax liabilities	*V(18)*	299,674,965	162,198,735
Total Non-current Liabilities		4,253,026,073	4,690,278,782
TOTAL LIABILITIES		13,277,703,972	14,842,116,481

RMB

Liabilities and Shareholders' Equity	*Note*	**Balance at 31 December 2019**	**Balance at 31 December 2018**
Shareholders' Equity			
Share capital	*V(33)*	2,096,599,855	1,497,571,325
Capital reserve	*V(34)*	1,913,438,767	2,510,252,020
Other comprehensive income	*V(35)*	(17,416,212)	(9,023,883)
Surplus reserve	*V(36)*	1,111,880,257	952,685,662
Retained profits	*V(37)*	16,204,540,023	11,721,477,654
Total equity attributable to shareholders of the Company		21,309,042,690	16,672,962,778
Minority interests		2,058,640,055	1,646,426,343
Total Shareholders' Equity		23,367,682,745	18,319,389,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		36,645,386,717	33,161,505,602

The accompanying notes form part of the financial statements.

The financial statements on pages III-7 to III-145 were signed by the following:

Legal representative *Principal in charge of accounting* *Head of accounting department*

BALANCE SHEET OF THE COMPANY

31 December 2019

RMB

Assets	*Note*	**Balance at 31 December 2019**	**Balance at 31 December 2018**
Current Assets			
Cash and bank balances		3,148,929,763	3,451,321,002
Financial assets at fair value through profit or loss		N/A	207,144,438
Notes receivable		N/A	211,818,382
Accounts receivable	*XIV(1)*	555,399,137	582,552,971
Financing with receivables		245,181,208	N/A
Prepayments		135,379,260	183,137,324
Other receivables	*XIV(2)*	4,546,663,414	4,639,099,436
Inventories		268,911,570	332,152,305
Non-current assets due within one year		4,855,490	3,609,824
Other current assets		19,981,554	34,471,735
Total Current Assets		8,925,301,396	9,645,307,417
Non-current Assets			
Available-for-sale financial assets		N/A	41,431,819
Long-term receivables		18,916,961	19,083,573
Long-term equity investments	*XIV(3)*	10,486,027,137	10,190,014,554
Other equity instrument investments		38,230,101	N/A
Other non-current financial assets		35,003,608	N/A
Fixed assets		347,148,222	300,150,484
Construction in progress		292,601,071	100,636,765
Intangible assets		42,058,446	46,034,664
Long-term prepaid expenses		18,918,836	34,521,671
Deferred tax assets		23,418,017	39,250,259
Total Non-current Assets		11,302,322,399	10,771,123,789
TOTAL ASSETS		20,227,623,795	20,416,431,206

RMB

Liabilities and Shareholders' Equity	*Note*	**Balance at 31 December 2019**	**Balance at 31 December 2018**
Current Liabilities			
Notes payable		49,700,000	–
Accounts payable		386,736,905	211,409,370
Receipts in advance		9,921,984	13,992,917
Employee benefits payable		76,980,665	84,435,340
Taxes payable		175,298,992	119,097,062
Other payables		4,830,428,433	3,888,709,040
Non-current liabilities due within one year		444,346,556	2,213,236,104
Total Current Liabilities		5,973,413,535	6,530,879,833
Non-current Liabilities			
Long-term borrowings		702,340,753	1,537,212,836
Bonds payable		1,198,058,176	1,196,831,761
Long-term employee benefits payable		46,829,589	35,594,796
Provisions		7,962,425	7,920,053
Deferred income		15,929,667	12,732,333
Total Non-current Liabilities		1,971,120,610	2,790,291,779
TOTAL LIABILITIES		7,944,534,145	9,321,171,612

RMB

Liabilities and Shareholders' Equity	*Note*	**Balance at 31 December 2019**	**Balance at 31 December 2018**
Shareholders' Equity			
Share capital		2,096,599,855	1,497,571,325
Capital reserve		2,311,782,051	2,908,595,304
Other comprehensive income		17,103,476	19,384,071
Surplus reserve		1,111,880,257	952,685,662
Retained profits		6,745,724,011	5,717,023,232
Total Shareholders' Equity		12,283,089,650	11,095,259,594
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,227,623,795	20,416,431,206

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Operating income	V(38)	31,439,214,600	27,466,044,481
Less: Operating costs	V(38)	18,625,306,221	16,575,214,537
Taxes and levies	V(39)	529,995,148	500,174,955
Selling and distribution expenses	V(40)	2,048,493,975	1,701,838,126
General and administrative expenses	V(41)	1,558,487,708	1,336,820,828
Research and development expense		37,322,742	10,773,061
Financial expenses	V(42)	208,154,721	465,623,749
Including: Interest expenses		246,117,048	451,222,378
Interest income		62,443,270	37,891,458
Add: Other income	V(44)	241,516,443	256,980,281
Investment income	V(45)	108,527,838	83,512,256
Including: Income from investments in associates and joint ventures		107,881,496	71,745,531
Gains from changes in fair value	V(46)	5,296,455	3,584,774
Impairment losses on credit	V(47)	(21,306,466)	N/A
Impairment losses on assets	V(43)	(210,370,136)	(67,103,768)
Gains on disposal of assets	V(48)	188,854,586	17,624,464
II. Operating profit		8,743,972,805	7,170,197,232
Add: Non-operating income	V(49)	75,973,606	20,668,991
Less: Non-operating expenses	V(50)	103,824,297	59,795,254
III. Profit before tax		8,716,122,114	7,131,070,969
Less: Income tax expenses	V(51)	1,695,328,712	1,425,576,154
IV. Net profit		7,020,793,402	5,705,494,815
(i) Classified by the continuity of operation		7,020,793,402	5,705,494,815
1. Net profit from continuing operations		7,020,793,402	5,705,494,815
(ii) Classified by the ownership		7,020,793,402	5,705,494,815
1. Net profit attributable to owners of the Company		6,342,304,317	5,181,448,611
2. Profit or loss attributable to minority interests		678,489,085	524,046,204

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
V. Other comprehensive income, net of tax		(12,972,100)	20,290,033
Other comprehensive income attributable to shareholders of the Company, net of tax		(13,641,554)	11,029,864
(i) Other comprehensive income that cannot be reclassified to profit or loss		(7,529,820)	–
1. Changes in fair value of other equity instrument investments		(7,529,820)	N/A
(ii) Items that will be reclassified subsequently to profit or loss		(6,111,734)	11,029,864
1. Gains or losses on changes in fair value of available-for-sale financial assets		N/A	(6,533,666)
2. Exchange differences on translation of financial statements denominated in foreign currencies		(6,111,734)	17,563,530
Other comprehensive income attributable to minority interests, net of tax		669,454	9,260,169

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
VI. Total comprehensive income		7,007,821,302	5,725,784,848
Total comprehensive income attributable to shareholders of the Company		6,328,662,763	5,192,478,475
Total comprehensive income attributable to minority interests		679,158,539	533,306,373
VII. Earnings per share			
Basic earnings per share (RMB)		3.03	2.47

INCOME STATEMENT OF THE COMPANY

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
I. Operating income	*XIV(4)*	4,112,669,099	2,903,454,448
Less: Operating costs	*XIV(4)*	3,374,528,297	2,145,235,802
Taxes and levies		23,394,294	23,214,011
Selling and distribution expenses		70,907,415	53,618,214
General and administrative expenses		337,236,721	308,754,142
Research and development expense		7,559,035	–
Financial expenses		49,810,126	65,125,543
Including: Interest expenses		275,840,454	372,945,995
Interest income		237,913,681	289,210,043
Add: Other income		6,819,490	13,992,664
Investment income	*XIV(5)*	2,680,008,572	1,640,674,714
Including: Income from investments in associates and joint ventures		106,996,430	72,318,401
Gains from changes in fair value		5,296,455	3,584,773
Impairment losses on credit		380,767	N/A
Impairment losses on assets		(58,993)	(16,256,077)
(Losses)/gains on disposal of assets		(1,183,233)	11,134,589
II. Operating profit		2,940,496,269	1,960,637,399
Add: Non-operating income		10,175,133	588,875
Less: Non-operating expenses		1,277,637	2,655,396
III. Profit before tax		2,949,393,765	1,958,570,878
Less: Income tax expenses		61,451,038	46,363,275
IV. Net profit		2,887,942,727	1,912,207,603
(i) Net profit from continuing operations		2,887,942,727	1,912,207,603

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
V. Other comprehensive expenses, net of tax		(7,529,820)	(6,533,666)
(i) Other comprehensive income that cannot be reclassified to profit or loss		(7,529,820)	–
1. Changes in fair value of other equity instrument investments		(7,529,820)	N/A
(ii) Items that will be reclassified subsequently to profit or loss		–	(6,533,666)
1. Gains or losses on changes in fair value of available-for-sale financial assets		N/A	(6,533,666)
VI. Total comprehensive income		2,880,412,907	1,905,673,937

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2019

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		35,151,703,578	30,517,753,199
Receipts of tax refunds		170,419,262	183,944,112
Other cash receipts relating to operating activities	*V(52)(1)*	360,305,324	158,108,427
Sub-total of cash inflows from operating activities		35,682,428,164	30,859,805,738
Cash payments for goods purchased and services received		18,289,125,696	16,418,254,738
Cash payments to and on behalf of employees		2,735,150,458	2,238,257,475
Payments of various types of taxes		4,068,291,507	3,574,274,547
Other cash payments relating to operating activities	*V(52)(2)*	910,674,638	729,412,873
Sub-total of cash outflows from operating activities		26,003,242,299	22,960,199,633
Net Cash Flow from Operating Activities	*V(53)(1)*	9,679,185,865	7,899,606,105

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		1,901,130,000	3,000,000,000
Cash receipts from investment income		181,498,544	14,810,605
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		101,134,682	300,181,056
Net cash receipts from disposal of subsidiaries and other business units	*V(53)(3)*	1,500,000	1,483,175
Sub-total of cash inflows from investing activities		2,185,263,226	3,316,474,836
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,122,149,866	2,215,937,319
Cash payments to acquire investments		1,921,357,298	2,750,000,000
Net cash payments for acquisition of subsidiaries	*V(53)(2)*	628,460,513	173,700,292
Other cash payments relating to investing activities		–	5,720,528
Sub-total of cash outflows from investing activities		6,671,967,677	5,145,358,139
Net Cash Flow used in Investing Activities		(4,486,704,451)	(1,828,883,303)

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		36,355,823	10,500,000
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		36,355,823	10,500,000
Cash receipts from borrowings		993,459,680	1,231,955,556
Other cash receipts relating to financing activities	*V(52)(3)*	137,900,000	18,163,077
Sub-total of cash inflows from financing activities		1,167,715,503	1,260,618,633
Cash repayments of borrowings		3,990,569,210	4,378,415,650
Cash payments for interest expenses and distribution of dividends		2,480,302,084	1,084,702,827
Including: Payments for distribution of dividends or profits to minority owners of subsidiaries		409,216,839	146,010,747
Other cash payments relating to financing activities	*V(52)(4)*	203,765,337	181,400,938
Sub-total of cash outflows from financing activities		6,674,636,631	5,644,519,415
Net Cash Flow used in Financing Activities		(5,506,921,128)	(4,383,900,782)

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,485,968)	17,091,219
V. Net (Decrease) increase in Cash and Cash Equivalents		(317,925,682)	1,703,913,239
Add: Opening balance of Cash and Cash Equivalents		5,236,222,134	3,532,308,895
VI. Closing Balance of Cash and Cash Equivalents	*V(53)(4)*	4,918,296,452	5,236,222,134

CASH FLOW STATEMENT OF THE COMPANY

year ended 31 December 2019

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,390,154,979	3,399,522,322
Receipts of tax refunds		2,534,499	3,267,459
Other cash receipts relating to operating activities		63,305,639	108,394,166
Sub-total of cash inflows from operating activities		3,455,995,117	3,511,183,947
Cash payments for goods purchased and services received		3,555,462,725	2,911,538,372
Cash payments to and on behalf of employees		286,701,596	231,811,206
Payments of various types of taxes		163,616,322	84,414,929
Other cash payments relating to operating activities		210,799,818	462,507,100
Sub-total of cash outflows from operating activities		4,216,580,461	3,690,271,607
Net Cash Flow used in Operating Activities	*XIV(6)*	(760,585,344)	(179,087,660)

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		1,900,000,000	3,000,000,000
Cash receipts from investment income		2,655,172,615	1,583,424,204
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,659,221	14,054,926
Other cash receipts relating to investing activities		3,865,320,192	4,065,346,107
Sub-total of cash inflows from investing activities		8,427,152,028	8,662,825,237
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		211,668,000	130,327,177
Cash payments to acquire investments		2,254,983,689	2,940,000,000
Net cash payments for acquisition of subsidiaries and other business units		–	253,300,000
Other cash payments relating to investing activities		4,306,405,320	3,143,450,000
Sub-total of cash outflows from investing activities		6,773,057,009	6,467,077,177
Net Cash Flow from Investing Activities		1,654,095,019	2,195,748,060

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		–	393,500,000
Other cash receipts relating to financing activities		3,408,376,394	2,393,230,285
Sub-total of cash inflows from financing activities		3,408,376,394	2,786,730,285
Cash repayments of borrowings		2,603,736,104	2,935,000,000
Cash payments for interest expenses and distribution of dividends		2,002,352,509	853,650,964
Other cash payments relating to financing activities		–	7,302,960
Sub-total of cash outflows from financing activities		4,606,088,613	3,795,953,924
Net Cash Flow used in Financing Activities		(1,197,712,219)	(1,009,223,639)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,023,354	1,093,874
V. Net (Decrease) increase in Cash and Cash Equivalents		(302,179,190)	1,008,530,635
Add: Opening balance of Cash and Cash Equivalents		3,444,018,042	2,435,487,407
VI. Closing Balance of Cash and Cash Equivalents		3,141,838,852	3,444,018,042

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

RMB

Item	Attributable to owners of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total shareholders' equity
	V(33)	V(34)	V(35)	V(36)	V(37)		
Balance at 31 December 2018	1,497,571,325	2,510,252,020	(9,023,883)	952,685,662	11,721,477,654	1,646,426,343	18,319,389,121
Add: Changes in accounting policies	–	–	5,249,225	–	22,159,671	–	27,408,896
Balance at 1 January 2019	1,497,571,325	2,510,252,020	(3,774,658)	952,685,662	11,743,637,325	1,646,426,343	18,346,798,017
Changes in the year	599,028,530	(596,813,253)	(13,641,554)	159,194,595	4,460,902,698	412,213,712	5,020,884,728
(i) Total comprehensive income	–	–	(13,641,554)	–	6,342,304,317	679,158,539	7,007,821,302
(ii) Owners' contributions and reduction in capital	–	2,215,277	–	–	–	26,111,714	28,326,991
1. Capital contributions from minority shareholders	–	–	–	–	–	36,355,823	36,355,823
2. Others	–	2,215,277	–	–	–	(10,244,109)	(8,028,832)
(iii) Profit distribution	–	–	–	159,194,595	(1,881,401,619)	(293,056,541)	(2,015,263,565)
1. Transfer to surplus reserve	–	–	–	159,194,595	(159,194,595)	–	–
2. Distribution to shareholders	–	–	–	–	(1,722,207,024)	(293,056,541)	(2,015,263,565)
(iv) Transfers within owners' equity	599,028,530	(599,028,530)	–	–	–	–	–
1. Capitalization of share capital	599,028,530	(599,028,530)	–	–	–	–	–
Balance at 31 December 2019	2,096,599,855	1,913,438,767	(17,416,212)	1,111,880,257	16,204,540,023	2,058,640,055	23,367,682,745

RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total shareholders' equity
	Attributable to owners of the Company						
I. Balance at 1 January 2018	1,497,571,325	2,510,252,020	(20,053,747)	761,464,902	7,150,569,774	1,255,766,858	13,155,571,132
II. Changes in the year	–	–	11,029,864	191,220,760	4,570,907,880	390,659,485	5,163,817,989
(i) Total comprehensive income	–	–	11,029,864	–	5,181,448,611	533,306,373	5,725,784,848
(ii) Owners' contributions and reduction in capital	–	–	–	–	–	8,489,030	8,489,030
1. Capital contributions from minority shareholders	–	–	–	–	–	10,500,000	10,500,000
2. Others	–	–	–	–	–	(2,010,970)	(2,010,970)
(iii) Profit distribution	–	–	–	191,220,760	(610,540,731)	(151,135,918)	(570,455,889)
1. Transfer to surplus reserve	–	–	–	191,220,760	(191,220,760)	–	–
1. Distribution to shareholders	–	–	–	–	(419,319,971)	(151,135,918)	(570,455,889)
Balance at 31 December 2018	1,497,571,325	2,510,252,020	(9,023,883)	952,685,662	11,721,477,654	1,646,426,343	18,319,389,121

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 31 December 2018	1,497,571,325	2,908,595,304	19,384,071	952,685,662	5,717,023,232	11,095,259,594
Add: Changes in accounting policies	–	–	5,249,225	–	22,159,671	27,408,896
Balance at 1 January 2019	1,497,571,325	2,908,595,304	24,633,296	952,685,662	5,739,182,903	11,122,668,490
Changes in the year	599,028,530	(596,813,253)	(7,529,820)	159,194,595	1,006,541,108	1,160,421,160
(i) Total comprehensive income	–	–	(7,529,820)	–	2,887,942,727	2,880,412,907
(ii) Owners' contributions and reduction in capital	–	2,215,277	–	–	–	2,215,277
1. Others	–	2,215,277	–	–	–	2,215,277
(iii) Profit distribution	–	–	–	159,194,595	(1,881,401,619)	(1,722,207,024)
1. Transfer to surplus reserve	–	–	–	159,194,595	(159,194,595)	–
2. Distribution to shareholders	–	–	–	–	(1,722,207,024)	(1,722,207,024)
(iv) Transfers within owners' equity	599,028,530	(599,028,530)	–	–	–	–
1. Capitalization of share capital	599,028,530	(599,028,530)	–	–	–	–
Balance at 31 December 2019	2,096,599,855	2,311,782,051	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650

RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at 1 January 2018	1,497,571,325	2,908,595,304	25,917,737	761,464,902	4,415,356,360	9,608,905,628
II. Changes in the year	–	–	(6,533,666)	191,220,760	1,301,666,872	1,486,353,966
(i) Total comprehensive income	–	–	(6,533,666)	–	1,912,207,603	1,905,673,937
(ii) Profit distribution	–	–	–	191,220,760	(610,540,731)	(419,319,971)
1. Transfer to surplus reserve	–	–	–	191,220,760	(191,220,760)	–
2. Distribution to shareholders	–	–	–	–	(419,319,971)	(419,319,971)
(iii) Transfers within owners' equity						
1. Transfer from other comprehensive income to retained earnings						
III. Balance at 31 December 2018	1,497,571,325	2,908,595,304	19,384,071	952,685,662	5,717,023,232	11,095,259,594

I. BASIC INFORMATION ABOUT THE COMPANY

Huaxin Cement Co., Ltd. (the "Company") is a limited company established in the People's Republic of China (the "PRC"). In 1994, as approved by Hubei Provincial People's Government, the Company's shares were listed on the Shanghai Stock Exchange. In 2006, as approved by the Ministry of Commence of the PRC, the legal status of the Company was changed to a Sino-foreign joint stock limited company. In May 2011, based on its total share capital of 403,600,000 shares at the end of 2010, the Company allotted shares from its capital reserve or surplus reserve at 10 shares for every 10 shares, amounting to RMB403,600,000. As a result, the share capital of the Company increased from 403,600,000 shares to 807,200,000 shares. On 4 November 2011, a private placement in A share was completed in which additional 128,099,928 shares were issued to designated investors. As a result, the total shares of the Company increased to 935,299,928. In June 2014, based on its total share capital of 935,299,928 shares at the end of 2013, the Company allotted shares from its capital reserve or surplus reserve at 6 shares for every 10 shares, amounting to RMB561,179,957. As a result, the total shares of the Company increased to 1,496,479,885. In July 2015, 1,091,440 stock options were exercised for Phase I stock option in the Company's equity incentive plan. As a result, the total shares of the Company changed to 1,497,571,325. In April 2019, based on its total share capital of 1,497,571,325 shares at the end of 2018, the Company allotted shares from its capital reserve at 4 shares for every 10 shares, amounting to RMB599,028,530. As a result, the total shares of the Company increased to 2,096,599,855, including 1,361,879,855 A shares and 734,720,000 B shares.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacturing and sales of cement. The Group's revenue is mainly generated in the PRC. The address of the Company's registered office is No. 600, East Daqi Avenue, Huangshi City, Hubei Province and the office address of the headquarter is Huaxin Plaza, No. 426 Gaoxin Avenue, Donghu New Technology Development District, Wuhan City, Hubei Province.

The Company's and consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 April 2020.

Principal subsidiaries included in the scope of consolidation are listed in Note VII "Equity Interests in Other Entities". For the detailed changes in the scope of the consolidated financial statements in the current year, are included in Note VI "Changes in Scope of Consolidation".

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group adopts the China Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. In addition, the Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (Revised in 2014).

Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2019 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

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

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

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

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

For financial assets which are transacted at fair value on initial recognition, and a valuation technique involving unobservable input is used in subsequent measurement, the valuation technique is calibrated so that at initial recognition the result of the valuation technique equal the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Group determines specific accounting policies and accounting estimates based on actual business operation characteristics, including provision of expected credit loss for receivables (Note III(9)), the depreciation of fixed assets and the amortization of intangible assets (Note III(14), (17)) and the point of time of revenue recognition (Note III(23)) etc.

The key judgement made by the Group in determining significant accounting policies are detailed in (Note III (28)).

1. Statement of compliance with the CASBEs

The financial statements of the Company have been prepared in accordance with China Accounting Standards for Business Enterprises ("CASBEs"), and present truly and completely, the Company's and consolidated financial position as at 31 December 2019, and the Company's and consolidated results of operations, changes in shareholders' equity and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating cycle

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

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries, namely, Huaxin Gayur (Sogd) Cement LLC and Huaxin Yovon Cement LLC, determine TJS as their functional currency based on the currency of the primary economic environment in which they operate. Cambodian Cement Chakrey Ting Factory Co., Ltd. determines USD as its functional currency based on the currency of the primary economic environment in which it operates. The Company adopts RMB to present its financial statements.

5. Business combination

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control. The Group's business combination only involves business combinations not involving enterprises under common control.

5.1 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

6. Preparation of consolidated financial statements

6.1 Preparation of consolidated financial statements

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

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

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

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

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

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.

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

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

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

If the transaction is recognized differently between the Group and the Company or subsidiaries, the transaction is adjusted based on the perspective of the Group.

7. Cash and cash equivalents

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

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

8.1 Transactions denominated in foreign currencies

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

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

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

8.2 Translation of financial statements denominated in foreign currencies

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

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

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

9. Financial instruments (effective from 1 January 2019)

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

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

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are recognized at initial recognition. When the Group initially recognizes accounts receivable without significant financing component or without considering a significant financing component in a contract of 1 year or less in accordance with the China Accounting Standards for Business Enterprises No.14-Revenue (the "Revenue Standard"), the accounts receivable are initially measured at the transaction price defined in the Revenue Standard.

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

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

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability measured at initial recognition minus principal repayment, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount using the effective interest method, adjusted for any cumulative loss allowance (only applicable to financial assets).

9.1 Classification, recognition and measurement of financial assets

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

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

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): 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 and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. Financial assets subsequently measured at FVTOCI include: notes receivable classified as at FVTOCI upon acquisition which are presented as financing with receivables.

On initial recognition, the Group may irrevocably designate an equity instruments as financial assets at FVTOCI on an individual basis, if that equity instrument is neither held for trading nor contingent consideration recognized in a business combination under non-common control. Such financial assets at FVTOCI are presented as other equity instrument investments.

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

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

Financial assets that do not meet the conditions of being classified as financial assets at amortized cost or financial assets at FVTCOI are classified as financial assets at fair value through profit or loss ("FVTPL"). Such financial assets mainly include money market funds and stock investments in the secondary market, etc.

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

9.1.1 Financial assets measured at amortized cost

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

The Group recognizes interest income from financial assets classified as financial assets at amortized cost using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

- For purchased or originated financial assets that have subsequently become credit-impaired interest income in recognised by applying the effective interest rate to the amortisation cost of financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

9.1.2 Financial assets classified as at FVTOCI

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

9.1.3 Financial assets designated as at FVTOCI

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

9.1.4 Financial assets at FVTPL

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

9.2 Impairment of financial instruments

The Group recognizes loss allowance for financial assets classified as at amortized cost and financial assets at FVTOCI based on expected credit loss ("ECL") model.

The Group measures loss allowance for notes receivable and accounts receivable arising from transactions regulated by the Revenue Standard equal to lifetime ECL.

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

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

9.2.1 Significant increase in credit risk

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

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

(1) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;

(2) An actual or expected significant change in the operating results of the borrower;

(3) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;

(4) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

(5) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;

(6) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;

(7) Significant changes in the expected performance and behavior of the borrower;

(8) Changes in the Group's credit management approach in relation to the financial instrument.

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

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

9.2.2 *Credit-impaired financial asset*

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

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

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

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

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

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

9.2.3 *Determination of ECL*

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

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

- For a financial asset, the credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.

- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is the difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

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

9.2.4 *Write-off of financial assets*

The Group shall directly reduce the 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. A write-off constitutes a derecognition event.

9.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee.

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

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

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

9.4 Classification of liabilities and equity

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

9.4.1 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities. The Group's financial liabilities are mainly other financial liabilities, including accounts payable, borrowings and bonds payable etc.

9.4.1.1 Other financial liabilities

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

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

9.4.2 Derecognition of financial liabilities

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

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

9.4.3 Equity instruments

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

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

9.5 Offsetting a financial asset and a financial liability

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

10. Financing with receivables

For the notes receivable classified as at FVTOCI, the portion within one year (inclusive) since acquisition is presented as financing with receivables. For the relevant accounting policies, refer to Note IX.1, 2 and 3.

11. Inventories

11.1 Categories of inventories

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

11.2 Valuation method of inventories upon delivery

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

11.3 Basis for determining net realizable value of inventories

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

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

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

11.4 Inventory count system

The perpetual inventory system is maintained.

11.5 Amortization method for spare parts, auxiliary materials and turnover materials

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

12. Asset held-for-sale

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

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

The Group records the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of assets held-for-sale is made. When there is an increase in the net amount of fair value of non-current assets held for sale less costs to sell at the subsequent balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification of assets held-for-sale category will not be reversed.

Non-current assets classified as held-for-sale or non-current assets in disposal groups are not depreciated or amortized, and the interest and other expenses of liabilities of disposal groups classified as assets held-for-sale continue to be recognized.

13. Long-term equity investments

13.1 Criteria for determining joint control and significant influence

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

13.2 Determination of initial investment cost

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

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

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

13.3 Subsequent measurement and recognition of profit or loss

13.3.1. Long-term equity investment accounted for using the cost method

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

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

13.3.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. An associate is an entity over which the Group has significant influence.

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

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

13.4 Disposal of long-term equity investments

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

14. Fixed assets

14.1 Recognition criteria for fixed assets

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

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

14.2 Depreciation method

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

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

Category	Depreciation period	Residual value rate	Annual depreciation rate
Buildings	25-40 years	4%	2.4% to 3.8%
Machinery and equipment	5-18 years	4%	5.3% to 19.2%
Office equipment	5-10 years	4%	9.6% to 19.2%
Transportation vehicles	4-12 years	4%	8% to 24%

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

14.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

14.4 Other explanations

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

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

15. Construction in progress

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

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as expense in the period in which they are incurred.

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

17. Intangible assets

17.1 Measurement method and useful life of intangible assets

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

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

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

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

18. Impairment of long-term assets

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

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

If the recoverable amount of the asset is less than its carrying amount, an impairment loss provision is recognized in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Once the impairment loss of such assets is recognized, it is not to be reversed in any subsequent period.

19. Long-term prepaid expenses

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

20. Employee benefits

20.1 Accounting treatment of short-term benefits

Short-term benefits includes salaries or wages, bonuses and allowances, staff welfare, medical insurance, injury insurance, maternity insurance, housing funds, labor union funds and employee education fee. In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

20.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans. The Group's defined contribution plan includes basic pension insurance and unemployment insurance.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability and charged to profit or loss in the period, or included in cost of related assets. For defined benefit plan, the Group attributes benefits obligations arising from the defined benefit plan to the period in which employees render services based on the formula determined by the expected accumulated benefits unit method, and includes such obligations in profit or loss for the period or cost of related assets. Costs of employee benefits arising from the defined benefit plan are classified into the following components:

- Service cost (including the current service cost, past service cost and gain and loss from settlement);

- Net interest from net liabilities/assets of the defined benefit plan (including interest income of the plan assets, interest expenses on obligations of the defined benefit plan, and interest affected by the ceiling of assets); and

- Changes arising from re-measurement of net liabilities/assets of the defined benefit plan.

Service cost and net interest on net liabilities/assets of the defined benefit plan are included in profit or loss for the period or cost of related assets. Changes arising from re-measurement of net liabilities/assets of the defined benefit plan (including actuarial gains/ losses, returns from plan assets net of the amount included in net interest of net liabilities/assets of the defined benefit plan, changes in the maximum effect of assets net of the amount included in net interest on net liabilities/assets of the defined benefit plan are recognized in other comprehensive income.

Pension insurance

Employees of the Group participate in the social pension insurance organized by the local labor and social security departments. The Group pays pension insurance premium to the local pension insurance agency at regulated base and proportion on a monthly basis. When the employee is retired, the local labor and social security departments have the responsibility to pay the basic pension insurance to retired employees. In an accounting period in which an employee has rendered service to the Group, the above contributions are recognized as liabilities and charged to profit or loss for the period or the costs of related assets.

20.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognizes any related restructuring costs.

Early retirement benefits

The Group provides early retirement benefits to employees who accept voluntary redundancy in exchange for these benefits. Early retirement benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The early retirement benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for early retirement benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognized as liabilities, with a corresponding charge to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognized in profit or loss for the period.

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

21. Provisions

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

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

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

22. Share-based payment

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

22.1 Cash-settled share-based payments

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

23. Revenue

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented net of sales discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

(1) Sales of goods

The Group is engaged in manufacturing and sales of cement. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the clients, the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration have been received, and related costs can be measured reliably.

(2) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the contract costs attributable to the contract can be clearly identified and measured reliably; and (iv) the completion stage of contracts and costs to be incurred to complete the contracts can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered, and the contract cost is recognized as an expense in the period in which it is incurred. When the contract costs incurred are not recoverable, the contract cost is recognized as an expense immediately. The contract revenue and contract cost is recognized over the period of the contract by reference to the stage of completion when the uncertainties on stage of completions ceased.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

At the balance sheet date, the total contract revenue multiplied by the completion stage after deducting the accumulated revenue recognized in the previous accounting periods is recognized as contract revenue of the period; at the same time, the estimated total contract cost multiplied by the completion stage after deducting the accumulated expenses recognized in previous accounting periods is recognized as contract expenses of the period.

The accumulated costs incurred in progress and the accumulated recognized gross profit (loss) and the settled price are stated in the balance sheet on a net basis. The sum of the accumulated costs incurred in progress and the accumulated recognized gross profit (loss) in excess of the settled price is presented as inventory; the settlement price exceeds the sum of the cumulative cost incurred and the accumulated recognized gross profit (loss) is presented as receipts in advance.

For the project of Build-Operate-Transfer (BOT), in which the Group participates in public infrastructure construction business, the Group recognizes related income and expenses for the construction services provided during the construction of the project in accordance with the China Accounting Standards for Business Enterprises No. 15 – Construction Contract. After the infrastructure is completed, the income and expenses related to the operating business services will be recognized in accordance with the China Accounting Standards for Business Enterprises No. 14 - Revenue.

(3) Service income

Service income is recognized on an accrual basis when related service is rendered to clients.

(4) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

24. Government grants

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

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

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

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

Government grants related to assets are recognized as deferred income, and systematically amortized to profit or loss within the useful life of the related asset. The Group adopts same presentation method for the same category of government grants.

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

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

For government grants related to income, where the grants are a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grants are recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grants are a compensation for related expenses or losses already incurred by the Group, the grants are recognized immediately in profit or loss in the current period.

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

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

25. Deferred tax assets/ deferred tax liabilities

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

25.1. Current income tax

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

25.2. *Deferred tax assets and deferred tax liabilities*

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

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

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

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

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

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

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

25.3. *Offsetting income tax*

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

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

26. Leases

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

26.1. Accounting treatment of operating leases

26.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

26.1.2 The Group as lessee under finance leases

Relevant accounting treatment is set out in Note (III) "14.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases".

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

27. Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and the internal reporting system, and discloses segment information of reportable segments determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenue and incur expenses from its ordinary activities; (ii) the Group's management can regularly review the operating results of the segment and make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristic, and satisfy certain conditions, they are aggregated into a single operating segment.

28. Other significant accounting policies and accounting estimates

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

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

(1) Accounting estimate on impairment of goodwill

In assessing the impairment of goodwill, it is required to calculate the present value of expected future cash flows arising from the corresponding asset group(s) including the estimation of the future cash flows of the asset group(s), and apply the appropriate pre-tax discount rate, which is able to reflect current market assessments of the time value of money and the risks specific to the asset group(s). The management reviews the significant estimates and assumptions at the end of each year, and recognizes the impairment of goodwill in profit or loss of the period.

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

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

(2) Provision of ECL for accounts receivable

The Group determines the provision of ECL for accounts receivable using the impairment matrix and an individual basis. The Group determines the proportion of corresponding loss provision for various categories of accounts receivable sharing similar risk characteristics on the basis of business segments. The impairment matrix is based on the Group's historical overdue ratio and considers the reasonable and supportable forward-looking information that is available without undue cost or effort.

The provision of ECL will vary with the Group's estimation. Details of the provision of ECL of the Group's accounts receivable are set out in Note V (4).

(3) 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, the estimation for the related cost may need be revised constantly when the impact on the future land and environment becomes evident.

(4) Income taxes

The Group is subject to income taxes in different jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the management in determining the provision for income taxes in each of these jurisdictions. The Group recognizes income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(5) Deferred taxation

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

(6) Assessment of fair value of long-term assets from business combination not involving enterprises under common control

In the business combination not involving enterprises under common control, the Group estimates the fair value of acquiree's long-term asset at the acquisition date. When making the estimation, the reasonableness of the parameters and assumptions used in the valuation process are thoroughly considered and only the assumptions that match the concurrent market condition are adopted in the calculation, including:

The valuation method of fixed asset is replacement cost method: the asset's fair value will be its replacement cost at the moment deducting all other loss of value;

Intangible assets mainly include land use rights and mining rights. Land use rights are evaluated using benchmark land price method, and the mining rights are mainly evaluated using discounted cash flow method. In order to calculate the present value of future cash flow, the management predicts and estimates the selling price of mineral resources, mining cost, operating cost and applicable discount rate of mineral resources in the future years.

The appraised value is calculated based on different assumptions and may be different from the actual value because of the influence of uncertainties.

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

Changes in accounting policies and reasons	Approval procedures
New Standards of Financial Instruments	
The Group started adopting the China Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, China Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, China Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and China Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments revised by the MoF in 2017 since 1 January 2019 (hereinafter referred to as the "New Standards of Financial Instruments").	These changes in accounting policies are approved by the Company's meeting of board of directors on 22 August 2019.

Changes in accounting policies and reasons	Approval procedures
In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortized cost, FVTOCI and FVTPL on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classification of financial assets, such as loans and receivables, held-to-maturity investments and available-for-sale financial assets in the original standards of financial instruments is no longer adopted. For investments in equity instruments, the entity shall generally classify them as financial assets measured at FVTPL, and for investments in non-tradable equity instruments, the entity is allowed to designate them as FVTOCI provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be carried forward to profit or loss at disposal.	
In terms of impairment of financial assets, requirements relative to impairment in the New Standards of Financial Instruments are applicable to financial assets measured at amortized cost and FVTOCI. The New Standards of Financial Instruments replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognized as the expected credit losses within 12 months or the full lifetime based on whether credit risks of relevant items have been increased significantly from the initial recognition. Loss allowances for accounts receivable and notes receivable from transactions defined by the Revenue Standard are made by the Group based on the amount of lifetime ECL.	

Changes in accounting policies and reasons	**Approval procedures**
For the requirements of the recognition and measurement of financial instruments inconsistent with those of the New Standards of Financial Instruments before 1 January 2019, the Group makes adjustments in accordance with the New Standards of Financial Instruments. The Group makes no adjustments for the previous comparative data inconsistent with the requirements of the New Standards of Financial Instruments. The difference between the original carrying amount of the financial instruments and the new carrying amount at the date implementing the New Standards of Financial Instruments is recognized in the retained profits or other comprehensive income as at 1 January 2019. For the detailed impact of the application of the New Standards of Financial Instruments since 1 January 2019, refer to Note III 29.2.	
Revised Format of Financial Statements	
The Group adopts the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise (Cai Kuai (2019) No. 6, hereinafter referred to as the "Cai Kuai No. 6 Document") released by the MoF on 30 April 2019. Cai Kuai No.6 Document revised the presenting accounts in the balance sheet and income statement, split the line items of "Notes and Accounts Receivable" into "Notes Receivable" and "Accounts Receivable", and "Notes and Accounts Payable" into "Notes Payable" and "Accounts Payable", specified or revised line items of "Non-current Assets Due within One Year", "Deferred Income", "Research and Development Expenses" "Interest Income" under "Financial Expenses", "Other Income", "Gains from Disposal of Assets", "Non-operating Income" and "Non-operating Expenses", and adjusted the presenting position of "Impairment Losses of Assets". For the above changes in presenting accounts, the Group retrospectively adjusted the comparable data for prior year.	These changes in accounting policies are approved by the Company's meeting of board of directors on 22 August 2019.

29.2 ***Details of initial application of the New Standards of Financial Instruments to adjust the relevant items of the financial statements at the beginning of the year***

Consolidated balance sheet

RMB

Assets	**31 December 2018**	**1 January 2019**	**Adjustment**
Held-for-trading financial assets	N/A	207,144,438	207,144,438
Financial assets at FVTPL	207,144,438	N/A	(207,144,438)
Notes receivable	1,548,929,075	113,631,486	(1,435,297,589)
Financing with receivables	N/A	1,435,297,589	1,435,297,589
Debt investments	N/A	19,055,500	19,055,500
Available-for-sale financial assets	60,487,319	N/A	(60,487,319)
Other equity instrument investments	N/A	48,269,862	48,269,862
Other non-current financial assets	N/A	29,707,153	29,707,153
Deferred tax liabilities	162,198,735	171,335,035	9,136,300
Other comprehensive income	(9,023,883)	(3,774,658)	5,249,225
Retained profits	11,721,477,654	11,743,637,325	22,159,671

Balance Sheet of the Company

RMB

Assets	**31 December 2018**	**1 January 2019**	**Adjustment**
Held-for-trading financial assets	N/A	207,144,438	207,144,438
Financial assets at FVTPL	207,144,438	N/A	(207,144,438)
Notes receivable	211,818,382	12,300,000	(199,518,382)
Financing with receivables	N/A	199,518,382	199,518,382
Available-for-sale financial assets	41,431,819	N/A	(41,431,819)
Other equity instrument investments	N/A	48,269,862	48,269,862
Other non-current financial assets	N/A	29,707,153	29,707,153
Deferred tax liabilities	N/A	9,136,300	9,136,300
Other comprehensive income	19,384,071	24,633,296	5,249,225
Retained profits	5,717,023,232	5,739,182,903	22,159,671

Explanations on the adjustment of items to the consolidated balance sheet:

RMB

Item	Carrying amount presented in accordance with the original standard	Impact of Applying the New Standards of Financial Instruments				Carrying amount presented in accordance with the new standard
		Reclassification				
	31 December 2018	Transferred from available-for-sale financial assets	Transferred from financial assets classified as loans and receivables	Transferred from financial assets at FVTPL	Measured at fair value from cost	1 January 2019
		Note 1	*Note 2*	*Note 3*	*Note 1*	
Financial assets at FVTPL	207,144,438	–	–	(207,144,438)	–	–
Held-for-trading financial assets	–	–	–	207,144,438	–	207,144,438
Notes receivable	1,548,929,075	–	(1,435,297,589)	–	–	113,631,486
Financing with receivables	–	–	1,435,297,589	–	–	1,435,297,589
Available-for-sale financial assets	60,487,319	(60,487,319)	–	–	–	–
Debt investments	–	19,055,500	–	–	–	19,055,500
Other equity instrument investments	–	11,724,666	–	–	36,545,196	48,269,862
Other non-current financial assets	–	29,707,153	–	–	–	29,707,153
Deferred tax liabilities	162,198,735	–	–	–	9,136,300	171,335,035
Other comprehensive income	(9,023,883)	(19,384,071)	–	–	24,633,296	(3,774,658)
Retained profits	11,721,477,654	19,384,071	–	–	2,775,600	11,743,637,325

Explanations on the adjustment of items to the balance sheet of the Company:

RMB

Item	Carrying amount presented in accordance with the original standard 31 December 2018	Impact of Applying the New Standards of Financial Instruments — Reclassification: Transferred from available-for-sale financial assets	Reclassification: Transferred from financial assets classified as loans and receivables	Transferred from financial assets at FVTPL	Measured at fair value from cost	Carrying amount presented in accordance with the new standard 1 January 2019
		Note 1	*Note 2*	*Note 3*	*Note 1*	
Financial assets at FVTPL	207,144,438	–	–	(207,144,438)	–	–
Held-for-trading financial assets	–	–	–	207,144,438	–	207,144,438
Notes receivable	211,818,382	–	(199,518,382)	–	–	12,300,000
Financing with receivables	–	–	199,518,382	–	–	199,518,382
Available-for-sale financial assets	41,431,819	(41,431,819)	–	–	–	–
Other equity instrument investments	–	11,724,666	–	–	36,545,196	48,269,862
Other non-current financial assets	–	29,707,153	–	–	–	29,707,153
Deferred tax liabilities	–	–	–	–	9,136,300	9,136,300
Other comprehensive income	19,384,071	(19,384,071)	–	–	24,633,296	24,633,296
Retained profits	5,717,023,232	19,384,071	–	–	2,775,600	5,739,182,903

Note 1: Transferred from available-for-sale financial assets

Transferred from available-for-sale financial asset items to other equity instrument investment items

At 1 January 2019, RMB11,724,666 of available-for-sale financial assets of the Group and the Company was designated as financial assets at FVTOCI, and included in other equity instrument investment, which belongs to non-trading equity instrument investments, and is not expected to be sold in the foreseeable future. RMB11,724,666 of available-for-sale financial assets was equity instrument investment measured at cost in accordance with the original standards of financial instruments in prior period. At 1 January 2019, this part of equity investment was measured at fair value, resulting in an increase of RMB36,545,196 in the carrying amount of other equity instrument investments, and a corresponding increase in other comprehensive income (changes in fair value of other equity instrument investments). In addition, the impairment provision of RMB2,775,600 recognized in prior period was transferred from retained profits to other comprehensive income on 1 January 2019 (changes in fair value of other equity instrument investments). Due to the impact of deferred income tax, the deferred tax liabilities increased by RMB9,136,300, and other comprehensive income decreased accordingly.

Transferred from available-for-sale financial asset items to other non-current financial asset items

At 1 January 2019, RMB29,707,153 of available-for-sale financial assets of the Group and the Company was reclassified to financial assets at FVTPL, and included in other non-current financial assets. RMB19,384,071 of accumulated changes in fair value net of tax in prior period was transferred from other comprehensive income (profit or loss on changes in fair value of available-for-sale financial assets) to retained profits.

Transferred from available-for-sale financial assets debt instrument items to debt investment items

At 1 January 2019, the contractual terms of available-for-sale debt instruments, amounting to RMB19,055,500, give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, thus, such asset was reclassified from available-for-sale financial assets to financial assets measured at amortized cost, and was included in debt investments. No such adjustments were made by the Company.

Note 2: Transferred from financial assets classified as loans and receivables

In the process of liquidity management, the Group will transfer certain notes receivable before the due date. As the Group has transferred substantially all the risks and rewards to relevant counterparties, the Group would derecognize notes receivable that are endorsed. Notes receivable managed by the Group are held within a business model whose objective is to both collect contractual cash flows and sell the financial assets. Therefore, as at 1 January 2019, notes receivable of RMB1,435,297,589 (the Company: RMB199,518,382) were reclassified from financial assets classified as loans and receivables to financial assets at FVTOCI, and included in financing with receivables. The remeasurement of notes receivable from amortized cost to fair value resulted in an increase in the carrying amount of financing with receivables by RMB1,435,297,589 (the Company: RMB199,518,382).

Note 3: Transferred from financial assets at FVTPL

At 1 January 2019, the Group and the Company no longer designate the monetary fund of RMB207,144,438 as financial assets at FVTPL and classify the above-mentioned financial assets as financial assets at FVTPL in accordance with the New Standards of Financial Instruments and included in held-for-trading financial assets.

Note 4: Expected credit loss

At 1 January 2019, the Group made provisions for credit losses of accounts receivable, other financial assets measured at amortized cost and debt instruments at FVTOCI in accordance with the New Standards of Financial Instruments. The differences between provisions for credit losses of financial assets by adopting the New Standards of Financial Instruments and those recognized under the original standards of financial instruments are insignificant, therefore, the Group has not made adjustments to the opening balance of the provisions.

At 1 January 2019, the Group reconciled the provision for credit loss of financial assets measured at amortized cost and financial assets at FVTOCI in accordance with the original standards of financial instruments and New Standards of Financial Instruments. See below for details.

Reconciliation of provision for credit loss for the consolidated balance sheet at 1 January 2019

RMB

Item	Impairment provision recognized in accordance with the original standards of financial instruments	Reclassification	Impairment provision recognized in accordance with the New Standards of Financial Instruments
Provision for impairment of financial assets			
Bad debt provision for notes receivable	–	–	–
Bad debt provision for accounts receivable	165,751,193	–	165,751,193
Bad debt provision for financing with receivables	–	–	–
Bad debt provision for other receivables	66,363,751	–	66,363,751
Provision for impairment of available-for-sale financial assets	2,000,000	(2,000,000)	–
Provision for impairment of debt investments	–	2,000,000	2,000,000
Bad debt provision for long-term receivables	–	–	–
Provision for impairment of other non-current assets	–	–	–
Sub-total of loss allowance for financial assets	234,114,944	–	234,114,944

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Taxation basis	Tax rate
Enterprise income tax *(Note I)*	Taxable income	13%, 15%, 25%
VAT *(Note II)*	Taxable value added amount (tax payable is calculated at the balance of taxable sales multiplied by applicable tax rate less deductible VAT input for the period)	3%, 9%, 10%, 11%, 13%, 16%, 17%
Resource tax	Taxable sales income	6%
Environmental protection tax	Pollutant discharge equivalent	RMB1.2 or RMB2.4 per equivalent

Note I: Except for companies mentioned in the Note IV (2) that enjoy the preferential enterprise income tax rate, other companies within the Group shall pay the enterprise income tax at 25%.

Note II: According to provisions of Cai Shui (2018) No.32 *Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of VAT Tax Rate*, tax rates of taxpayers who engage in VAT taxable sales or imported goods have changed from 17% and 11% to 16% and 10% respectively from 1 May 2018.

In accordance with the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform*, tax rates of general taxpayers who engage in VAT taxable sales or imported goods have changed from 16% and 10% to 13% and 9% respectively from 1 April 2019.

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

2. Tax preferences

2.1 Enterprise income tax

The Group's subsidiaries Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. and Huaxin E'zhou Packaging Co., Ltd. were granted *Certificate of High and New Technological Enterprise* by Hubei Provincial Science & Technology Department in 2017 and 2018. Pursuant to the *Enterprise Income Tax Law of the PRC*, the above companies are applicable to a reduced tax rate of 15% for the year.

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., Huaxin Cement (Dongjun) 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., are manufacturing enterprises established in Western Development Zone of the PRC. Pursuant to Cai Shui [2011] No.58 *Notice on Tax Policy Issues concerning Further Implementing the Western China Development Strategy,* the applicable enterprise income tax rate of these subsidiaries for the years from 2011 to 2020 is reduced to 15%.

The Group's subsidiary Huaxin Cement (Tibet) Co., Ltd. is a manufacturing enterprise established in western development zone of the PRC. Pursuant to Zang Zheng Fa [2011] No.14 *Notice of the People's Government of Tibet Autonomous Region on Issues Concerning the Enterprise Income Tax Rate in the Region*, the applicable enterprise income tax rate for these two entities is reduced to 15% from 2011 to 2020.

Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan Republic ("Tajikistan"). According to the local tax laws, Huaxin Gayur (Sogd) Cement Co., Ltd. enjoyed tax exemption from June 2014 to June 2019 and the applicable enterprise income tax rate from July to December 2019 is 13%. For the current year, the applicable enterprise income tax rate of Huaxin Yovon Cement LLC for the current year is 13%.

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

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

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

2.2 VAT

Based on regulations in *VAT Preference Items for Resource Comprehensively Utilized Products and Labor* (Cai Shui [2015] No. 78), certain subsidiaries of the Group are entitled to preference policy of VAT refunding upon paying with refunded ratio at 70%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	Closing balance	Opening balance
Cash on hand	518,847	1,014,354
Bank balances	4,917,777,605	5,235,207,780
RMB	4,509,139,904	4,767,112,228
USD	397,916,732	459,559,325
TJS	5,689,603	6,184,234
Others	5,031,366	2,351,993
Other monetary assets	189,217,971	90,539,777
RMB	175,349,561	89,402,481
Others	13,868,410	1,137,296
Total	5,107,514,423	5,326,761,911
Including: Cash deposited overseas	285,378,285	136,153,570

As at 31 December 2019, other monetary assets include security deposit of mine restoration of RMB69,719,125 letter of guarantee security deposits of RMB42,850,602 notes and L/C security deposits of RMB37,850,098 finance lease deposits of RMB15,000,000 and security deposits of other nature of RMB23,798,146 amounting to RMB189,217,971 in total (31 December 2018: RMB90,539,777). The restricted cash is not regarded as cash when preparing the cash flow statements.

2. Financial assets at fair value through profit or loss

RMB

Item	Closing balance	Opening balance
Held-for-trading financial assets	–	207,144,438
Including: Money market fund *(Note)*	–	207,144,438
Total	–	207,144,438

Note: Money market fund is issued by China International Fund Management Co., Ltd. The fair value of this product is based on the market value of the last trading day of the year.

3. Notes receivable

3.1 Notes receivable

(1) Classification of notes receivable

RMB

Category	Closing balance	Opening balance
Bank acceptance	97,734,290	1,548,929,075

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

RMB

Item	Amount pledged at the end of the period
Bank acceptance	8,700,000

(3) *Notes receivable of the Company that have been endorsed but were not yet due as at the balance sheet date at the end of the period*

RMB

Item	Derecognized amount	Underecognized amount
Bank acceptance – endorsed but not yet expired as at the balance sheet date	–	58,612,500

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

The Group believes that the credit rating of the accepting bank that holds the bank acceptance is relatively high and free of significant credit risk, thus no loss allowance has been made.

4. Accounts receivable

(1) The aging analysis of accounts receivable is as follows:

RMB

Aging	31 December 2019	31 December 2018
Within 1 year		
1 – 6 months	419,372,748	329,124,665
6 – 12 months	76,476,818	77,783,476
Within 1 year	495,849,566	406,908,141
1 – 2 years	98,479,124	96,139,299
2 – 3 years	34,629,139	47,583,485
More than three years	118,378,207	139,656,619
Sub-total	747,336,036	690,287,544
Less: Impairment losses on credit	185,441,915	165,751,193
Total	561,894,121	524,536,351

(2) Disclosure by provision method for bad debt provision

RMB

	Closing balance					Opening balance				
	Account balance		Bad debt provision			Account balance		Bad debt provision		
Category	Amount	Proportion (%)	Carrying amount	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Receivables for which bad debt provision is individually assessed	171,620,784	23	129,254,282	75	42,366,502	246,434,318	36	160,967,802	65	85,466,516
Receivables for which bad debt provision is collectively assessed on a portfolio basis	575,715,252	77	56,187,633	10	519,527,619	443,853,226	64	4,783,391	1	439,069,835
Total	747,336,036	100	185,441,915	25	561,894,121	690,287,544	100	165,751,193	24	524,536,351

Receivables for which bad debt provision is individually assessed:

	Closing balance			
Accounts receivable (by client)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision (%)**	**Reasons for the provision**
Client A	24,819,741	12,834,184	52	Possibility of recovery
Client B	12,453,750	12,453,750	100	Possibility of recovery
Client C	9,028,779	9,028,779	100	Possibility of recovery
Client D	6,047,509	6,047,509	100	Possibility of recovery
Client E	5,526,755	5,526,755	100	Possibility of recovery
Others	113,744,250	83,363,305	73	Possibility of recovery
Total	171,620,784	129,254,282	75	

Portfolios that aging analysis is used for bad debt provision:

Category of cement receivable:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	80,313,260	–	–
6 – 12 months	21,560,084	1,724,807	8
1 – 2 years	42,927,790	8,585,558	20
2 – 3 years	4,338,761	1,735,505	40
More than 3 years	3,687,872	2,765,904	75
Total	152,827,767	14,811,774	

Category of concrete receivable:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	237,506,411	11,875,321	5
6 – 12 months	25,217,344	3,782,602	15
1 – 2 years	16,305,274	5,706,846	35
2 – 3 years	6,123,734	3,061,867	50
More than 3 years	15,220,236	12,176,189	80
Total	300,372,999	36,602,825	

Category of other business receivable:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	92,817,873	–	–
6 – 12 months	2,243,976	67,319	3
1 – 2 years	19,703,553	1,970,355	10
2 – 3 years	7,633,181	2,671,613	35
More than 3 years	115,903	63,747	55
Total	122,514,486	4,773,034	

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

(3) Bad debt provision

RMB

		Changes for the period			
Category	**Opening balance**	**Provision**	**Recovery or reversal**	**Transfer from derecognition**	**Closing balance**
Bad debt provision for accounts receivable	165,751,193	59,046,317	(29,806,504)	(9,549,091)	185,441,915
Total	165,751,193	59,046,317	(29,806,504)	(9,549,091)	185,441,915

Accounts receivable of RMB12,262,556 written off in previous years was recovered in the reporting period.

(4) Accounts receivable written off in the reporting period

RMB

Item	**Write-off amount**
Accounts receivable written off	9,549,091

(5) Top five entities with the largest balances of accounts receivable:

RMB

Item	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Client F	33,804,841	5	1,315,875
Client G	28,584,515	4	2,327,512
Client A	24,819,741	3	12,834,184
Client H	19,039,891	3	951,995
Client I	12,532,615	2	–
Total	118,781,603	17	17,429,566

5. Financing with receivables

(1) Classification of financing with receivables

RMB

Item	Balance at 31 December 2019	Balance at 31 December 2018
Bank acceptance notes	1,308,788,934	–
Total	1,308,788,934	–

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

RMB

Item	Amount pledged at the end of the period
Bank acceptance notes	132,337,715

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

RMB

Item	Derecognized amount	Underecognized amount
Bank acceptance – endorsed but not yet expired as at the balance sheet date	1,222,831,764	–

6. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

	Closing balance		Opening balance	
Item	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Within 1 year	224,482,793	87	296,332,894	92
1 – 2 years	18,662,407	7	23,794,839	7
2 – 3 years	14,262,313	6	2,798,180	1
Over 3 years	1,420,593	–	791,118	–
Total	258,828,106	100	323,717,031	100

As at 31 December 2019, prepayments with an aging of more than 1 year amounts to RMB RMB34,345,313 (31 December 2018: RMB27,384,137), which mainly consists of unsettled prepayment for raw materials.

(2) Top five entities with the largest balances of prepayments:

RMB

Name of supplier	Amount	% of total balance
Supplier A	58,981,922	23
Supplier B	46,816,720	18
Supplier C	12,786,433	5
Supplier D	8,204,848	3
Supplier E	6,178,864	2
Total	132,968,787	51

7. Other receivables

7.1 *Summary of other receivables*

RMB

Item	Balance at 31 December 2019	Balance at 31 December 2018
Interest receivable	55,985	–
Dividends receivable	1,255,397	–
Other receivables	484,675,804	375,429,575
Total	485,987,186	375,429,575

7.2 *Other receivables*

(1) *Portfolios that aging analysis is used for bad debt provision*

RMB

Aging	31 December 2019	31 December 2018
Within 1 year	278,960,777	153,466,842
1 - 2 years	69,830,252	112,433,319
2 - 3 years	87,298,107	43,082,565
Over 3 years	149,551,717	132,810,600
Sub-total	585,640,853	441,793,326
Less: Credit loss allowance	100,965,049	66,363,751
Total	484,675,804	375,429,575

(2) *Disclosure of other receivables by categories*

RMB

Nature	Closing balance	Opening balance
Margin and deposits	408,834,668	281,601,380
Loans and out-of-pocket expenses	135,509,761	130,278,180
Petty cash	6,887,220	6,659,335
Others	34,409,204	23,254,431
Total	585,640,853	441,793,326

(3) *Bad debt provision*

RMB

Category	Opening balance	Changes for the period: Provision	Recovery or reversal	Write-off or elimination	Closing balance
Bad debt provision for other receivables	66,363,751	41,174,718	(5,695,690)	(877,730)	100,965,049
Total	66,363,751	41,174,718	(5,695,690)	(877,730)	100,965,049

Changes in bad debt provision for other receivables:

RMB

Bad debt provision	Phase 1 Expected credit loss in the next 12 months	Phase 2 Lifetime expected credit loss (not credit-impaired)	Phase 3 Lifetime expected credit loss (credit-impaired)	Total
Balance at 1 January 2019	1,642,818	–	64,720,933	66,363,751
Account balance of other receivables as at 1 January 2019				
– Reverse to phase 1	455,247	–	(455,247)	–
Provisions	408,843	–	40,765,875	41,174,718
Reversals	(772,113)	–	(4,923,577)	(5,695,690)
Transfer on derecognition of financial assets	–	–	(877,730)	(877,730)
Balance at 31 December 2019	1,734,795	–	99,230,254	100,965,049

Other receivables of RMB31,149,819 written off in previous years was recovered in the current period.

(4) *Other receivables written off in the current period*

RMB

Item	Write-off amount
Other receivables written off	877,730

(5) *Top five entities with the largest balance of other receivables:*

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Client J	Deposit for equity acquisition	164,439,280	Within 1 year	28	–
Client K	Advances from government	38,927,223	2 - 3 years	7	38,927,223
Client L	Security deposit of mine restoration	30,197,235	Over 3 years	5	–
Client M	Deposit for equity acquisition	27,711,764	Over 3 years	5	–
Client N	Inter-company loans	27,017,144	Over 3 years	5	27,027,342
Total		288,292,646		50	65,954,565

8. Inventories

(1) Categories of inventories

RMB

Item	Closing balance			Opening balance		
	Account balance	Provision for decline in value of inventories	Carrying amount	Account balance	Provision for decline in value of inventories	Carrying amount
Raw materials	695,890,209	2,901,035	692,989,174	565,132,205	2,744,569	562,387,636
Work in progress	323,439,086	165,122	323,273,964	374,387,985	165,122	374,222,863
Finished goods	616,363,209	–	616,363,209	789,006,981	–	789,006,981
Turnover materials	35,413,073	–	35,413,073	31,559,628	–	31,559,628
Auxiliary materials	161,275,323	23,621,401	137,653,922	166,826,040	16,566,709	150,259,331
Spare parts	244,508,833	53,206,399	191,302,434	192,996,213	33,717,916	159,278,297
Inventories arising from construction contracts	–	–	–	11,852,202	–	11,852,202
Total	2,076,889,733	79,893,957	1,996,995,776	2,131,761,254	53,194,316	2,078,566,938

(2) Provision for decline in value of inventories

RMB

Item	Opening balance	Increase	Decrease		Closing balance
		Provision	Reversal	Write-off	
Raw materials	2,744,569	179,742	–	23,276	2,901,035
Work in progress	165,122	–	–	–	165,122
Turnover materials	–	73,330	2,410	70,920	–
Auxiliary materials	16,566,709	8,797,437	1,659,687	83,058	23,621,401
Spare parts	33,717,916	23,399,873	3,283,162	628,228	53,206,399
Total	53,194,316	32,450,382	4,945,259	805,482	79,893,957

9. Other current assets

RMB

	Closing balance	Opening balance
Prepaid value added tax	302,332,525	125,573,949
Prepaid income tax	18,902,267	39,000,369
Others	9,510,175	813,016
Total	330,744,967	165,387,334

10. Long-term equity investments

RMB

	Balance at 31 December 2018	Changes for the period: Increase in investment	Decrease in investment	Investment income or losses under equity method	Other equity changes	Declared cash dividends	Balance at 31 December 2019
I. Associates							
Tibet High-tech Building Materials Group Co., Ltd.	341,355,724	–	–	109,053,559	2,215,277	(165,550,000)	287,074,560
Shanghai Wan'an Huaxin Cement Co., Ltd.	163,055,593	–	(67,968,921)	(2,057,129)	–	–	93,029,543
Zhangjiajie Tianzi Concrete Co., Ltd.	2,337,645	–	–	885,066	–	–	3,222,711
Nanguang Huasen Environmental Engineering Co., Ltd.	5,720,528	2,299,887	–	–	–	–	8,020,415
Chenfeng Intelligent Equipment Hubei Co., Ltd.	–	45,000	–	–	–	–	45,000
II. Joint venture							
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	–	22,698,530	–	–	–	–	22,698,530
Total	512,469,490	25,043,417	(67,968,921)	107,881,496	2,215,277	(165,550,000)	414,090,759

11. Other equity instrument investments

(1) Other equity instrument investments

RMB

Item	Closing balance	Opening balance
Investments in equity instruments	38,230,101	–
Total	38,230,101	–

(2) Investments in non-trading equity instruments

RMB

Item	Dividend income recognized for the year	Accumulated gains	Accumulated losses	Amount of retained earnings transferred from other comprehensive income	Reasons for the transfer
Investments in equity instruments	521,519	26,505,435	2,775,600	–	/
Total	521,519	26,505,435	2,775,600	–	/

12. Other non-current financial assets

RMB

Item	Closing balance	Opening balance
Investments in equity instruments	35,003,608	–
Total	35,003,608	–

13. Fixed assets

13.1 Categories

RMB

Item	Closing balance	Opening balance
Fixed assets	16,714,775,889	16,116,628,188
Disposal of fixed assets	3,337,757	2,227,924
Total	16,718,113,646	16,118,856,112

13.2 *Fixed assets*

(1) *Fixed assets*

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Cost					
1. Balance at 1 January 2019	12,517,083,554	15,646,681,673	297,934,817	525,791,006	28,987,491,050
2. Addition	1,198,147,090	1,115,348,821	9,553,133	55,398,238	2,378,447,282
(1) Purchase	41,896,906	45,027,321	8,433,668	24,874,383	120,232,278
(2) Transferred from construction in progress	792,570,682	863,915,062	8,207,708	25,396,746	1,690,090,198
(3) Increase due to business combination	358,132,734	193,846,485	2,172,804	13,972,783	568,124,806
(4) Reclassification	5,546,768	12,559,953	(9,261,047)	(8,845,674)	–
3. Reduction	41,290,532	203,901,483	29,210,909	45,579,548	319,982,472
(1) Disposal or retirement	41,290,532	203,901,483	17,965,148	45,579,548	308,736,711
(2) Other reductions	–	–	11,245,761	–	11,245,761
4. Translation differences of financial statements denominated in foreign currencies	(4,545,247)	3,570,677	92,357	(97,783)	(979,996)
5. Balance at 31 December 2019	13,669,394,865	16,561,699,688	278,369,398	535,511,913	31,044,975,864
II. Accumulated depreciation					
1. Balance at 1 January 2019	3,291,377,977	8,649,890,565	205,610,458	439,538,069	12,586,417,069
2. Addition	460,630,196	1,037,423,363	14,103,536	28,315,901	1,540,472,996
(1) Provision made during the year	456,669,319	1,027,189,983	20,601,447	36,012,247	1,540,472,996
(2) Reclassification	3,960,877	10,233,380	(6,497,911)	(7,696,346)	–
3. Reductions	20,346,311	118,853,840	17,167,974	42,601,353	198,969,478
(1) Disposal or retirement	20,346,311	118,853,840	17,167,974	42,601,353	198,969,478
4. Translation differences of financial statements denominated in foreign currencies	(438,225)	753,487	40,784	(3,542)	352,504
5. Balance at 31 December 2019	3,731,223,637	9,569,213,575	202,586,804	425,249,075	13,928,273,091
III. Provision for impairment losses					
1. Balance at 1 January 2019	134,154,858	150,227,302	63,633	–	284,445,793
2. Addition	111,835,369	25,017,086	161,529	181,726	137,195,710
(1) Provision made during the year	108,787,823	28,070,892	190,548	146,447	137,195,710
(2) Reclassification	3,047,546	(3,053,806)	(29,019)	35,279	–
3. Reduction	4,638,889	15,046,882	28,848	–	19,714,619
(1) Disposal or retirement	4,638,889	15,046,882	28,848	–	19,714,619
4. Balance at 31 December 2019	241,351,338	160,197,506	196,314	181,726	401,926,884
IV. Net book value					
1. Balance at 31 December 2019	9,696,819,890	6,832,288,607	75,586,280	110,081,112	16,714,775,889
2. Balance at 1 January 2019	9,091,550,719	6,846,563,806	92,260,726	86,252,937	16,116,628,188

As at 31 December 2019, buildings and machinery and equipment with carrying amount of RMB208,437,226 (cost of RMB399, 733,642) (31 December 2018: the net book value of RMB557,430,713 and the cost of RMB1,449,308,807) are treated as the collateral for short-term and long-term borrowings. Details are set out in Note V, 19 and 27.

(2) *Fixed assets leased under finance lease*

RMB

Item	Cost	Accumulated depreciation	Impairment provision	Carrying amount
Machinery and equipment	290,000,000	116,388,889	–	173,611,111

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

RMB

Item	Carrying amount at 31 December 2019
Concrete batching plant	63,202,169

14. Construction in progress

14.1 Categories

RMB

Item	Closing balance	Opening balance
Construction in progress	3,945,642,522	1,194,218,803
Materials for construction of fixed assets	167,520,210	128,757,298
Total	4,113,162,732	1,322,976,101

14.2 *Construction in progress*

(1) *Details of construction in progress are as follows:*

RMB

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Huangshi Cement Clinker Production Line	1,088,538,656	–	1,088,538,656	172,950,311	–	172,950,311
Dzizak Cement Clinker Production Line	493,274,606	–	493,274,606	–	–	–
Nepal Cement Clinker Production Line	399,497,295	–	399,497,295	40,357,129	–	40,357,129
New Materials and Intelligent Equipment Industrial Park	194,615,779	–	194,615,779	78,613,958	–	78,613,958
Equipment Company Industrial Park Project	71,932,784	–	71,932,784	–	–	–
Luquan Phase II Project Cement Production Line	70,572,121	–	70,572,121	153,785,366	–	153,785,366
Seepage-proofing and Energy-saving Special New Materials Production Line	63,136,673	–	63,136,673	–	–	–
Health Protection Land Acquisition and Relocation Project of Yichang Company	43,000,000	–	43,000,000	–	–	–
Dock Renovation Project of Zhuzhou Company	38,538,540	–	38,538,540	–	–	–
Mine Construction of Tibet Company	37,074,960	–	37,074,960	–	–	–
Huaxin Environmental Engineering Series Project	375,781,020	–	375,781,020	318,772,352	–	318,772,352
Huaxin Aggregate Series Project	325,876,121	–	325,876,121	82,361,048	–	82,361,048
Vertical Mill Renovation Project	87,396,181	–	87,396,181	1,604,233	–	1,604,233
Huaxin Packaging Series Project	39,854,515	–	39,854,515	20,500,968	–	20,500,968
Huaxin Concrete Series Project	26,055,604	8,876,535	17,179,069	29,420,922	8,876,535	20,544,387
Others	601,022,420	1,648,218	599,374,202	305,725,070	996,019	304,729,051
Total	3,956,167,275	10,524,753	3,945,642,522	1,204,091,357	9,872,554	1,194,218,803

(2) *Changes in significant construction in progress*

RMB

Project name	Budget	Opening balance	Addition	Transfer to fixed assets	Other reductions	Closing balance	Accumulated cost incurred out of budget	Construction Progress	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period	Source of funds
							(%)	(%)				
Huangshi Cement Clinker Production Line	1,847,573,900	172,950,311	951,107,157	–	35,518,812	1,088,538,656	59	59	29,208,311	29,208,311	4.24%	Self-owned funds and bank borrowings
Dzizak Cement Clinker Production Line	688,000,000	–	496,493,149	1,831,243	1,387,300	493,274,606	72	72	253,563	253,563	4.24%	Self-owned funds and bank borrowings
Nepal Cement Clinker Production Line	645,000,000	40,357,129	359,140,166	–	–	399,497,295	62	62	–	–	–	Self-owned funds and bank borrowings
New Materials and Intelligent Equipment Industrial Park	220,077,000	78,613,958	116,001,821	–	–	194,615,779	88	88	–	–	–	Self-owned funds
Equipment Company Industrial Park Project	194,690,300	–	71,932,784	–	–	71,932,784	37	37	–	–	–	Self-owned funds
Luquan Phase II Project Production Line	750,150,000	153,785,366	597,589,751	680,802,996	–	70,572,121	91	91	9,367,604	9,367,604	4.24%	Self-owned funds and bank borrowings
Seepage-proofing and Energy-saving Special New Materials Production Line	70,260,000	–	63,136,673	–	–	63,136,673	90	90	–	–	–	Self-owned funds
Health Protection Land Acquisition and Relocation Project of Yichang Company	63,000,000	–	43,000,000	–	–	43,000,000	68	68	–	–	–	Self-owned funds
Dock Renovation Project of Zhuzhou Company	42,820,600	–	38,538,540	–	–	38,538,540	90	90	–	–	–	Self-owned funds
Mine Construction of Tibet Companies	43,617,600	–	37,074,960	–	–	37,074,960	85	85	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project	917,603,388	318,772,352	286,256,790	203,849,761	25,398,361	375,781,020	N/A	N/A	–	–	–	Self-owned funds
Huaxin Aggregate Series Project	1,229,111,700	82,361,048	390,896,414	132,502,529	14,878,812	325,876,121	N/A	N/A	120,069	120,069	4.24%	Self-owned funds and bank borrowings
Vertical Mill Renovation Project	139,005,296	1,604,233	91,974,543	5,370,095	812,500	87,396,181	67	67	–	–	–	Self-owned funds
Huaxin Packaging Series Project	441,767,400	20,500,968	222,930,493	202,944,136	632,810	39,854,515	N/A	N/A	–	–	–	Self-owned funds
Huaxin Concrete Series Project	91,407,867	20,544,387	55,686,649	45,419,507	13,632,460	17,179,069	N/A	N/A	–	–	–	Self-owned funds
Others	2,696,243,576	304,729,051	851,241,296	417,369,931	139,226,214	599,374,202	N/A	N/A	10,788,994	10,788,994	4.24%	Self-owned funds and bank borrowings
Total	10,080,328,627	1,194,218,803	4,673,001,186	1,690,090,198	231,487,269	3,945,642,522			49,738,541	49,738,541		

(3) *Changes in provision for impairment losses for construction in progress are as follows*

RMB

Item	Opening balance	Provision	Reductions	Closing balance	Reason for provision
Qingshan Project of Huaxin Concrete	7,401,126	–	–	7,401,126	Management decides to terminate these projects because of failure in obtaining governmental approval.
Lengshuijiang Project of Huaxin Concrete	940,164	–	–	940,164	
Daoxian Project of Huaxin Concrete	277,395	–	–	277,395	
Chibi Project of Huaxin Concrete	257,850	–	–	257,850	
Huaxin Ywan Dangara Project	996,019	652,199	–	1,648,218	Termination of projects
Total	9,872,554	652,199	–	10,524,753	/

14.3 ***Materials for construction of fixed assets***

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Special equipment	167,520,210	–	167,520,210	128,757,298	–	128,757,298

15. Intangible assets

RMB

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Cost						
1. Balance at 1 January 2019	2,628,146,047	823,122,736	252,735,980	231,350,597	234,961,786	4,170,317,146
2. Addition	118,979,699	641,439,187	2,489,373	–	(24,780,042)	738,128,217
(1) Purchase	20,914,743	200,531,354	1,382,872	–	3,369,548	226,198,517
(2) Transferred from construction in progress	58,903,678	95,696,356	–	–	12,523,280	167,123,314
(3) Increase due to business combination	15,229,821	326,597,427	1,106,501	–	1,872,637	344,806,386
(4) Reclassification	23,931,457	18,614,050	–	–	(42,545,507)	–
3. Reduction	12,940,049	8,435,798	–	63,150,000	4,913,054	89,438,901
(1) Disposal or retirement	12,940,049	8,435,798	–	–	4,913,054	26,288,901
(2) Others	–	–	–	63,150,000	–	63,150,000
4. Balance at 31 December 2019	2,734,185,697	1,456,126,125	255,225,353	168,200,597	205,268,690	4,819,006,462
II. Accumulated amortization						
1. Balance at 1 January 2019	360,866,254	169,971,903	54,339,487	2,528,618	178,997,239	766,703,501
2. Addition	64,593,126	67,461,401	10,336,549	17,073,757	7,249,356	166,714,189
(1) Provision made during the year	57,469,955	65,122,690	10,336,549	17,073,757	16,711,238	166,714,189
(2) Reclassification	7,123,171	2,338,711	–	–	(9,461,882)	–
3. Reduction	2,609,502	3,954,494	–	–	994,552	7,558,548
(1) Disposal or retirement	2,609,502	3,954,494	–	–	994,552	7,558,548
4. Balance at 31 December 2019	422,849,878	233,478,810	64,676,036	19,602,375	185,252,043	925,859,142
III. Impairment provision						
1. Balance at 1 January 2019	–	–	–	–	–	–
2. Addition	–	23,524,969	–	–	–	23,524,969
(1) Provision	–	23,524,969	–	–	–	23,524,969
3. Balance at 31 December 2019	–	23,524,969	–	–	–	23,524,969
IV. Net book value						
Balance at 31 December 2019	2,311,335,819	1,199,122,346	190,549,317	148,598,222	20,016,647	3,869,622,351
Balance at 1 January 2019	2,267,279,793	653,150,833	198,396,493	228,821,979	55,964,547	3,403,613,645

As at 31 December 2019, the land use rights of carrying amount of RMB9,660,241 (the cost of RMB12,997,487) (31 December 2018: the carrying amount of RMB14,272,894 and the cost of RMB24,274,843) are treated as collaterals for short-term and long-term bank borrowings. Details are set out in Note V, 19 and 27.

16. Goodwill

(1) Original carrying amount of goodwill

RMB

		Addition	Reduction	
Name of investee or matters that forms goodwill	**Opening Balance**	**Goodwill arising from business combinations**	**Disposal**	**Closing Balance**
Huaxin Cement (Daye) Co., Ltd.	189,057,605	–	–	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	–	–	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	–	–	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	–	–	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	–	–	21,492,135
Huaxin Cement (Nantong) Co., Ltd.	9,469,146	–	9,469,146	–
NETNIX LIMITED	–	59,573,587	–	59,573,587
Total	517,030,260	59,573,587	9,469,146	567,134,701

(2) Provision for impairment of goodwill

RMB

Name of investee	**Opening balance**	**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
Total	69,557,768	21,492,135	91,049,903

(3) The recoverable amounts are determined based on the present value of expected future cash flows. The future cash flow projections are based on financial budgets approved by management covering a five-year period. Cash flows over the five-year period are calculated based on the following key assumptions.

Sales growth rate	0%
Gross margin	9%-52%
Discount rate	16%-18%

17. Long-term prepaid expenses

RMB

Item	Opening balance	Addition	Amortization	Closing balance
Mine development cost	290,119,000	21,780,443	47,864,833	264,034,610
Others	86,089,038	6,928,356	28,412,475	64,604,919
Total	376,208,038	28,708,799	76,277,308	328,639,529

18. Deferred tax assets/Deferred tax liabilities

(1) Details of deferred tax assets before offsetting

RMB

	Closing Balance		Opening Balance	
Item	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Provision for impairment of assets	250,333,410	59,969,494	153,712,730	36,190,239
Difference between the fair value and the tax cost of identifiable assets of business combination	228,769,356	48,830,303	407,227,793	84,965,817
Temporary difference arising from expense recognition	337,181,332	79,411,837	353,760,365	83,953,404
Unrealized profit arising from elimination of intra-group transactions	232,790,617	58,197,654	230,131,456	57,532,864
Deductible tax losses	96,880,897	24,178,276	17,887,695	4,191,002
Provision for staff welfare	362,703,340	81,250,089	137,546,941	25,590,852
Others	5,891,591	1,384,819	880,788	132,118
Total	1,514,550,543	353,222,472	1,301,147,768	292,556,296

(2) *Details of deferred tax liabilities before offsetting*

RMB

	Closing Balance		Opening Balance	
Item	**Taxable temporary differences**	**Deferred tax liabilities**	**Taxable temporary differences**	**Deferred tax liabilities**
Capitalization of interest on general borrowings	48,952,364	12,238,091	57,023,917	14,255,979
Changes in fair value of available-for-sale financial assets	–	–	25,845,428	6,461,356
Changes in fair value of other equity instrument investments	26,505,435	6,626,359	–	–
Changes in fair value of other non-current assets	31,141,882	7,785,470	–	–
Valuation appreciation on assets in business acquisitions	930,044,363	174,059,439	207,168,666	46,198,066
Depreciation difference of fixed assets between accounting and tax basis	505,399,853	91,133,267	439,386,715	82,138,044
Others	155,195,629	22,244,168	159,754,485	22,429,471
Total	1,697,239,526	314,086,794	889,179,211	171,482,916

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

RMB

Item	**The amount offset at the end of the period**	**Deferred tax assets or liabilities after offsetting at the end of the period**	**The amount offset at the beginning of the period**	**Deferred tax assets or liabilities after offsetting at the beginning of the period**
Deferred tax assets	14,411,829	338,810,643	9,284,181	283,272,115
Deferred tax liabilities	14,411,829	299,674,965	9,284,181	162,198,735

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

RMB

Item	Closing Balance	Opening Balance
Deductible temporary differences	3,039,336,630	2,480,110,976
Deductible tax losses	883,645,739	987,933,080
Total	3,922,982,369	3,468,044,056

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

RMB

Year	Closing balance	Opening balance
2019	–	155,549,091
2020	221,195,435	332,035,821
2021	177,724,435	242,972,073
2022	219,977,336	180,277,056
2023	98,405,619	77,099,039
2024	166,342,914	–
Total	883,645,739	987,933,080

19. Short-term borrowings

(1) Category of short-term borrowings

RMB

Item	Closing balance	Opening balance
Mortgaged bank borrowings *(Note 1)*	13,000,000	31,000,000
Unsecured bank borrowings *(Note 2)*	184,000,000	590,000,000
Total	197,000,000	621,000,000

Note 1: As at 31 December 2019, part of buildings, machinery and equipment (Note V, 13) and land use rights (Note V, 15) of the Group were mortgaged for the borrowing of RMB13,000,000 (31 December 2018: RMB31,000,000).

Note 2: As at 31 December 2019, unsecured bank borrowings included RMB84,000,000 (31 December 2018: RMB141,000,000) guaranteed by the Company for its subsidiaries within the Group.

As at 31 December 2019, the interest rate of short-term borrowings ranges from 2.15% to 4.79% per annum (31 December 2018: from 2.35% to 4.35% per annum).

The Group has no overdue short-term borrowings.

20. Notes payable

RMB

	Closing balance	Opening balance
Bank acceptance notes	191,505,647	–

21. Accounts payable

(1) *Disclosure by categories*

RMB

Item	Closing balance	Opening balance
Payables for raw materials	2,435,484,466	2,371,944,417
Payables for construction and equipment	2,138,300,132	934,700,160
Payables for transportation services	246,620,150	191,881,135
Payables for utility charges	120,335,475	92,984,125
Others	180,168,685	197,814,232
Total	5,120,908,908	3,789,324,069

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

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Payables for construction and equipment and construction warranty	301,492,621	Part of project is under construction and related amounts have not been settled.
Total	301,492,621	

22. Receipts in advance

(1) Receipts in advance

RMB

	Closing balance	Opening balance
Advance from customers	616,086,758	638,732,781
Total	616,086,758	638,732,781

(2) Significant receipts in advance aged over one year

RMB

	Balance at 31 December 2019	Balance at 31 December 2018
Advance from customers for sales of cement	26,650,362	35,023,917

23. Employee benefits payable

(1) Summary of employee benefits payable

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Short-term employee benefits	372,363,172	2,512,728,645	2,499,327,165	385,764,652
2. Defined contribution plan	6,434,788	221,906,464	223,924,497	4,416,755
3. Long-term employee benefits payable within one year	13,375,596	96,367,318	15,459,054	94,283,860
Total	392,173,556	2,831,002,427	2,738,710,716	484,465,267

(2) *Short-term employee benefits*

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Salaries or wages, bonuses and allowances	327,934,687	1,949,253,425	1,923,204,971	353,983,141
2. Staff welfare	12,514,281	211,577,099	222,544,810	1,546,570
3. Social insurance	10,741,548	174,891,624	177,804,455	7,828,717
Including:				
Medical insurance	9,338,920	156,985,535	159,046,084	7,278,371
Injury insurance	1,105,991	11,909,276	12,508,862	506,405
Maternity insurance	296,637	5,996,813	6,249,509	43,941
4. Housing funds	5,922,531	122,904,939	126,701,800	2,125,670
5. Labor union funds and employee education fee	15,250,125	54,101,558	49,071,129	20,280,554
Total	372,363,172	2,512,728,645	2,499,327,165	385,764,652

(3) *Defined contribution plan*

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Basic pension insurance	5,214,747	214,474,239	216,003,803	3,685,183
2. Unemployment insurance	1,220,041	7,432,225	7,920,694	731,572
Total	6,434,788	221,906,464	223,924,497	4,416,755

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, the Group contributes monthly to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively. In addition to the above monthly contributions, the Group shall not undertake any further payment obligations. The corresponding expenditure is recognized in profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB214,474,239 and RMB7,432,225 (2018: RMB195,683,019 and RMB5,440,071) to the basic pension insurance and unemployment insurance plans respectively for the current year. As at 31 December 2019, the Group has outstanding contributions to pension insurance and unemployment plans that is due as at the reporting period amounting to RMB3,685,183 and RMB731,572 (31 December 2018: RMB5,214,746 and RMB1,220,041). The relevant outstanding expenses have been paid after the reporting period.

24. Taxes payable

RMB

Item	Closing balance	Opening balance
Enterprise income tax	616,807,673	623,436,893
VAT	174,845,435	187,394,897
Flood prevention fee	18,480,513	18,862,548
Resource tax	22,086,424	17,691,208
Environment tax	26,111,393	18,424,841
Individual income tax	21,164,788	17,604,530
Others	86,080,518	52,321,809
Total	965,576,744	935,736,726

25. Other payables

25.1 Summary of other payables

RMB

Item	Closing balance	Opening balance
Interest payable	21,770,866	70,507,991
Dividends payable	34,268,915	160,590,225
Other payables	623,409,083	666,555,147
Total	679,448,864	897,653,363

25.2 Interest payable

RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	20,756,667	64,181,670
Interest on long-term borrowings	612,077	5,010,308
Interest on short-term borrowings	402,122	1,316,013
Total	21,770,866	70,507,991

25.3 Dividends payable

RMB

Item	Closing balance	Opening balance
Dividends of ordinary shares	576,326	10,737,338
Minority interests		
– Tibet Changsheng Road & Bridge Construction Co., Ltd.	–	87,518,955
– Gayur Liability Limited Company	33,692,589	62,332,731
– Diqing Rongshunlin Product Development Co., Ltd.	–	1,201
Total	34,268,915	160,590,225

25.4 Other payables

(1) Details of other payables

RMB

Item	Closing balance	Opening balance
Payables for acquisition of equity interests	113,940,515	249,207,680
Amounts due to minority interests	220,227,757	141,011,960
Margin and deposits	158,737,322	126,722,501
Collected or paid for others	29,289,163	32,527,298
Borrowings from government	9,012,411	30,637,244
Others	92,201,915	86,448,464
Total	623,409,083	666,555,147

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

RMB

Item	Balance at 31 December 2019	Reasons for being outstanding or carried forward
Payables for acquisition of equity interests and deposits paid by carriers to the Group for large scale projects	444,812,446	Payment criteria or final settlement of related project has not been processed.

26. Non-current liabilities due within one year

RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year *(Note V, 27)*	676,748,733	741,592,004
Bonds payable due within one year *(Note V, 28)*	–	2,100,000,000
Long-term payables due within one year *(Note V, 29)*	92,936,978	35,625,200
Total	769,685,711	2,877,217,204

27. Long-term borrowings

(1) Categories of long-term borrowings

RMB

Item	Closing balance	Opening balance
Unsecured bank borrowings *(Note 1)*	2,030,189,670	2,236,234,785
Pledged bank borrowings *(Note 2)*	639,000,000	737,500,000
Mortgaged bank borrowings *(Note 3)*	45,000,000	208,500,000
Guaranteed bank borrowings *(Note 4)*	2,102,259	3,546,310
Less: Long-term borrowings due within one year		
Unsecured bank borrowings	516,487,227	478,173,480
Pledged bank borrowings	113,860,000	98,500,000
Mortgaged bank borrowings	45,000,000	163,500,000
Guaranteed bank borrowings	1,401,506	1,418,524
Total	2,039,543,196	2,444,189,091

Note 1: As at 31 December 2019, unsecured bank borrowings include long-term borrowings of RMB1,149,638,888 guaranteed by the Company for subsidiaries of the Group and dollar loans equivalent to RMB347,465,733 (31 December 2018: long-term borrowings of RMB635,550,000 and dollar loans equivalent to RMB243,643,600). Such unsecured bank borrowings shall be repaid in batches during the period from 2020 to 2027.

Note 2: As at 31 December 2019, pledged assets for pledged borrowings of RMB RMB639,000,000 (31 December 2018: RMB737,500,000) are equity of the Group's certain subsidiaries. Such pledged borrowings shall be repaid in batches during the period from 2020 to 2025.

Note 3: As at 31 December 2019, part of the Group's houses, buildings, equipment (Note V, 13) and land use rights (Note V, 15) are mortgaged for the borrowing of RMB45,000,000 (31 December 2018: RMB208,500,000).

Note 4: As at 31 December 2019, long-term borrowings are DKK borrowings equivalent to RMB2,102,259 (31 December 2018: RMB3,546,310), which is guaranteed by China Construction Bank Hubei Branch and Planning Commission of Hubei Province. Such guaranteed borrowings shall be repaid in batches during the period from 2020 to 2021.

As at 31 December 2019, the interest rate of long-term borrowings ranges between 2.90% and 6.72% (31 December 2018: between 2.90% and 6.89%).

28. Bonds payable

(1) Bonds payable

RMB

Item	Closing balance	Opening balance
Phase-I corporate bonds issued in 2016 *(Note 2)*	1,198,058,176	1,196,831,761
Total	1,198,058,176	1,196,831,761

(2) Changes in bonds payable

Name of bond	Par value	Issue date	Term of bond	Opening balance	Amortization of discount	Repayments	Closing balance	Balance of accrued interest
Phase-I corporate bonds issued in 2012 *(Note 1)*	1,000,000,000	17 May 2012	7 years	1,000,000,000	–	1,000,000,000	–	–
Phase-II corporate bonds issued in 2012 *(Note 1)*	1,100,000,000	9 November 2012	7 years	1,100,000,000	–	1,100,000,000	–	–
Phase-I corporate bonds issued in 2016 *(Note 2)*	1,200,000,000	19 August 2016	5 years	1,196,831,761	1,226,415	–	1,198,058,176	20,756,667
Less: Bonds payable due within one year		/	/	2,100,000,000	–	2,100,000,000	–	–
Total	3,300,000,000			1,196,831,761	1,226,415	–	1,198,058,176	20,756,667

Note 1: Pursuant to Zheng Jian Xu Ke [2012] No.615 approved by China Securities Regulatory Commission, the Company issued two phases of corporate bonds on 17 May 2012 and 9 November 2012 respectively.

The total issuance of the phase-I corporate bonds amount to RMB2 billion, RMB1 billion of which has been repaid on 17 May 2017, and the rest RMB1 billion will be repaid on 17 May 2019 at maturity.

The total issuance of the phase-II corporate bonds amount to RMB1.1 billion at the interest rate of 5.90% and with a period of seven years. The corporate bonds are calculated at simple annual interest which is paid on an annual basis. The corporate bonds were repaid as they expired on 9 November 2019.

Note 2: Pursuant to Zheng Jian Xu Ke [2016] No.1255 approved by China Securities Regulatory Commission, the Company issued a total amount of RMB1.2 billion of phase-I corporate bonds on 19 August 2016 at a coupon rate of 4.79%. The corporate bonds are calculated at simple annual interest which is paid on an annual basis and with a period of five years.

29. Long-term payables

29.1 Summary of long-term payables

RMB

Item	Closing balance	Opening balance
Long-term payables	81,962,612	71,032,113
Special payables	–	190,664,328
Total	81,962,612	261,696,441

29.2 Long-term payables

(1) Long-term payables by nature

RMB

Item	Closing balance	Opening balance
Finance lease payable	173,216,301	103,910,917
Others	1,683,289	2,746,396
Less: Finance lease payable due within one year	92,936,978	35,625,200
Total	81,962,612	71,032,113

As at 31 December 2019, finance lease payable amounted to RMB173,216,301 which were guaranteed by letter of guarantee security deposits of RMB15, 000,000 (Note V, 1).

Finance lease payable is the balance of the minimum lease payments of the Group's fixed assets under finance lease less unrecognized finance costs. The future payment plan of finance lease payable is as follows:

RMB

	Closing balance	Opening balance
1st year subsequent to the balance sheet date	92,936,978	34,306,813
2nd year subsequent to the balance sheet date	63,550,150	32,936,978
3rd year subsequent to the balance sheet date	23,258,673	31,550,150
Subsequent years	–	15,258,676
Total minimum lease payments	179,745,801	114,052,617
Unrecognized finance costs	6,529,500	10,141,700
Finance lease payable	173,216,301	103,910,917
Including: Finance lease payable due within one year	92,936,978	35,625,200
Finance lease payables due after one year	80,279,323	68,285,717

29.3 *Special payables*

(1) *Special payables by nature*

RMB

Item	Opening balance	Increase	Decrease	Closing balance
Compensation for relocation of subsidiaries	190,664,328	13,900,000	204,564,328	–

Note: Due to ecological restoration request in Wushan Zone of Nantong City and the Binjiang Area, the People's Government of Chongzhou District of Nantong City and Huaxin Cement (Nantong) Co., Ltd. ("Nantong Plant") entered into the relocation compensation agreement under which the Nantong Plant agreed to cease production, migrate from the plant area and apply for the cancellation registration of property right and the local government agreed to provide a compensation of RMB278,000,000. As at 31 December 2019, Nantong Plant has received the full compensation of RMB278,000,000 with industrial and commercial deregistration being completed (Note VI, 2). The difference between the compensation and the relocation loss of RMB198,188,843 is recognized as gains on disposal of assets.

30. Long-term employee benefits payable

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

RMB

Item	Opening balance	Addition	Reduction	Closing balance
Compensation for retired staff *(Note 1)*	34,174,068	5,216,836	8,639,056	30,751,848
Early-retired employee benefits *(Note 2)*	37,194,506	3,978,830	6,819,998	34,353,338
Long-term employee incentives *(Note 3)*	66,178,366	87,555,728	–	153,734,094
Sub-total	137,546,940	96,751,394	15,459,054	218,839,280
Less: To be paid within one year	13,375,596			94,283,860
Total	124,171,344			124,555,420

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

Management determines the provision for employee benefits based on expected accumulated benefit unit method.

At the balance sheet date, the key assumptions for the calculation of Group's retired staff compensation payable are as follows:

Item	At the end of the period	At the beginning of the period
Discount rate	2.36%~3.75%	2.60%~3.70%
Salary/wage growth rate	10%	10%
Average life expectancy	77	77

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

Note 3: Long-term employee incentives: Long-term employee benefits represents a three-year long-term incentive plan (2017-2019) for core management. The amount of awards granted to the core management under this incentive plan is based on the virtual shares of the Company.

According to the achievement of performance target of the Group in the designated period under the incentive plan, the core management would be granted certain number of virtual shares of the Company. At the end of the third years after grant date ("the settlement date"), the core management can receive a cash bonus calculated by the share price at the settlement date multiplied by the number of the granted virtual shares. If the share price at the settlement date is over 200% of the share price of the grant date, the cash bonus should be calculated at 200% of share price of the grant date; if the share price at the settlement date is lower than 50% of the share price at the grant date, the cash bonus should be calculated at 50% of share price at the grant date.

RMB

Determination of fair value of liabilities incurred by the Company that is calculated and determined on the basis of the shares or other equity instruments	Determination of fair value based on the share price of the Company on settlement date
Accumulated amount of liabilities of cash-settled share-based payment	153,734,094
Total expenses recognized for cash-settled share-based payment	87,555,728

31. Provisions

RMB

Item	Closing balance	Opening balance	Underlying reason
Provision for mine restoration	191,569,208	238,237,421	Mine restoration obligation
Provision for pending litigation	521,802	521,800	Expected compensation for pending litigation
Total	192,091,010	238,759,221	

32. Deferred income

RMB

Item	Opening balance	Addition	Reduction	Closing balance	Underlying reason
Government grants	262,432,189	86,458,387	31,749,882	317,140,694	Government grants related to assets

Items involving government grants:

RMB

Items of grant	Opening balance	Subsidies increased for the period	Amortization recognized in non-operating income	Amortization recognized in other income	Closing balance	Related to assets/income
Cement kiln line infrastructure	180,867,715	80,858,387	444,188	17,871,738	243,410,176	Related to assets
Energy saving technological transformation	81,564,474	5,600,000	–	13,433,956	73,730,518	Related to assets
Total	262,432,189	86,458,387	444,188	31,305,694	317,140,694	

33. Share capital

RMB

Item	Balance at 31 December 2018	Changes for the period: Transfer from reserve funds to share capital	Balance at 31 December 2019
Listed shares without restriction of trading			
A-share	972,771,325	389,108,530	1,361,879,855
B-share	524,800,000	209,920,000	734,720,000
Total share capital	1,497,571,325	599,028,530	2,096,599,855

According to the resolution of shareholder meeting on 25 April 2019, the Company converted capital reserve into share capital to the whole shareholders. Every 10 shares are converted into 4 shares. And the total number of converted shares is 599,028,530.

34. Capital reserve

RMB

Item	Balance at 31 December 2018	Addition	Reduction	Balance at 31 December 2019
Share premium	2,410,355,433	–	599,028,530	1,811,326,903
Equity incentive	4,146,565	–	–	4,146,565
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	–	2,215,277	–	2,215,277
Total	2,510,252,020	2,215,277	599,028,530	1,913,438,767

35. Other comprehensive income

RMB

Item	Balance at 31 December 2018	Adjustments on changes in accounting policies	Opening balance	Amount for the current period: Amounts incurred before income tax for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to the minority interest after tax	Closing balance
I. Other comprehensive income that cannot be reclassified to profit or loss	–	24,633,296	24,633,296	(10,039,761)	2,509,941	(7,529,820)	–	17,103,476
Including: Changes in fair value of other equity instrument investments	–	24,633,296	24,633,296	(10,039,761)	2,509,941	(7,529,820)	–	17,103,476
II. Other comprehensive income that will be reclassified to profit or loss	(9,023,883)	(19,384,071)	(28,407,954)	(6,781,188)	–	(6,111,734)	669,454	(34,519,688)
Including: Gains or losses on changes in fair value of available-for-sale financial assets	19,384,071	(19,384,071)	–	–	–	–	–	–
Exchange differences on translation of financial statements denominated in foreign currencies	(28,407,954)	–	(28,407,954)	(6,781,188)	–	(6,111,734)	669,454	(34,519,688)
Total	(9,023,883)	5,249,225	(3,774,658)	(16,820,949)	2,509,941	(13,641,554)	669,454	(17,416,212)

36. Surplus reserve

RMB

Item	Opening balance	Addition	Reduction	Closing balance
Statutory surplus reserve	889,105,333	159,194,595	–	1,048,299,928
Discretionary surplus reserve	63,580,329	–	–	63,580,329
Total	952,685,662	159,194,595	–	1,111,880,257

In accordance with the "Company Law of the People's Republic of China" and Articles of Association of the Company, the Company makes provision for statutory surplus reserve at 10% of the net annual profit of the Company. When the accumulated amount of the Company's statutory surplus reserve reaches more than 50% of the registered capital, further appropriation is not required. In the current year, the Company makes provision for statutory surplus reserve of RMB159,194,595 (2018: appropriated at 10% of the net profit, amounting to RMB191,220,760). Statutory surplus reserve can be used for offsetting losses or increasing share capital after approval.

The amount of provision for discretionary surplus reserve of the Company is proposed by the board of directors and approved by the shareholders meeting. Any discretionary surplus reserve can be used for offsetting losses of previous years or increasing share capital after approval. In the current year, the Company makes no discretionary surplus reserves (2018: Nil).

37. Retained profits

RMB

Item	Current period	Prior period
Opening balance of retained profits before adjustment	11,721,477,654	7,150,569,774
Adjustments of total opening balance of retained profits *(Note III(29))*	22,159,671	–
Adjusted opening balance of retained profits	11,743,637,325	7,150,569,774
Add: Net profit attributable to owners of the parent company in the current period	6,342,304,317	5,181,448,611
Less: Transfer to statutory surplus reserve	159,194,595	191,220,760
Ordinary share dividends payable *(Note)*	1,722,207,024	419,319,971
Closing balance of retained profits	16,204,540,023	11,721,477,654

Note: According to shareholders' meeting on 25 April 2019, the Company distributed a total of RMB1,722,207,024 of cash dividends to the whole shareholders.

38. Operating income and operating costs

RMB

	Amount for the current period		Amount for the prior period	
Item	Income	Costs	Income	Costs
Principal operations	31,253,630,498	18,564,525,926	27,322,893,020	16,503,935,133
Other operations	185,584,102	60,780,295	143,151,461	71,279,404
Total	31,439,214,600	18,625,306,221	27,466,044,481	16,575,214,537

Income from principal operations is presented by products:

RMB

	Amount for the current period		Amount for the prior period	
Item	Income	Costs	Income	Costs
Sales of cement	26,472,168,851	15,459,145,372	23,106,659,496	13,677,266,820
Sales of concrete	1,810,661,745	1,388,339,846	1,354,687,191	1,035,753,582
Sales of clinker	787,174,626	551,188,596	777,558,830	542,868,436
Sales of aggregate	1,033,205,789	364,076,920	826,953,578	299,057,941
Others	1,150,419,487	801,775,192	1,257,033,925	948,988,354
Total	31,253,630,498	18,564,525,926	27,322,893,020	16,503,935,133

Income from other operations is presented by products:

RMB

	Amount for the current period		Amount for the prior period	
Item	**Income**	**Costs**	**Income**	**Costs**
Sales of materials	66,811,459	26,021,188	32,315,193	11,675,227
Rental income	18,993,194	8,086,999	12,976,971	2,912,657
Others	99,779,449	26,672,108	97,859,297	56,691,520
Total	185,584,102	60,780,295	143,151,461	71,279,404

39. Taxes and levies

RMB

Item	Amount for the current period	Amount for the prior period
Resource tax	138,237,185	129,241,898
City maintenance and construction tax	89,734,180	96,665,340
Environmental protection tax	87,777,013	78,729,020
Educational surcharge	52,810,817	55,852,817
Land use tax	47,386,024	51,295,647
Property tax	37,389,093	32,386,384
Others	76,660,836	56,003,849
Total	529,995,148	500,174,955

40. Selling and distribution expenses

RMB

Item	Amount for the current period	Amount for the prior period
Transportation, carriage and handling labor expenses	586,330,193	482,436,151
Material costs	603,695,332	478,153,904
Staff costs	440,147,383	366,038,216
Utilities expenses	80,121,077	72,188,289
Depreciation and amortization expenses	69,650,835	69,185,564
Entertainment expenses	44,908,938	46,462,570
Traveling expenses	40,374,002	44,776,104
Rental expenses	17,440,193	15,137,055
Repair expenses	65,510,351	42,822,836
Others	100,315,671	84,637,437
Total	2,048,493,975	1,701,838,126

41. General and administrative expenses

RMB

Item	Amount for the current period	Amount for the prior period
Staff costs	911,358,295	731,160,152
Depreciation and amortization expenses	122,147,250	111,735,935
Entertainment expenses	62,815,867	58,372,291
Traveling expenses	50,105,140	43,602,949
Office and meeting expenses	48,507,643	43,340,517
Outsourced labor expenses	36,929,280	37,242,963
Intermediary service expenses	59,917,803	36,898,566
Rental expenses	31,387,120	30,572,443
Utilities expenses	18,374,172	19,196,164
Property insurance expenses	12,677,920	14,778,615
Pollution expenses	23,361,124	12,748,172
Communication expenses	6,201,478	7,092,074
Group service charges	6,226,415	6,226,415
Others	168,478,201	183,853,572
Total	1,558,487,708	1,336,820,828

42. Financial expenses

RMB

Item	Amount for the current period	Amount for the prior period
Interest expenditure	295,855,589	460,589,023
Less: Capitalized interest	49,738,541	9,366,645
Interest expenses	246,117,048	451,222,378
Less: Interest income	62,443,270	37,891,458
Exchange losses	18,404,683	28,242,923
Others	6,076,260	24,049,906
Total	208,154,721	465,623,749

43. Impairment losses on assets

RMB

Item	Amount for the current period	Amount for the prior period
I. Bad debt losses		25,775,249
II. Losses from decline in value of inventories	27,505,123	3,719,594
III. Impairment losses of available-for-sale financial assets		2,000,000
IV. Impairment losses of fixed assets	137,195,710	35,073,680
V. Impairment losses of construction in progress	652,199	535,245
VI. Impairment losses of intangible assets	23,524,969	–
VII. Impairment on goodwill	21,492,135	–
Total	210,370,136	67,103,768

44. Other income

RMB

Item	2019	2018	Related to assets/income
Tax refunds from comprehensive utilization of resources	170,419,262	183,944,112	Related to income
Amortization of deferred income *(Note V, 32)*	31,305,694	28,879,528	Related to assets
Other government grants	39,791,487	44,156,641	Related to income
Total	241,516,443	256,980,281	

Other income recorded in non-recurring profit or loss amounted to RMB71, 097,181 in the current year.

45. Investment income

RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under equity method	107,881,496	71,745,531
Losses on disposal of long-term equity investments	(9,469,146)	(3,043,880)
Investment income of financial assets at fair value through profit or loss during the hold period		12,266,445
Investment income of available-for-sale financial assets during the hold period		1,103,937
Investment income of held-for-trading financial assets during the hold period	7,438,572	
Dividend income of other equity instrument investments during the hold period	521,519	
Dividend income of other non-current financial assets during the hold period	1,255,397	
Interest income of debt investments during the hold period	900,000	
Others	–	1,440,223
Total	108,527,838	83,512,256

46. Gains from changes in fair value

RMB

Item	Amount for the current period	Amount for the prior period
Other non-current financial assets	5,296,455	
Financial assets at FVTPL		3,584,774
Total	5,296,455	3,584,774

47. Impairment losses on credit

RMB

Item	Amount for the current period	Amount for the prior period
Bad debt provision for accounts receivable	16,977,257	
Bad debt provision for other receivables	4,329,209	
Total	21,306,466	–

48. Gains on disposal of assets

RMB

Item	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	167,264,182	12,210,125
Gains on disposal of intangible assets	21,590,404	5,414,339
Total	188,854,586	17,624,464

49. Non-operating income

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss for 2019
Gains on disposal of fixed assets	16,997,763	–	16,997,763
Government grants	3,846,295	351,593	3,846,295
Negative goodwill	3,823,563	4,489,836	3,823,563
Accounts payable without required payment	27,966,601	–	27,966,601
Others	23,339,384	15,827,562	23,339,384
Total	75,973,606	20,668,991	75,973,606

50. Non-operating expenses

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss for 2019
Losses on retirement of fixed assets	39,301,583	34,995,388	39,301,583
Donations	16,654,180	8,967,686	16,654,180
Compensation losses	15,945,509	–	15,945,509
Others	31,923,025	15,832,180	31,923,025
Total	103,824,297	59,795,254	103,824,297

51. Income tax expenses

(1) Income tax expenses

RMB

Item	Amount for the current period	Amount for the prior period
Current tax expenses	1,744,172,954	1,314,563,048
Deferred tax expenses	(48,844,242)	111,013,106
Total	1,695,328,712	1,425,576,154

(2) Reconciliation of profit before tax and income tax expense

RMB

Item	2019	2018
Profit before tax	8,716,122,114	7,131,070,969
Income tax expenses calculated at 25% of tax rate	2,179,030,529	1,782,767,742
Effect of preferential tax rates applicable to subsidiaries	(375,476,479)	(224,304,523)
Non-taxable income	(27,109,047)	(17,936,383)
Effect of non-deductible cost, expense and loss	46,315,394	8,200,697
Effect of utilizing deductible losses and deductible temporary differences not recognized for deferred tax assets for prior period	(147,787,955)	(175,552,127)
Effect of deductible temporary differences or deductible losses not recognized for deferred tax assets for the current period	46,867,537	22,005,749
Negative goodwill	(955,891)	(1,122,459)
Others	(25,555,376)	31,517,458
Income tax expenses	1,695,328,712	1,425,576,154

52. Notes to the items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB

Item	Amount for the current period	Amount for the prior period
Margin and deposits	53,623,226	14,187,416
Government subsidies	192,801,981	83,673,529
Interest income	62,443,270	37,891,458
Others	51,436,847	22,356,024
Total	360,305,324	158,108,427

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

RMB

Item	**Amount for the current period**	**Amount for the prior period**
Travelling expenses	90,479,142	88,385,853
Margin and deposits, etc.	110,060,852	7,579,048
Pollution expenses	23,361,124	12,748,172
Entertainment expenses	107,724,805	104,834,861
Agency and other service charges	59,917,803	43,124,981
Low value consumables	63,891,066	56,799,404
Environmental maintenance expenses	49,016,921	48,562,684
Office and meeting expenses	48,507,643	43,340,517
Rental expenses	48,827,313	45,709,498
Property insurance expenses	12,677,920	14,778,615
Donations and other social responsibility expenses	55,111,644	69,852,368
Others	241,098,405	193,696,872
Total	910,674,638	729,412,873

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

RMB

Item	**Amount for the current period**	**Amount for the prior period**
Receipts of leaseback finance lease payments	137,900,000	–
Receipts of government borrowings and fiscal subsidies	–	18,163,077
Total	137,900,000	18,163,077

(4) Other cash payments relating to financing activities

RMB

Item	**Amount for the current period**	**Amount for the prior period**
Repayments of cash advances to non-financial enterprises	46,650,000	–
Repayments for principal and deposit of finance lease	74,306,814	181,400,938
Payments for the purchase of minority equity in previous years	44,983,690	–
Repayments of government borrowings	21,624,833	–
Reduction in capital contributions from minority shareholders	16,200,000	–
Total	203,765,337	181,400,938

53. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	7,020,793,402	5,705,494,815
Add: Provision for impairment losses of assets	210,370,136	67,103,768
Allowance for credit impairment	21,306,466	–
Depreciation of fixed assets	1,540,472,996	1,415,931,089
Amortization of intangible assets	166,714,189	113,482,533
Amortization of long-term prepaid expenses	76,277,308	75,696,268
Amortization of deferred income	(31,749,882)	(29,085,330)
Gains on disposal of fixed assets, intangible assets and other long-term assets	(188,854,586)	(17,624,464)
Losses on retirement of fixed assets	22,303,820	34,995,388
Gains from changes in fair value	(5,296,455)	(3,584,774)
Financial expenses	246,117,048	451,222,378
Investment income	(108,527,838)	(83,512,256)
Negative goodwill	(3,823,563)	(4,489,836)
Decrease in deferred tax assets (increase is indicated by "-")	(53,028,587)	94,770,336
Increase in deferred tax liabilities	4,184,345	16,242,770
Decrease in inventories (increase is indicated by "-")	110,360,027	(438,030,568)
Decrease in operating receivables	21,130,461	230,507,908
Increase in operating payables	630,436,578	270,486,080
Net cash flow from operating activities	9,679,185,865	7,899,606,105
2. Net changes in cash and cash equivalents:		
Closing balance of cash	4,918,296,452	5,236,222,134
Less: Opening balance of cash	5,236,222,134	3,532,308,895
Net (decrease) increase in cash	(317,925,682)	1,703,913,239

(2) Net cash paid for acquisition of subsidiaries

RMB

Item	Amount
Cash and cash equivalents paid for business combinations in the current period	679,925,046
Including: Yunwei Baoshan Organic Chemical Co., Ltd.	20,000,000
NETNIX LIMITED	659,925,046
Less: Cash and cash equivalents of the subsidiaries at the acquisition date	60,097,878
Including: Yunwei Baoshan Organic Chemical Co., Ltd.	112
NETNIX LIMITED	60,097,766
Add: Cash or cash equivalents paid for business combinations in the prior period	8,633,345
Including: Success Eagle Cement (Hong Kong) Limited	2,633,345
Wanyuan Dabashan Cement Co., Ltd.	6,000,000
Net cash payments for acquisition of subsidiaries	628,460,513

(3) Net cash receipts from disposal of subsidiaries

RMB

Item	Amount
Cash or cash equivalents received from disposal of subsidiaries in the prior period	1,500,000
Including: Tongbai Xingshan Mining Co., Ltd.	1,500,000
Net cash receipts from disposal of subsidiaries	1,500,000

(4) Composition of cash and cash equivalents

RMB

Item	Closing balance	Opening balance
I. Cash	4,918,296,452	5,236,222,134
Including: Cash on hand	518,847	1,014,354
Cash at bank without restriction	4,917,777,605	5,235,207,780
II. Closing balance of cash	4,918,296,452	5,236,222,134

54. Assets with limited ownership or use right

RMB

Item	Closing balance	Opening balance
Cash and bank balances *(Note V, 1)*	189,217,971	90,539,777
Notes receivable *(Note V, 3)*	8,700,000	27,510,016
Financing with receivables *(Note V, 5)*	132,337,715	–
Fixed assets *(Note V, 13)*	208,437,226	557,430,713
Intangible assets *(Note V, 15)*	9,660,241	14,272,894
Total	548,353,153	689,753,400

The subsidiary Yunwei Baoshan Organic Chemical Co., Ltd. (Note VI, 1) newly acquired by the Group in 2019 was involved in a litigation before acquisition because of debts and all its fixed assets and intangible assets were in a state of seizure. Although parts of the debts have been paid off since the acquisition, the related assets are still in the process of unsealing procedures as at the reporting date.

In addition, the equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note V, 27). As at 31 December 2019, the net book value of such equity amounted to approximately RMB4,904,996,818.

55. Foreign currency monetary items

(1) Foreign currency monetary items

RMB

Item	Closing balance of foreign currency	Exchange rate	RMB balance
Cash and bank balances			
Including: USD	58,713,938	6.9856	410,154,431
TJS	8,453,914	0.7216	6,100,345
NPR	79,323,825	0.0614	4,870,483
EUR	129,642	7.8155	1,013,215
HKD	66,811	0.8958	59,848
UZS	1,475,704	0.1001	147,702
Accounts receivable			
Including: USD	3,995,730	6.9856	27,912,731
Other receivables			
Including: USD	25,058,592	6.9856	175,050,305
UZS	2,341,947	0.1001	234,403
Accounts payable			
Including: USD	4,777,098	6.9856	33,371,085
UZS	1,318,498	0.1001	131,967
Other payables			
Including: USD	178,221	6.9856	1,244,990
Non-current liabilities due within one year			
Including: USD	11,400,000	6.9856	79,636,296
DKK	1,340,000	1.0459	1,401,506
Long-term borrowings			
Including: USD	38,340,000	6.9856	267,829,437
DKK	670,000	1.0459	700,753

(2) The Group's major operation is carried out inside China and majority of its transactions are denominated in RMB. Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement Co., Ltd., two of the Group's subsidiaries, operating in Tajikistan and their transactions are mainly denominated in Somoni. Cambodian Cement Chakrey Ting Factory Co., Ltd. is one of the Group's subsidiaries operating in Cambodia and its transactions are mainly denominated in USD. The Group's subsidiary Kyrgyzstan South Cement Co., Ltd. is mainly operated inside Kyrgyzstan, its transactions are mainly denominated in USD.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combination not involving enterprise nuder common control

(1) Business combination not involving enterprise nuder common control

RMB

Name of the acquiree	Acquisition consideration	Proportion of equity interest acquired	Consideration settled/to be settled by	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net loss of the acquiree from the date of acquisition to the period-end
Yunwei Baoshan Organic Chemical Co., Ltd.	20,000,000	80%	Cash	24 December 2019	Date of change in control	–	–
NETNIX LIMITED *(Note)*	659,925,046	100%	Cash	5 December 2019	Date of change in control	2,233,443	(7,417,777)

Note: Main asset of NETNIX LIMITED is 100% equity interest in Yuzhno-Kyrgyzskyi Cement CJSC.

(2) Acquisition consideration and goodwill

RMB

Acquisition consideration	**Yunwei Baoshan Organic Chemical Co., Ltd.**
– Cash	20,000,000
Total consideration	20,000,000
Less: Fair value of identifiable net asset acquired	23,823,563
Amount of acquisition consideration less than fair value of identifiable net assets	3,823,563

RMB

Acquisition consideration	**NETNIX LIMITED**
– Cash	659,925,046
Total combination consideration	659,925,046
Less: Fair value of identifiable net asset acquired	600,351,459
Amount of acquisition consideration greater than fair value of identifiable net assets	59,573,587

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

RMB

	Yunwei Baoshan Organic Chemical Co., Ltd.	
Item	**Fair value on the acquisition date**	**Carrying amount on the acquisition date**
Assets:		
Cash and bank balances	112	112
Prepayments	2,135,846	2,237,846
Other receivables	882,536	882,536
Fixed assets	288,072,530	42,985,352
Intangible assets	90,419,738	15,229,821
Long-term prepaid expenses	5,187,700	–
Other non-current assets	10,272,819	10,272,819
Liabilities:		
Accounts payable	131,456,823	143,319,824
Receipts in advance	531,152	531,152
Employee benefits payable	7,206,009	7,206,009
Taxes payable	(24,411,118)	(24,411,118)
Other payables	168,102,512	168,102,512
Deferred tax liabilities	84,306,449	–
Net Asset	29,779,454	(223,139,893)
Less: Minority interests	5,955,891	(44,627,979)
Net asset acquired	23,823,563	(178,511,914)

RMB

	NETNIX LIMITED	
Item	**Fair value on the acquisition date**	**Carrying amount on the acquisition date**
Assets:		
Cash and bank balances	60,097,766	60,097,766
Accounts receivable	213,460	213,460
Prepayments	2,641,617	2,641,617
Other receivables	1,638,796	1,638,796
Inventories	56,293,988	52,528,713
Fixed assets	280,052,276	146,067,812
Construction in progress	1,673,089	1,673,089
Intangible assets	254,386,648	2,458,712
Other non-current assets	16,013,988	16,013,988
Liabilities:		
Accounts payable	6,004,065	6,004,065
Receipts in advance	23,700,675	23,700,675
Employee benefits payable	1,713,156	1,713,156
Taxes payable	302,314	302,314
Other payables	83,332	83,332
Provisions	1,007,491	1,007,491
Deferred tax liabilities	39,849,136	881,369
Net Asset	600,351,459	249,641,551
Less: Minority interests	–	–
Net asset acquired	600,351,459	249,641,551

The Group applied valuation techniques to determine the fair value of assets acquired and liabilities assumed. The valuation method of major assets and key assumptions are as follows:

The valuation method of fixed assets is replacement cost method: the asset's fair value will be its current replacement cost deducting all relevant costs;

Intangible assets mainly include land use rights and mining rights. Fair value of land use rights is determined by using benchmark land price method. The mining rights is mainly evaluated by discounted cash flow method. In order to calculate the present value of future cash flow, the management predicts and estimates the selling price of mineral resources, mining cost, operating cost and applicable discount rate of mineral resources in the future years.

2. Disposal of subsidiary

(1) The Company's subsidiary, Huaxin Cement (Nantong) Co., Ltd., was deregistered on 18 December 2019.

VII. EQUITY INTERESTS IN OTHER ENTITIES

1. Equity interests in subsidiaries

(1) Components of the Group

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	100	0	Set up
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement	100	0	Set up
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of cement	100	0	Set up
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	100	0	Set up
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	67	33	Set up
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Production and sale of cement	60	40	Set up
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sale of cement	79	0	Set up
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	100	0	Set up
Huaxin Cement (Xiantao) Co., Ltd.	Xiantao	Xiantao	Production and sale of cement	80	0	Set up
Huaxin Cement (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of cement	100	0	Set up
Hunan Huaxiang Environmental Industry Development Co., Ltd.	Xiangtan	Xiangtan	Production and sale of cement	60	0	Set up
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sale of cement	100	0	Set up
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	100	0	Set up
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of cement	100	0	Set up
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sale of cement	100	0	Set up
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sale of cement	51	0	Business combination
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sale of cement	100	0	Set up
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of cement	100	0	Set up
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sale of cement	100	0	Set up
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sale of cement	51	0	Business combination

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of cement	100	0	Business combination
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	100	0	Set up
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sale of cement	100	0	Set up
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of cement	100	0	Business combination
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sale of cement	70	0	Business combination
Huaxin Cement (Danjiangkou) Co., Ltd.	Danjiangkou	Danjiangkou	Production and sale of cement	0	70	Business combination
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sale of cement	90	0	Set up
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sale of cement	69	0	Business combination
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sale of cement	80	0	Business combination
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sale of cement	60	0	Business combination
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Sangzhi	Production and sale of cement	80	0	Set up
Huaxin Yovon Cement LLC *(Note 2)*	Tajikistan	Tajikistan	Production and sale of cement	0	75	Set up
Huaxin Gayur (Sogd) Cement Co., Ltd. *(Note 2)*	Tajikistan	Tajikistan	Production and sale of cement	0	95	Set up
Huaxin Gayur Logistics Co., Ltd. *(Note 2)*	Tajikistan	Tajikistan	Loading and unloading, warehousing and other services	0	100	Set up
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sale of cement	70	0	Business combination
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of cement	70	0	Business combination
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sale of cement	0	65.07	Business combination
Cambodian Cement Charkrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sale of cement	0	68	Business combination
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of cement	0	100	Business combination
Huaxin Cement (Dongjun) Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sale of cement	0	100	Business combination
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Chuxiong	Production and sale of cement	0	100	Business combination
Hekou Honghe Cement Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination
Yanshan Yuanda Honghe Cement Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sale of cement	0	100	Business combination
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sale of cement	0	100	Business combination
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sale of cement	0	100	Business combination
Panzhihua Huaxin Cement Co., Ltd.	Panzhihua	Panzhihua	Production and sale of cement	0	100	Business combination
Kunming Chongde Cement Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Yunnan State-owned Cement Kunming Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	80	0	Business combination
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	97.27	0	Business combination
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	0	Business combination
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	0	100	Business combination
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	0	70	Business combination
Huaxin Narayani Cement Co., Ltd.	Narayani	Narayani	Production and sale of cement	100	0	Set up
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of cement	80	14	Set up
Wuhan Wugang Huaxin Cement Co., Ltd. *(Note 1)*	Wuhan	Wuhan	Production and sale of cement and scoria	50	0	Set up
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of concrete	100	0	Set up
Huaxin Concrete (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Jingmen) Co., Ltd.	Jingmen	Jingmen	Production and sale of concrete	0	100	Business combination
Xinyang Huaxin Concrete Co., Ltd.	Xinyang	Xinyang	Production and sale of concrete	0	100	Set up
Tibet Huaxin Construction Materials Co., Ltd.	Tibet	Tibet	Production and sale of concrete	0	56.4297	Set up
Jiujiang Huaxin Concrete Co., Ltd.	Jiujiang	Jiujiang	Production and sale of concrete	0	100	Set up
Jiujiang Rongda Energy Saving And Environmental Protection Building Materials Co., Ltd.	Jiujiang	Jiujiang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xiaogan) Co., Ltd.	Xiaogan	Xiaogan	Production and sale of concrete	0	100	Set up
Huaxin Concrete Xiangyang Fancheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Building Materials Xiangyang Xiangcheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xiangyang Nanzhang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xianning) Co., Ltd.	Xianning	Xianning	Production and sale of concrete	0	100	Business combination
Zaoyang Huaxin Concrete Co., Ltd.	Zaoyang	Zaoyang	Production and sale of concrete	0	84.41	Business combination
Huaxin Concrete (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of concrete	0	100	Set up
Hubei Zhushen Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of concrete	0	84.41	Business combination
Huaxin Concrete (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of concrete	0	100	Set up
Huaxin Concrete (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Jianli) Co., Ltd.	Jianli	Jianli	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sale of concrete	0	51	Business combination
Huaxin Concrete (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Lengshuijia) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of concrete	0	100	Set up
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	84.41	0	Business combination
Huaxin Concrete Xiangyang Economic and Technological Development Zone Co., Ltd.	Xiangyang	Xiangyang	Production and sale of concrete	0	84.41	Business combination
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of concrete	100	0	Business combination
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of concrete	100	0	Business combination
Huaxin Concrete Yangxin New Material Co., Ltd.	Yangxin	Yangxin	Production and sale of concrete	0	100	Set up
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	100	0	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Environment Engineering (Huangshi) Co., Ltd.	Huangshi	Huangshi	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Xinyang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Fengjie) Co., Ltd.	Fengjie	Fengjie	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhuha) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	0	80	Set up
Huaxin Environment Engineering (Fangxian) Co., Ltd.	Fangxian	Fangxian	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (E'zhou) Co., Ltd.	Ezhou	Ezhou	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yingcheng) Co., Ltd.	Yingcheng	Yingcheng	Environmental design and construction and waste disposal	0	100	Set up
Enping Huaxin Environment Engineering Co., Ltd.	Enping	Enping	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zigui) Co., Ltd.	Zigui	Zigui	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Youxian) Co., Ltd.	Youxian	Youxian	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Daye) Co., Ltd.	Daye	Daye	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Loudi	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yunyang) Co., Ltd.	Yunyang	Yunyang	Environmental design and construction and waste disposal	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	0	100	Business combination
Wuhan Dragon Mouth Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yidu) Co., Ltd.	Yidu	Yidu	Environmental design and construction and waste disposal	0	100	Set up
Chongqing Fulin Huaxin Environment Engineering Co., Ltd.	Chongqing	Chongqing	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Lijiang) Co., Ltd.	Lijiang	Lijiang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yichang) Co., Ltd.	Yichang	Yichang	Environmental design and construction and waste disposal	100	0	Set up
Huaxin Environment (Shiyan) Renewable Resources Utilization Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	0	100	Set up
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	0	80	Set up
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., Ltd.	Yangxin	Yangxin	Environmental design and construction and waste disposal	0	100	Set up
Huaxin (Nanzhang) Renewable Resources Utilization Co., Ltd.	Nanzhang	Nanzhang	Industrial solid waste, hazardous waste disposal and recycling	0	100	Set up
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of aggregate	0	100	Set up
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of aggregate	0	100	Set up
Huaxin Aggregate (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of aggregate	0	100	Set up
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	100	0	Set up
Chongqing Huaxin New Building Materials Co., Ltd.	Chongqing	Chongqing	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	0	60	Set up
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	0	65	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huangshi Huaxin New Packaging Co., Ltd.	Huangshi	Huangshi	Production, sale of cement packaging bags	100	0	Set up
Huaxin Packaging (Chibi) Co., Ltd.	Chibi	Chibi	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Yidu) Co., Ltd	Yidu	Yidu	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (E'zhou) Co., Ltd	Ezhou	Ezhou	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Zhuzhou) Co., Ltd	Zhuzhou	Zhuzhou	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Nanzhang) Co., Ltd	Nanzhang	Nanzhang	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Quxian) Co., Ltd	Quxian	Quxian	Production, sale of cement packaging bags	0	100	Set up
Cambodia Zoretta Packaging Co., Ltd.	Cambodia	Cambodia	Production, sale of cement packaging bags	0	68	Set up
Huaxin Cement (Huangshi) Bulk Storage And Transportation Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	0	Set up
Xiangyang Huaxin Logistics Co., Ltd.	Xiangyang	Xiangyang	Loading and unloading, warehousing and other services	0	100	Set up
Kunming Huaxin Logistics Co., Ltd.	Kunming	Kunming	Loading and unloading, warehousing and other services	0	100	Business combination
Chongqing Huaxin Logistics Co., Ltd.	Chongqing	Chongqing	Loading and unloading, warehousing and other services	0	90.0166	Business combination
Huaxin Logistics (Zigui) Co., Ltd.	Zigui	Zigui	Loading and unloading, warehousing and other services	0	100	Set up
Zhuzhou Huaxin Logistics Co., Ltd.	Zhuzhou	Zhuzhou	Loading and unloading, warehousing and other services	0	100	Set up
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin Concrete Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin (Hong Kong) International Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment	100	0	Set up
Success Eagle Cement (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Investment	65	0	Business combination
Huaxin Hong Kong (Cambodia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	0	51	Set up
Huaxin Narayani Investment (Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100	0	Set up
Yunnan Huaxin building materials Investment Co., Ltd.	Kunming	Kunming	Investment	100	0	Business combination
Somerset Mauritius Investment Co., Ltd.	Mauritius	Mauritius	Investment	100	0	Business combination
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	Huangshi	Huangshi	Building materials engineering design, etc.	99	0	Set up
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100	0	Set up
Hunan Huaxiang Environmental Industry Development Co., Ltd.	Xiangtan	Xiangtan	Production and sale of mineral powder	0	60	Set up
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	0	100	Set up
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	100	0	Set up
Huaxin Xincai Landscape Engineering (Wuhan) Co., Ltd.	Wuhan	Wuhan	Building materials wholesale, construction consulting	0	100	Set up
Nanzhang Huaxin Xinrui Hotel Management Co., Ltd.	Nanzhang	Nanzhang	Accommodation services	0	99	Set up
Huaxin Cement Dzizak Co., Ltd.	Uzbekistan	Uzbekistan	Production and sale of cement	0	100	Set up
Huaxin Concrete (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of concrete	0	100	Set up
Wuhan South Taizihu Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environmental Engineering (Badong) Co., Ltd.	Badong	Badong	Environmental design and construction and waste disposal	0	100	Set up
Shannan Huaxin Environmental Engineering Co., Ltd.	Shannan	Shannan	Environmental design and construction and waste disposal	0	100	Set up
Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Aggregate (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of aggregate	0	70	Set up
Huaxin Hongkong Tanzania Co., Ltd.	Hong Kong	Hong Kong	Investment	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Wuhan Huaxin Changshankou Logistics Co., Ltd.	Wuhan	Wuhan	Loading and unloading, warehousing and other services	0	100	Set up
Huaxin (Huangshi) Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	0	Set up
Huaxin New Building Materials Xiangyang Co., Ltd.	Xiangyang	Xiangyang	Production and sale of new materials	0	100	Set up
Huaxin Seepage-proofing and Energy-saving Special New Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	0	86	Set up
Huaxin New Wall Materials (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of new wall materials	0	100	Set up
Huaxin Concrete (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of concrete	0	100	Set up
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd.	Lijiang	Lijiang	Production and sale of new materials	0	70	Set up
Huaxin Aggregate Xiangyang Co., Ltd.	Nanzhang	Nanzhang	Production and sale of aggregate	0	100	Set up
Huaxin Environmental Engineering (Yunnan) Co., Ltd	Kunming	Kunming	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of new materials	0	100	Set up
HX International (Tanzania) Limited.	Tanzania	Tanzania	Investment	0	100	Set up
NETNIX LIMITED	Cyprus	Cyprus	Investment	0	100	Business combination
Yuzhno-Kyrgyzskyi Cement CJSC	Kyrgyzstan	Kyrgyzstan	Production and sale of cement	0	100	Business combination
Stone Group LLC	Kyrgyzstan	Kyrgyzstan	Management and staff dispatch services	0	100	Business combination
Power Assets LLC	Kyrgyzstan	Kyrgyzstan	Land and house lease services	0	100	Business combination
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Baoshan	Production and sale of cement	0	80	Business combination

Note 1: Wuhan Wugang Huaxin Cement Co., Ltd. is included in the scope of consolidation since the Group has the right to govern its operation decision making.

Note 2: The Group effectively holds 51% equity interest of Huaxin Hongkong (Central Asia) Investment Limited Huaxin Hongkong (Central Asia) Investment Limited holds 75% equity interest of Huaxin Yovon Cement LLC; and Huaxin Yovon Cement LLC holds 95% equity interest of Huaxin Gayur (Sogd) Cement LLC and 100% equity interest of Huaxin Gayur Logistics Co., Ltd., hence the Group effectively holds 38.25%, 36.34% and 38.25% equity interest of Huaxin Yovon Cement LLC, Huaxin Gayur (Sogd) Cement LLC and Huaxin Gayur Logistics Co., Ltd. respectively. The approval mechanism of the board of directors of Huaxin Yovon Cement LLC is simple majority, and the Group is eligible to assign three out of the four directors and thus holds 75% voting right. Hence, the Group obtains control of Huaxin Yovon Cement LLC, Huaxin Gayur (Sogd) Cement LLC and Huaxin Gayur Logistics Co., Ltd.

(2) Significant non-wholly subsidiaries

RMB

Subsidiaries	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Closing balance of minority interest
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49.00%	172,541,851	32,213,613	361,786,387
Cambodia Cement Charkrey Ting Factory Co., Ltd.	32.00%	48,065,702	–	270,678,737
Huaxin Cement (Daye) Co., Ltd.	30.00%	47,009,898	27,000,000	198,208,824
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49.00%	100,526,229	65,237,467	211,885,402
Huaxin Cement (Tibet) Co., Ltd.	21.00%	80,298,134	60,332,837	186,437,175

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

RMB

Subsidiaries	Closing balance: Current Assets	Closing balance: Non-current Assets	Closing balance: Total Assets	Closing balance: Current Liabilities	Closing balance: Non-current Liabilities	Closing balance: Total Liabilities	Opening balance: Current Assets	Opening balance: Non-current Assets	Opening balance: Total Assets	Opening balance: Current Liabilities	Opening balance: Non-current Liabilities	Opening balance: Total Liabilities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	258,399,432	975,025,764	1,233,425,196	442,324,003	199,749,995	642,073,998	202,217,956	1,047,548,702	1,249,766,658	474,533,039	326,619,795	801,152,834
Cambodian Cement Charkrey Ting Factory Co., Ltd.	303,439,896	792,998,853	1,096,438,749	118,263,631	132,304,066	250,567,697	137,337,777	723,016,683	860,354,460	139,687,486	37,923,737	177,611,223
Huaxin Cement (Daye) Co., Ltd.	359,678,403	482,462,381	842,140,784	160,235,029	21,209,677	181,444,706	336,544,315	466,930,308	803,474,623	186,997,363	22,480,841	209,478,204
Huaxin Hongta Cement (Jinghong) Co., Ltd.	206,590,121	354,973,429	561,563,550	117,772,313	7,047,609	124,819,922	112,220,857	336,239,846	448,460,703	76,106,899	7,628,055	83,734,954
Huaxin Cement (Tibet) Co., Ltd.	455,473,107	1,039,323,642	1,494,796,749	396,530,609	240,821,221	637,351,830	452,630,670	944,081,887	1,396,712,557	472,251,708	173,261,153	645,512,861

RMB

Subsidiaries	Amount for the current period: Operating income	Amount for the current period: Net profit	Amount for the current period: Total comprehensive income	Amount for the current period: Cash flows from operating activities	Amount for the prior period: Operating income	Amount for the prior period: Net profit	Amount for the prior period: Total comprehensive income	Amount for the prior period: Cash flows from operating activities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	849,347,632	239,833,541	234,610,488	446,728,565	741,902,205	125,746,194	125,746,194	163,893,902
Cambodian Cement Charkrey Ting Factory Co., Ltd.	686,479,582	150,205,318	163,127,816	175,578,830	549,844,528	123,661,664	155,028,058	197,573,712
Huaxin Cement (Daye) Co., Ltd.	829,570,335	156,699,659	156,699,659	204,715,200	777,794,727	157,111,471	157,111,471	261,723,411
Huaxin Hongta Cement (Jinghong) Co., Ltd.	637,752,058	205,155,569	205,155,569	280,833,197	479,852,429	147,930,766	147,930,766	147,228,095
Huaxin Cement (Tibet) Co., Ltd.	1,369,670,670	379,874,968	379,874,968	572,060,531	949,412,429	216,038,213	216,038,213	274,944,941

2. Equity interests in joint ventures or associates

(1) Significant associate

Associate	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Direct	Indirect	Accounting treatment for investment in associates
Tibet High-tech Building Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	43	0	Equity method

(2) Key financial information of significant associates

RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the prior period
	Tibet High-tech Building Materials Co., Ltd.	Tibet High-tech Building Materials Co., Ltd.
Current Assets	476,474,203	395,860,084
Non-current Assets	935,092,069	945,180,958
Total Assets	1,411,566,272	1,341,041,042
Current Liabilities	333,191,184	288,735,068
Non-current Liabilities	300,626,941	112,136,081
Total Liabilities	633,818,125	400,871,149
Minority interests	95,229,778	127,513,564
Equity interest attributable to the shareholders of the parent company	682,518,369	812,656,329
Share of net assets calculated based on the proportion of shareholding	293,482,899	349,442,221
Adjustment – Unrealized profits from internal transactions	(6,408,339)	(8,086,497)
Carrying amount of equity investments in associates	287,074,560	341,355,724
Operating income	1,048,004,677	727,375,879
Net profit	253,612,930	167,166,883
Total comprehensive income	253,612,930	167,166,883
Dividends received from associates in the current year	165,550,000	–

(3) Summarized financial information of insignificant joint ventures or associates

RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the current period
Gross carrying amount of investments	127,016,199	171,113,766
Total amounts calculated based on proportion of ownership interest:		
– Net profit	(1,172,063)	(136,229)
– Total comprehensive income	(1,172,063)	(136,229)

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

RMB

	Closing balance	Opening balance
Financial assets		
Measured at FVTPL		
Financial assets at fair value through profit or loss		207,144,438
Other non-current financial assets	35,003,608	
Measured at FVTOCI		
Financing with receivables	1,308,788,934	
Available-for-sale financial assets		60,487,319
Other equity instrument investments	38,230,101	
Measured at amortized cost		
Notes receivable	97,734,290	1,548,929,075
Accounts receivable	561,894,121	524,536,351
Other receivables	485,987,186	375,429,575
Debt investments	7,500,000	
Long-term receivables	29,148,833	29,279,695
Financial liabilities		
Measured at amortized cost		
Short-term borrowings	197,000,000	621,000,000
Notes payable	191,505,647	–
Accounts payable	5,120,908,908	3,789,324,069
Other payables	679,448,864	897,653,363
Non-current liabilities due within one year	769,685,711	2,877,217,204
Long-term borrowings	2,039,543,196	2,444,189,091
Bonds payable	1,198,058,176	1,196,831,761
Long-term payables	81,962,612	261,696,441

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the followings are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

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

1.1 Market risk

1.1.1. Currency risk

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

The finance department of the headquarter of the Group monitors the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, to minimize the foreign exchange risks; therefore, the Group is likely to avoid currency risks by signing forward foreign exchange contracts or currency swaps. During 2019 and 2018, the Group did not enter into any forward foreign exchange contracts or currency swaps.

As at 31 December 2019 and 2018, for companies of the Group whose functional currency is RMB, the financial assets and financial liabilities denominated in USD are translated into RMB as follows:

RMB

	Closing balance	**Opening balance**
Cash and bank balances	410,154,431	371,055,925
Accounts receivable	27,912,731	–
Other receivables	175,050,305	–
Accounts payable	33,371,085	–
Other payables	1,244,990	–
Borrowings	347,465,733	671,495,488

Sensitivity analysis on currency risk

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

RMB

		Current period		Prior period	
ITEM	**Change in exchange rate**	**Effect on profit before tax**	**Effect on shareholders' equity**	**Effect on profit before tax**	**Effect on shareholders' equity**
USD	5% up	11,551,783	9,328,488	(15,021,978)	(13,407,823)
USD	5% down	(11,551,783)	(9,328,488)	15,021,978	13,407,823

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

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate long-term bank borrowings. As at 31 December 2019, the balance of the Group's long-term borrowings at variable rate was RMB2, 038,842,443 (31 December 2018: RMB2, 440,642,781) (Note V, 27). Financial liabilities with variable rates expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The finance department of the headquarter of the Group continues to monitor the Group's interest rate level. Increase in interest rates will increase the costs of new interest-bearing liabilities and the interest expenses with respect to the Group's outstanding floating rate liabilities, and therefore have a material adverse effect on the Group's financial results. The management will make adjustments which are likely to mitigate interest rate risks through interest rate swaps in accordance with the latest market conditions. During 2019 and 2018, the Group did not enter into any interest rate swap agreements.

The sensitivity analysis on interest rate risk

As at 31 December 2019, where all other variables are held constant, their variable interest rate had been 100 basis points higher or lower, the effect on the pre-tax profit and shareholders' equity is set out as below:

RMB

	Current period		Prior period	
Change in interest rate	**Effect on profit before tax**	**Effect on shareholders' equity**	**Effect on profit before tax**	**Effect on shareholders' equity**
Benchmark interest rate increased by 1%	(20,388,424)	(15,291,318)	(24,406,428)	(18,304,821)
Benchmark interest rate reduced by 1%	20,388,424	15,291,318	24,406,428	18,304,821

1.1.3. *Other price risk*

The Group's investments classified as other equity investments and other non-current financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the securities market.

1.2 Credit risk

As at December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure to discharge an obligation by the counterparties, which specifically includes cash and bank balances (Note V (1)), notes receivable (Note V (3)), accounts receivable (Note V (4)), financing with receivables (Note V (5)), other receivables (Note V (7)), long-term receivables and debt investments, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

The Group's risk exposure is distributed in many different regions and involves a number of customers, therefore, the Group does not have significant concentration of credit risks. As at 31 December 2019, the balance of amounts due from the Group's top five customers is amounted to 118,781,603 (31 December 2018: RMB78,830,141), representing 17% (31 December 2018: 12%) of the balance of the Group's accounts receivable. In addition, the Group does not have other credit risk exposure concentrated on a single financial asset or a portfolio of financial assets sharing similar characteristics.

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

RMB

		12-month or lifetime ECL	
Item	*Note*	**Category**	**Account balance**
Financial assets at amortized cost			
– Cash and bank balances	*Note V(1)*	12-month ECL	5,107,514,423
– Notes receivable	*Note V(3)*	12-month ECL	97,734,290
– Accounts receivable	*Note V(4)*	Lifetime ECL (not credit-impaired)	575,715,252
		Lifetime ECL (credit-impaired)	171,620,784
		Sub-total	747,336,036
– Other receivables	*Note V(7)*	12-month ECL	456,764,085
		Lifetime ECL (credit-impaired)	130,188,150
		Sub-total	586,952,235
– Long-term receivables		Lifetime ECL (not credit-impaired)	29,148,833
– Debt investments		Lifetime ECL (not credit-impaired)	9,500,000
Financial assets at FVTOCI			
– Financing with receivables	*Note V(5)*	12-month ECL	1,308,788,934

The Group manages credit risks by portfolios, which refer to accounts receivable.

The Group's bank deposits are mainly deposited in banks with high credit rating. The Group believes that there is lower credit risk and there will be no significant losses due to the default of the counterparties.

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

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

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

1.3. Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecast. Based on the cash flow forecast of each subsidiary, the finance department of the headquarter of the Group continuously monitors the short-term and long-term capital demands at the Group level to ensure the maintenance of sufficient cash reserves. At the same time, it continuously monitors the compliance of relevant financial indicators with the provisions of the loan agreement and acquires the loan commitment from the major financial institutes to meet short-term and long-term capital demands.

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

RMB

	Within 1 year	**1 - 2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Non derivatives financial liabilities					
Short-term borrowings	201,176,005	–	–	–	201,176,005
Notes payable	191,505,647	–	–	–	191,505,647
Accounts payable	5,120,908,908	–	–	–	5,120,908,908
Dividends payable	34,268,915	–	–	–	34,268,915
Other payables	623,409,083	–	–	–	623,409,083
Long-term borrowings	795,471,942	708,961,082	781,572,466	846,207,096	3,132,212,586
Bonds payable	57,480,000	1,257,480,000	–	–	1,314,960,000
Long-term payables	92,936,978	63,550,150	23,258,673	–	179,745,801
Total	7,117,157,478	2,029,991,232	804,831,139	846,207,096	10,798,186,945

IX. DISCLOSURE OF FAIR VALUE

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

RMB

Item	Closing balance Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	35,003,608	–	–	35,003,608
1. Other non-current financial assets	35,003,608	35,003,608		
(1) Equity instrument investments	35,003,608	–	–	35,003,608
(II) Financing with receivables	–	–	1,308,788,934	1,308,788,934
(III) Other equity instrument investments	–	–	38,230,101	38,230,101
Total assets continuously measured at fair value	35,003,608	–	1,347,019,035	1,382,022,643

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

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

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

RMB

Item	Closing fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)
Financial assets at fair value through other comprehensive income – Other equity instrument investments	38,230,101	Comparative method of listed companies	Discount for lack of marketability	0.8

For fair value of the above equity instrument investment, the Group refers to the price-to-book ratio of the listed controlling shareholder of the investee and uses a discount for lack of marketability of 80% for valuation.

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

RMB

Item	1 January 2019	Total losses for the period – Included in other comprehensive income	31 December 2019	Changes in unrealized gains or losses included in profit or loss in respect of the assets held at the end of the reporting period
Financial assets measured at fair value through other comprehensive income				
– Other equity instrument investments	48,269,862	(10,039,761)	38,230,101	–

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

The Group's financial assets and liabilities not measured at fair value mainly include: cash and bank balances, accounts receivable, other receivables, debt investments, long-term receivables, bank borrowings, accounts payable, bonds payable, other financial liabilities, etc. As at 31 December 2019, there is no significant difference between the carrying amount and the fair value of the Group's financial assets and financial liabilities.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

Name	Place of registration	Nature of business	Registered capital	Proportion of shareholdings in the Company	Proportion of voting rights in the Company
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	100,000 Euros	39.85%	41.84%
Huaxin Group Co., Ltd.	Huangshi City, Hubei Province	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of service etc.	RMB340,000,000	16.01%	16.01%

Holchin B.V. is the Company's largest shareholder and its ultimate holding shareholder is Lafarge Holcim Ltd. Holpac Limited, the person acting in concert of Holchin B.V., holds 1.99% equity of the Company. Therefore, Holchin B.V. maintains 41.84% voting rights of the Company.

2. The Company's subsidiaries

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

3. The Company's associates

See Note VII for details of the Company's significant associates.

4. Other related parties

Other related parties	Relationship with the Company
LafargeHolcim Energy Solutions S.A.S.	Controlled by Lafarge Holcim Ltd.
Lafarge Ciments Distribution	Controlled by Lafarge Holcim Ltd.
Lafarge Holcim Construction Material (China) Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Lafarge China Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Chongqing Lafarge Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Lafarge Holcim Ltd.
Holcim Technology Ltd.	Controlled by Lafarge Holcim Ltd.
Holcim Philippines,Inc.	Controlled by Lafarge Holcim Ltd.
Hubei Huaxin Real Estate Co., Ltd.	Controlled by Huaxin Group Co., Ltd.
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Subsidiary of the Group's associate

5. Related party transactions

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

Purchases of goods/receipts of services

RMB

Related parties	Nature of transactions	Amount for the current period	Amount for the prior period
LafargeHolcim Energy Solutions S.A.S.	Purchase of fuel	32,863,634	193,735,493
Holcim Technology Ltd	Technical services	7,673,820	7,549,520
Huaxin Group Co., Ltd.	Receipts of integrated management services	6,226,415	6,226,415
Lafarge Ciments Distribution	Purchase of materials	–	4,344,435
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	1,273,585	1,472,472
LAFARGE ASIA SDN BHD	Technical services	1,300,260	150,318
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Purchase of materials	1,172,022	–

Sales of goods/provision of services

RMB

Related parties	Nature of transactions	Amount for the current period	Amount for the prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sale of spare parts and construction services etc.	80,224,219	332,972,723
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Technical services	2,737,019	1,178,190
Lafarge Holcim Construction Material (China) Co., Ltd.	Sale of materials	135,259	–
Holcim Philippines,Inc.	Sale of spare parts and construction services etc.	29,435,018	–

(2) Leases with related parties

Leases where the Group is the lessee

RMB

Related party	Nature of transactions	Amount for the current period	Amount for the prior period
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	11,791,384	19,075,593

(3) Business combination

RMB

Related party	Nature of transactions	Amount for the current period	Amount for the prior period
Lafarge China Cement Co., Ltd.	Acquisition of subsidiaries	–	253,300,000

(4) Remuneration of key management

RMB

Item	Amount for the current period	Amount for the prior period
Remuneration of key management	65,271,117	41,563,900

6. Amounts due to/from related parties

(1) Amounts due from related parties

RMB

Accounts	Related parties	Closing balance	Opening balance
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	2,929,916	5,920,700
Accounts receivable	Huaxin Group Co., Ltd.	54,070	–
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	28,584,515	–
Prepayments	Lafarge Ciments Distribution	–	170,254
Other receivables	Huaxin Group Co., Ltd.	21,485	–
Other receivables	Chongqing Lafarge Cement Co., Ltd.	899,027	–
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	4,254,226	1,325,956
Other receivables	Shanghai Wan'an Huaxin Cement Co., Ltd.	22,365	20,918

(2) Amounts due to related parties

RMB

Accounts	Related parties	Closing balance	Opening balance
Receipts in advance	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	–	49,524,103
Accounts payable	LAFARGE ASIA SDN BHD	–	194,035
Other payables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	276,800	–
Other payables	Huaxin Group Co., Ltd.	23,684	–
Other payables	LAFARGE ASIA SDN BHD	401,421	1,604,652

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Capital commitments

RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	1,513,149,478	1,032,630,289

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	14,972,035	13,685,676
2nd year subsequent to the balance sheet date	15,045,624	13,759,264
3rd year subsequent to the balance sheet date	15,119,213	13,832,853
Subsequent years	100,507,509	102,051,161
Total	145,644,381	143,328,954

2. **Pending litigation**

(1) In August 2019, Ping'an Bank Co., Ltd. Guangzhou Branch ("Ping'an Bank") filed a lawsuit to the People's Court of Tianhe District, Guangzhou City, claiming that Ping'an Bank entered into a "Cooperation Agreement (Delivery against Bank Guarantee)" (the "Cooperation Agreement") with the Company's subsidiaries Huaxin Cement (Zhuzhou) Co., Ltd. ("Zhuzhou Cement") and Guangzhou Tiecheng Engineering Materials Co., Ltd. ("Guangzhou Tiecheng") in February 2016 which stipulated that Guangzhou Tiecheng and Zhuzhou Cement adopted bank acceptance as the method of payment for their trading contracts and that Zhuzhou Cement was liable for refund of the bank acceptance received when the goods are not delivered by Zhuzhou Cement or the value of the goods delivered was less than the amount stipulated in the contract. From April to July 2016, Guangzhou Tiecheng had applied for issuance of many bank acceptances via online supply chain of Ping'an Bank and Zhuzhou Cement had issued the confirmation of the commercial acceptances received. Ping'an Bank required Zhuzhou Cement to assume refund liability for the principal of RMB41,579,542 advanced by bank acceptances in accordance with the above Cooperation Agreement and to pay late fee of 2.1‱ per day from the lawsuit date to the settlement date. Zhuzhou Cement then immediately reported the case to Zhuzhou Public Security Bureau Lukou Branch, claiming that it had not entered into such Cooperation Agreement. Zhuzhou Public Security Bureau Lukou Branch entrusted an accrediting body to authenticate the seal of the contract involved, which concluded that the seal of the contract involved is not the same as that of Zhuzhou Cement. On 7 January 2020, the People' Court of Tianhe District, Guangzhou City believed that the seal of Zhuzhou Cement affixed in the cooperation agreement was forged based on the authentication result, thus rejecting the lawsuit from Ping'an Bank who lodged an appeal against the decision. As at the approval date for issue of the financial statements, after consulting the legal advice, the management believes that the Company has won the first instance, thus no provision is made.

(2) In September 2019, Guangzhou Changjing Trading Co., Ltd. ("Changjing Trading") filed a lawsuit to the People's Court of Enping City, claiming that the Company's subsidiary Huaxin Cement (Enping) Co., Ltd. ("Enping Cement") failed to settle the cement it sold at the stipulated price and required Enping Cement to refund the excess payment amounting to RMB31,342,526.57 plus the interest calculated at the loan interest rate of the People's Bank of China for the period from the lawsuit date to the payment refund date. At 31 December 2019, the People's Court of Enping City judged that Enping Cement had timely notified Changjing Trading of the adjusted settlement price through various ways without any objection raised by Changjing Trading, thus the lawsuit from Changjing Trading was rejected.

In addition, Changjing Trading filed another lawsuit to the People's Court of Enping City in September 2019, claiming that Enping Cement entrusted Changjing Trading to tender a bid for cement purchase project of Guangdong Zhongkai Highway Jiangmen Section with the confirmation of supplying cement to Changjing Trading at the fixed unit price. However, after the successful bidding of Changjing Trading, Enping Cement declined to supply cement at the stipulated unit price. Consequently, Changjing Trading suffered tremendous losses because it had to purchase cement from markets at rising market price to fulfill its obligations in the bid, so it required Enping Cement to compensate for its losses of RMB13,362,102. At 31 December 2019, the People's Court of Enping City judged that the price negotiated between the two parties was not the fixed price, thus the lawsuit from Changjing Trading was rejected.

As at the approval date for the issue of the financial statements, after consulting the legal advice, the management believes that the Company has won the first instance, thus no provision is made.

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit distribution

In accordance with the resolution of the board of directors on 27 April 2020, the board of directors proposed that the Company distribute cash dividends of RMB2,536,885,825 to all shareholders. The above proposal is pending approval by the shareholders' meeting.

2. Significant non-adjusting events

At the beginning of 2020, the outbreak of the novel coronavirus (the "COVID-19") and prevention and control measures subsequently taken by the government would have a certain impact on the overall economic operation and the production and operation of the Group's industry. The degree of subsequent impact is dependent upon the progress of the epidemic prevention and control, the duration and recovery of upstream and downstream industries. The Group pays close attention to the epidemic and evaluates its financial impact on the consolidated financial statements after the reporting date. As at the approval date for issue of the financial statements, the assessment is still in progress. Nevertheless, the epidemic has had significant impact on the Group's consolidated operating results for the first quarter of 2020.

XIII. SEGMENT REPORTING

1. Determination basis and accounting policies of reporting segments

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

2. Financial information of reporting segments

(1) External income categorized by locations of goods physically delivered:

RMB

	Amount for the current period	Amount for the prior period
China	29,901,542,015	26,174,297,748
Central Asia	851,193,003	741,902,205
Cambodia	686,479,582	549,844,528
Total	31,439,214,600	27,466,044,481

(2) Non-current assets by geographical locations (Note)

RMB

	Closing balance	Opening balance
China	22,803,090,399	20,456,354,511
Central Asia	2,018,424,011	1,052,803,178
Cambodia	792,998,853	687,748,793
Nepal	433,692,466	41,087,338
Total	26,048,205,729	22,237,993,820

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

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year		
1 - 6 months	74,646,323	288,954,472
6 - 12 months	372,544,679	160,397,931
Sub-total, within 1 year	447,191,002	449,352,403
1 - 2 years	294,243	27,565,945
2 - 3 years	2,411,691	120,941,404
Over 3 years	128,543,030	8,150,459
Sub-total	578,439,966	606,010,211
Less: Credit loss allowance	23,040,829	23,457,240
Total	555,399,137	582,552,971

(2) Disclosure by bad debt provision method

RMB

	Category					Opening balance				
	Account balance		Bad debt provision			Account balance		Bad debt provision		
Closing balance	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Receivables for which bad debt provision is individually assessed	544,248,674	94	23,015,875	4	521,232,799	601,950,697	99	23,448,258	4	578,502,439
Receivables for which bad debt provision is collectively assessed on a portfolio basis	34,191,292	6	24,954	–	34,166,338	4,059,514	1	8,982	–	4,050,532
Total	578,439,966	100	23,040,829	4	555,399,137	606,010,211	100	23,457,240	4	582,552,971

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

Category of cement receivable:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	31,819,102	–	–
6 – 12 months	311,930	24,954	8
Total	32,131,032	24,954	

Category of other receivables:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	2,060,260	–	–
Total	2,060,260	–	

(3) Bad debt provision

Changes in bad debt provision for accounts receivable:

RMB

Category	Opening balance	Changes for the period: Provision	Changes for the period: Recovery or reversal	Changes for the period: Write-off or elimination	Closing balance
Bad debt provision for accounts receivable	23,457,240	162,350	(578,761)	–	23,040,829
Total	23,457,240	162,350	(578,761)	–	23,040,829

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

RMB

Item	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Client O	123,535,134	21	–
Client P	25,062,007	4	–
Client A	24,819,741	4	12,834,184
Client Q	23,952,037	4	–
Client R	21,306,207	4	–
Total	218,675,126	37	12,834,184

2. Other receivables

2.1 Summary of other receivables

RMB

Item	Closing balance	Opening balance
Dividends receivable	21,255,397	71,129,700
Other receivables	4,525,408,017	4,567,969,736
Total	4,546,663,414	4,639,099,436

2.2 Dividends receivable

(1) Dividends receivable

RMB

Investees	Closing balance	Opening balance
Subsidiaries	21,255,397	71,129,700
Total	21,255,397	71,129,700

2.3 Other receivables

(1) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year	2,578,283,454	1,565,458,484
1 - 2 years	486,372,052	1,827,477,855
2 - 3 years	838,930,770	810,628,900
Over 3 years	668,550,171	411,277,283
Sub-total	4,572,136,447	4,614,842,522
Less: Credit loss allowance	46,728,430	46,872,786
Total	4,525,408,017	4,567,969,736

(2) Classification by nature of receivables

RMB

Nature of receivables	Closing balance	Opening balance
Amounts due from related parties	4,523,393,436	4,520,634,531
Margin and deposits	45,094,757	91,341,062
Others	3,648,254	2,866,929
Total	4,572,136,447	4,614,842,522

(3) Bad debt provision

RMB

Category	Opening balance	Changes for the period: Provision	Recovery or reversal	Write-off or elimination	Closing balance
Bad debt provision for other receivables	46,872,786	664,962	(629,318)	(180,000)	46,728,430
Total	46,872,786	664,962	(629,318)	(180,000)	46,728,430

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

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Client Q	Amounts due from subsidiaries	1,163,982,686	Within 1 year	25	–
Client S	Amounts due from subsidiaries	320,544,473	1 -2 years	7	–
Client T	Amounts due from subsidiaries	315,355,414	Within 1 year	7	–
Client W	Amounts due from subsidiaries	291,339,371	2 - 3 years	6	–
Client V	Amounts due from subsidiaries	250,118,513	Within 1 year	5	–
Total	–	2,341,340,457	–	50	–

3. Long-term equity investments

RMB

	Closing balance	Opening balance
Subsidiaries	10,147,923,034	9,727,603,237
Associates	380,104,103	504,411,317
	10,528,027,137	10,232,014,554
Less: Impairment provision for long-term equity investments	42,000,000	42,000,000
	10,486,027,137	10,190,014,554

(1) Subsidiaries

RMB

Subsidiaries	Opening balance	Changes for the year: Additional investment	Changes for the year: Decrease in investment	Closing balance	Balance of impairment provision
Hunan Huaxin Steel Cement Co., Ltd.	85,500,000	–	–	85,500,000	–
Huaxin Aggregate Co., Ltd.	258,100,000	–	–	258,100,000	–
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	–	–	91,601,080	–
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	–	–	1,000,000,000	–
Huaxin (Huangshi) Logistics Co., Ltd.	–	20,000,000	–	20,000,000	–
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	–	–	80,502,159	–
Huaxin Concrete Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	–	–	363,802,268	–
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	–	–	500,000	–
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	–	–	197,590,806	–
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	–	–	220,000,000	–
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Daye) Co., Ltd.	420,100,753	–	–	420,100,753	–
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	–	–	65,550,000	–
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	–	–	99,437,031	–
Huaxin Cement (Enping) Co., Ltd.	674,058	–	–	674,058	–
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	–	–	40,200,000	–
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	–	–	30,124,664	–
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	24,300,483	–	–	24,300,483	–
Huaxin Cement (Huangshi) Bulk Storage and transportation Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Huangshi) Co., Ltd.	190,000,000	210,000,000	–	400,000,000	–
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	–	–	70,800,000	–
Huaxin Cement Research and Design Co., Ltd.	990,000	–	–	990,000	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	–	–	65,000,000	–
Huaxin Cement (Nantong) Co., Ltd.	89,680,203	–	(89,680,203)	–	–
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	–	–	120,000,000	–
Huaxin Cement (Suizhou) Co., Ltd.	24,600,000	–	–	24,600,000	–
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	–	–	190,000,000	–
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	–	–	14,658,135	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–

Subsidiaries	Opening balance	Changes for the year: Additional investment	Changes for the year: Decrease in investment	Closing balance	Balance of impairment provision
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	–	–	45,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	108,623,689	280,000,000	–	388,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co., Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co., Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Chongqing Lafarge Shui On Cement Co., Ltd.	253,300,000	–	–	253,300,000	–
Total	9,727,603,237	510,000,000	(89,680,203)	10,147,923,034	42,000,000

(2) Associates

RMB

	Balance at 31 December 2018	Changes for the period: Decrease in investment	Changes for the period: Investment income or loss recognized under equity method	Changes for the period: Other equity changes	Changes for the period: Declared cash dividends	Balance at 31 December 2019
I. Associates						
Tibet High-tech Building Materials Co., Ltd.	341,355,724	–	109,053,559	2,215,277	(165,550,000)	287,074,560
Shanghai Wan'an Huaxin Cement Co., Ltd.	163,055,593	(67,968,921)	(2,057,129)	–	–	93,029,543
Total	504,411,317	(67,968,921)	106,996,430	2,215,277	(165,550,000)	380,104,103

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

RMB

	Closing balance & opening balance
Subsidiary – Huaxin Cement (Wuhan) Co., Ltd.	42,000,000

4. Operating income and operating costs

RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Principal operations	1,139,849,588	751,806,633	1,050,600,575	677,229,556
Other operations	2,972,819,511	2,622,721,664	1,852,853,873	1,468,006,246
Total	4,112,669,099	3,374,528,297	2,903,454,448	2,145,235,802

5. Investment income

RMB

	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	2,423,388,386	1,553,545,708
Investment income from disposal of subsidiaries	140,408,268	–
Income from long-term equity investments under equity method	106,996,430	72,318,401
Investment income from disposal of financial assets at FVTPL	–	12,266,445
Investment income of available-for-sale financial assets during the hold period	–	1,103,937
Investment income of held-for-trading financial assets during the hold period	7,438,572	–
Dividend income of other equity instrument investments during the hold period	521,519	–
Dividend income of other non-current financial assets during the hold period	1,255,397	–
Others	–	1,440,223
Total	2,680,008,572	1,640,674,714

6. Supplementary information to the cash flow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	2,887,942,727	1,912,207,603
Add: Provision for impairment losses of assets	58,993	16,256,077
Allowance for credit impairment	(380,768)	–
Depreciation of fixed assets	36,404,208	40,062,382
Amortization of intangible assets	3,976,218	4,138,341
Amortization of long-term prepaid expenses	3,758,906	881,758
Amortization of deferred income	–	(3,302,667)
(Gains) losses on disposal of non-current assets	1,183,233	(10,046,325)
Losses on retirement of fixed assets	(9,538,859)	–
Investment income	(2,680,008,572)	(1,640,674,714)
Gains from changes in fair value	(5,296,455)	(3,584,773)
Financial expenses	99,801,942	83,735,952
Decrease (increase) in deferred tax assets	9,205,883	(223,435)
Decrease (increase) in inventories	63,181,742	(288,237,397)
(Increase) decrease in operating receivables	(1,294,495,925)	55,184,736
Increase (decrease) in operating payables	123,621,383	(345,485,198)
Net cash flow used in operating activities	(760,585,344)	(179,087,660)
2. Net changes in cash and cash equivalents:		
Closing balance of cash	3,141,838,852	3,444,018,042
Less: Opening balance of cash	3,444,018,042	2,435,487,407
Net (decrease) increase in cash	(302,179,190)	1,008,530,635

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

RMB

Item	Amount
Profit or loss on disposal of non-current assets	157,081,620
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	74,943,476
Profit or loss on changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	12,735,027
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	3,823,563
Recovery of bad debt provision written-off	43,412,375
Other non-operating income or expenses other than the above	(13,216,729)
Effect of income tax	(68,926,365)
Effect of minority interests	(47,537,062)
Total	162,315,905

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by the Group in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	33.63	3.03	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	32.77	2.95	N/A

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (21) No.P00926

To the Shareholders of Huaxin Cement Co., Ltd.:

I. OPINION

We have audited the financial statements of Huaxin Cement Co., Ltd. (the "Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2020, the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2020, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises ("CASBEs").

II. BASIS FOR 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 the China Code of Ethics for Certified Public Accountants issued by the Chinese Institute of 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. We have determined the matters described below to be key audit matters to be communicated in our report.

(i) Impairment of goodwill

(1) Description of the matter

As set out in Note (V) 16, the carrying amount of goodwill was RMB476,084,798 in the consolidated balance sheet as at 31 December 2020, net of impairment of RMB91,049,903. As disclosed in Note (III) 19 and 30 to the consolidated financial statements, goodwill arising from business combination is tested for impairment at the end of each year. The recoverable amount of related assets (or asset groups), to which goodwill has been allocated, was determined by the management based on the present value of expected future cash flows. The management is required to estimate the future revenue growth rate, gross profit margin together with a suitable discount rate in the calculation of present value of expected future cash flows arising from the corresponding assets (or asset groups), which involves management's estimates and judgements. Therefore, we considered it as a key audit matter.

(2) How our audit addressed the key audit matter

Our procedures in relation to impairment of goodwill mainly included:

(a) Understood, tested and evaluated the key internal controls in relation to impairment test of goodwill;

(b) Obtained the goodwill impairment test spreadsheet prepared by the management, compared the historical forecast amount used in prior year impairment test with the actual performance achieved and other supporting evidences, compared the future forecast data with the five-year budget approved by the management, and evaluated the rationality of the underlying data;

(c) Evaluated the appropriateness of management impairment testing methods and the reasonableness of key assumptions and judgments used in impairment testing;

(d) Verified the mathematical accuracy of the goodwill impairment test calculation.

(ii) Expected credit loss ("ECL") of accounts receivable

(1) Description of the matter

As set out in Note (V) 4, the carrying amount of accounts receivable was RMB653,219,779 in the consolidated balance sheet as at 31 December 2020 net of provision for ECL of RMB148,363,317. As set out in Note (III) 9 to the consolidated financial statements, accounts receivable are subsequently measured at amortized cost, and the ECL is the present value of the difference between the contractual cash flows receivable and the cash flows expected to be received. In determining the ECL of accounts receivable, the management is required to appropriately consider the Group's historical credit loss experiences, macro-economic environment and other present conditions, and reasonably predict the future economic conditions. As the amount of accounts receivable was significant and the determination of ECL required significant judgement of management, we identified the ECL of accounts receivable as a key audit matter.

(2) How our audit addressed the key audit matter

Our procedures in relation to ECL of accounts receivable mainly included:

(a) Understood, tested and evaluated the key internal controls in relation to the ECL of accounts receivable;

(b) Obtained the model prepared by the management for determination of ECL of accounts receivable, tested the underlying data used in the calculation on a sample basis including testing the aging of accounts receivable and the calculation of historical credit losses, understood the Company's credit policy, and evaluated the appropriateness of the methodologies and reasonableness of management's key assumptions and judgements used;

(c) Verified the mathematical accuracy of the ECL calculated by the management using the above ECL model;

(d) Understood the management's special consideration for the measurement of ECL for the individually assessed accounts receivable, obtained the related supporting documents and evaluated the reasonableness of ECL determined by the management.

IV. OTHER INFORMATION

The Company's 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 thereon.

Our opinion on the financial statements does not cover the other information and we do 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF 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 the CASBEs and designing, implementing and maintaining such internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 unless 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 the financial reporting process of the Company.

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 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.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(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 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 management.

(4) Conclude on the appropriateness of management's use of the going concern basis 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 by CSAs 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, structure and content of the financial statements, including the disclosures, 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 the Company to express an 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.

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 the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

25 March 2021

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under China Accounting Standards for Business Enterprises. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED BALANCE SHEET

31 December 2020

RMB

Assets	*Notes*	Balance at 31 December 2020	Balance at 31 December 2019
Current Assets			
Cash and bank balances	*V(1)*	8,641,612,847	5,107,514,423
Held-for-trading financial assets	*V(2)*	1,004,581,752	–
Notes receivable	*V(3)*	79,939,117	97,734,290
Accounts receivable	*V(4)*	653,219,779	561,894,121
Financing with receivables	*V(5)*	1,020,306,419	1,308,788,934
Prepayments	*V(6)*	378,619,350	258,828,106
Other receivables	*V(7)*	375,253,958	485,987,186
Inventories	*V(8)*	2,349,156,189	1,996,995,776
Other current assets	*V(9)*	631,922,798	330,744,967
Total Current Assets		15,134,612,209	10,148,487,803
Non-current Assets			
Debt investments		7,500,000	7,500,000
Long-term receivables		29,141,216	29,148,833
Long-term equity investments	*V(10)*	512,281,201	414,090,759
Other equity instrument investments	*V(11)*	33,774,995	38,230,101
Other non-current financial assets	*V(12)*	32,827,254	35,003,608
Fixed assets	*V(13)*	19,185,630,257	16,718,113,646
Construction in progress	*V(14)*	3,104,429,340	4,113,162,732
Intangible assets	*V(15)*	4,267,008,181	3,869,622,351
Development expenditure		2,050,090	440,897
Goodwill	*V(16)*	476,084,798	476,084,798
Long-term prepaid expenses	*V(17)*	363,760,774	328,639,529
Deferred tax assets	*V(18)*	437,800,338	338,810,643
Other non-current assets		341,608,498	128,051,017
Total Non-current Assets		28,793,896,942	26,496,898,914
TOTAL ASSETS		43,928,509,151	36,645,386,717

RMB

Liabilities and Shareholders' Equity	*Notes*	**Balance at 31 December 2020**	**Balance at 31 December 2019**
Current Liabilities			
Short-term borrowings	*V(19)*	625,000,000	197,000,000
Notes payable	*V(20)*	472,696,537	191,505,647
Accounts payable	*V(21)*	5,297,633,770	5,120,908,908
Receipts in advance	*V(22)*		616,086,758
Contract liabilities	*V(23)*	830,492,042	
Employee benefits payable	*V(24)*	529,877,921	484,465,267
Taxes payable	*V(25)*	1,186,166,143	965,576,744
Other payables	*V(26)*	786,246,239	679,448,864
Non-current liabilities due within one year	*V(27)*	1,874,484,159	769,685,711
Total Current Liabilities		11,602,596,811	9,024,677,899
Non-current Liabilities			
Long-term borrowings	*V(28)*	3,504,279,973	2,039,543,196
Bonds payable	*V(29)*	1,943,763,447	1,198,058,176
Long-term payables	*V(30)*	191,011,663	81,962,612
Long-term employee benefits payable	*V(31)*	127,205,104	124,555,420
Provisions	*V(32)*	233,393,286	192,091,010
Deferred income	*V(33)*	301,399,766	317,140,694
Deferred tax liabilities	*V(18)*	284,920,603	299,674,965
Total Non-current Liabilities		6,585,973,842	4,253,026,073
TOTAL LIABILITIES		18,188,570,653	13,277,703,972

RMB

Liabilities and Shareholders' Equity	*Notes*	**Balance at 31 December 2020**	**Balance at 31 December 2019**
Shareholders' Equity			
Share capital	*V(34)*	2,096,599,855	2,096,599,855
Less: Treasury shares	*V(35)*	610,051,971	–
Capital reserve	*V(36)*	1,943,538,052	1,913,438,767
Other comprehensive income	*V(37)*	(275,292,763)	(17,416,212)
Surplus reserve	*V(38)*	1,111,880,257	1,111,880,257
Retained profits	*V(39)*	19,304,701,887	16,204,540,023
Total equity attributable to shareholders of the Company		23,571,375,317	21,309,042,690
Minority interests		2,168,563,181	2,058,640,055
Total Shareholders' Equity		25,739,938,498	23,367,682,745
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		43,928,509,151	36,645,386,717

The accompanying notes form part of the financial statements.

The financial statements on pages IV-7 to IV-136 were signed by the following:

Legal representative *Principal in charge of accounting* *Head of accounting department*

BALANCE SHEET OF THE COMPANY

31 December 2020

RMB

Assets	Notes	Balance at 31 December 2020	Balance at 31 December 2019
Current Assets			
Cash and bank balances		4,650,418,319	3,148,929,763
Held-for-trading financial assets		1,004,581,752	–
Notes receivable		100,000	–
Accounts receivable	*XV(1)*	545,749,566	555,399,137
Financing with receivables		151,473,769	245,181,208
Prepayments		226,396,232	135,379,260
Other receivables	*XV(2)*	4,396,614,326	4,546,663,414
Inventories		320,998,776	268,911,570
Non-current assets due within one year		1,580,000	4,855,490
Other current assets		18,886,995	19,981,554
Total Current Assets		11,316,799,735	8,925,301,396
Non-current Assets			
Long-term receivables		18,738,952	18,916,961
Long-term equity investments	*XV(3)*	11,119,516,523	10,486,027,137
Other equity instrument investments		33,774,995	38,230,101
Other non-current financial assets		32,827,254	35,003,608
Fixed assets		437,139,833	347,148,222
Construction in progress		209,773,010	292,601,071
Intangible assets		40,397,874	42,058,446
Long-term prepaid expenses		15,339,306	18,918,836
Deferred tax assets		17,350,047	23,418,017
Total Non-current Assets		11,924,857,794	11,302,322,399
TOTAL ASSETS		23,241,657,529	20,227,623,795

Liabilities and Shareholders' Equity	*Note*	Balance at 31 December 2020	*RMB* Balance at 31 December 2019
Current Liabilities			
Short-term borrowings		300,000,000	–
Notes payable		24,246,455	49,700,000
Accounts payable		410,565,470	386,736,905
Receipts in advance			9,921,984
Contract liabilities		14,795,403	
Employee benefits payable		63,346,794	76,980,665
Taxes payable		234,439,071	175,298,992
Other payables		7,224,579,499	4,830,428,433
Non-current liabilities due within one year		1,321,867,253	444,346,556
Total Current Liabilities		9,593,839,945	5,973,413,535
Non-current Liabilities			
Long-term borrowings		1,202,780,000	702,340,753
Bonds payable		–	1,198,058,176
Long-term employee benefits payable		99,997,218	46,829,589
Provisions		8,282,611	7,962,425
Deferred income		12,085,332	15,929,667
Total Non-current Liabilities		1,323,145,161	1,971,120,610
TOTAL LIABILITIES		10,916,985,106	7,944,534,145
Shareholders' Equity			
Share capital		2,096,599,855	2,096,599,855
Less: Treasury shares		610,051,971	–
Capital reserve		2,341,881,336	2,311,782,051
Other comprehensive income		13,762,146	17,103,476
Surplus reserve		1,111,880,257	1,111,880,257
Retained profits		7,370,600,800	6,745,724,011
Total Shareholders' Equity		12,324,672,423	12,283,089,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,241,657,529	20,227,623,795

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Operating income	V(40)	29,356,515,691	31,439,214,600
Less: Operating costs	V(40)	17,440,231,760	18,625,306,221
Taxes and levies	V(41)	510,430,272	529,995,148
Selling and distribution expenses	V(42)	2,022,707,842	2,048,493,975
General and administrative expenses	V(43)	1,604,700,517	1,558,487,708
Research and development expense		55,979,438	37,322,742
Financial expenses	V(44)	305,705,509	208,154,721
Including: Interest expenses		200,578,230	246,117,048
Interest income		63,827,091	62,443,270
Add: Other income	V(45)	239,383,949	241,516,443
Investment income	V(46)	118,572,236	108,527,838
Including: Income from investments in associates and joint ventures		77,037,487	107,881,496
Gains from changes in fair value	V(47)	2,405,398	5,296,455
Impairment losses on credit	V(48)	(13,997,491)	(21,306,466)
Impairment losses on assets	V(49)	(78,195,751)	(210,370,136)
Gains on disposal of assets	V(50)	14,013,082	188,854,586
II. Operating profit		7,698,941,776	8,743,972,805
Add: Non-operating income	V(51)	65,267,816	75,973,606
Less: Non-operating expenses	V(52)	100,564,303	103,824,297
III. Profit before tax		7,663,645,289	8,716,122,114
Less: Income tax expenses	V(53)	1,490,052,106	1,695,328,712
IV. Net profit		6,173,593,183	7,020,793,402
(i) Classified by the continuity of operation		6,173,593,183	7,020,793,402
1. Net profit from continuing operations		6,173,593,183	7,020,793,402
(ii) Classified by the ownership		6,173,593,183	7,020,793,402
1. Net profit attributable to owners of the Company		5,630,598,812	6,342,304,317
2. Profit or loss attributable to minority interests		542,994,371	678,489,085

RMB

Item	Notes	Amount for the current period	Amount for the prior period
V. Other comprehensive income, net of tax		(359,155,714)	(12,972,100)
Other comprehensive income attributable to shareholders of the Company, net of tax		(257,876,551)	(13,641,554)
(i) Other comprehensive income that cannot be reclassified to profit or loss		(3,341,330)	(7,529,820)
1. Changes in fair value of other equity instrument investments		(3,341,330)	(7,529,820)
(ii) Items that will be reclassified subsequently to profit or loss		(254,535,221)	(6,111,734)
1. Exchange differences on translation of financial statements denominated in foreign currencies		(254,535,221)	(6,111,734)
Other comprehensive income attributable to minority interests, net of tax		(101,279,163)	669,454
VI. Total comprehensive income		5,814,437,469	7,007,821,302
Total comprehensive income attributable to shareholders of the Company		5,372,722,261	6,328,662,763
Total comprehensive income attributable to minority interests		441,715,208	679,158,539
VII. Earnings per share			
(i) Basic earnings per share (RMB)		2.69	3.03
(ii) Diluted earnings per share (RMB)		2.69	N/A

INCOME STATEMENT OF THE COMPANY
Year ended 31 December 2020

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Operating income	XV(4)	4,013,223,622	4,112,669,099
Less: Operating costs	XV(4)	3,383,316,989	3,374,528,297
Taxes and levies		18,699,210	23,394,294
Selling and distribution expenses		82,639,274	70,907,415
General and administrative expenses		401,591,118	337,236,721
Research and development expense		11,635,683	7,559,035
Financial expenses		166,600,760	49,810,126
Including: Interest expenses		215,006,100	275,840,454
Interest income		139,817,009	237,913,681
Add: Other income		8,046,227	6,819,490
Investment income	XV(5)	3,202,604,563	2,680,008,572
Including: Income from investments in associates and joint ventures		67,717,486	106,996,430
Gains from changes in fair value		2,405,398	5,296,455
Impairment gains on credit		398,978	380,767
Impairment losses on assets		(206,466)	(58,993)
Gains/(losses) on disposal of assets		10,798,209	(1,183,233)
II. Operating profit		3,172,787,497	2,940,496,269
Add: Non-operating income		8,042,962	10,175,133
Less: Non-operating expenses		14,712,523	1,277,637
III. Profit before tax		3,166,117,936	2,949,393,765
Less: Income tax expenses		10,804,199	61,451,038
IV. Net profit		3,155,313,737	2,887,942,727
(i) Net profit from continuing operations		3,155,313,737	2,887,942,727
V. Other comprehensive expense, net of tax		(3,341,330)	(7,529,820)
(i) Other comprehensive income that cannot be reclassified to profit or loss		(3,341,330)	(7,529,820)
1. Changes in fair value of other equity instrument investments		(3,341,330)	(7,529,820)
VI. Total comprehensive income		3,151,972,407	2,880,412,907

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2020

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		30,838,524,919	35,151,703,578
Receipts of tax refunds		166,453,900	170,419,262
Other cash receipts relating to operating activities	*V(54)(1)*	219,373,958	360,305,324
Sub-total of cash inflows from operating activities		31,224,352,777	35,682,428,164
Cash payments for goods purchased and services received		16,116,106,584	18,289,125,696
Cash payments to and on behalf of employees		2,480,442,469	2,735,150,458
Payments of various types of taxes		3,372,065,119	4,068,291,507
Other cash payments relating to operating activities	*V(54)(2)*	850,265,845	910,674,638
Sub-total of cash outflows from operating activities		22,818,880,017	26,003,242,299
Net Cash Flow from Operating Activities	*V(55)(1)*	8,405,472,760	9,679,185,865

RMB

Item	*Notes*	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		650,070,000	1,901,130,000
Cash receipts from investment income		5,450,137	181,498,544
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		52,523,503	101,134,682
Net cash receipts from disposal of subsidiaries and other business units	*V(55)(3)*	171,932,839	1,500,000
Other cash receipts relating to investing activities		36,369,014	–
Sub-total of cash inflows from investing activities		916,345,493	2,185,263,226
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,589,696,674	4,122,149,866
Cash payments to acquire investments		1,650,000,000	1,921,357,298
Net cash payments for acquisition of subsidiaries and other business units	*V(55)(2)*	684,690,731	628,460,513
Sub-total of cash outflows from investing activities		5,924,387,405	6,671,967,677
Net Cash Flow used in Investing Activities		(5,008,041,912)	(4,486,704,451)

RMB

Item	*Notes*	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		112,310,000	36,355,823
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		112,310,000	36,355,823
Cash receipts from borrowings		2,914,266,422	993,459,680
Cash receipts from issue of bonds		1,959,330,026	–
Other cash receipts relating to financing activities	*V(54)(3)*	–	137,900,000
Sub-total of cash inflows from financing activities		4,985,906,448	1,167,715,503
Cash repayments of borrowings		1,115,347,517	3,990,569,210
Cash payments for distribution of dividends or settlement of interest expenses		2,975,872,170	2,480,302,084
Including: Payments for distribution of dividends or profits to minority owners of subsidiaries		322,787,461	409,216,839
Other cash payments relating to financing activities	*V(54)(4)*	707,001,362	203,765,337
Sub-total of cash outflows from financing activities		4,798,221,049	6,674,636,631
Net Cash Flow from (used in) Financing Activities		187,685,399	(5,506,921,128)

RMB

Item	*Notes*	Amount for the current period	Amount for the prior period
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(83,166,330)	(3,485,968)
V. Net Increase (decrease) in Cash and Cash Equivalents		3,501,949,917	(317,925,682)
Add: Opening balance of Cash and Cash Equivalents		4,918,296,452	5,236,222,134
VI. Closing Balance of Cash and Cash Equivalents	*V(55)(4)*	8,420,246,369	4,918,296,452

CASH FLOW STATEMENT OF THE COMPANY

Year ended 31 December 2020

RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,191,003,255	3,390,154,979
Receipts of tax refunds		–	2,534,499
Other cash receipts relating to operating activities		1,421,687,218	63,305,639
Sub-total of cash inflows from operating activities		4,612,690,473	3,455,995,117
Cash payments for goods purchased and services received		3,678,496,769	3,555,462,725
Cash payments to and on behalf of employees		330,595,225	286,701,596
Payments of various types of taxes		130,550,123	163,616,322
Other cash payments relating to operating activities		203,543,612	210,799,818
Sub-total of cash outflows from operating activities		4,343,185,729	4,216,580,461
Net Cash Flow from (used in) Operating Activities	*XIV(6)*	269,504,744	(760,585,344)

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		650,000,000	1,900,000,000
Cash receipts from investment income		3,031,642,475	2,655,172,615
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,798,942	6,659,221
Net cash receipts from disposal of subsidiaries and other business units		210,000,000	–
Other cash receipts relating to investing activities		3,537,201,880	3,865,320,192
Sub-total of cash inflows from investing activities		7,451,643,297	8,427,152,028
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		105,006,172	211,668,000
Cash payments to acquire investments		1,650,000,000	2,254,983,689
Net cash payments for acquisition of subsidiaries and other business units		650,400,000	–
Other cash payments relating to investing activities		3,226,012,310	4,306,405,320
Sub-total of cash outflows from investing activities		5,631,418,482	6,773,057,009
Net Cash Flow from Investing Activities		1,820,224,815	1,654,095,019

RMB

Item	*Note*	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		1,100,000,000	–
Other cash receipts relating to financing activities		2,146,826,804	3,408,376,394
Sub-total of cash inflows from financing activities		3,246,826,804	3,408,376,394
Cash repayments of borrowings		621,365,182	2,603,736,104
Cash payments for interest expenses and distribution of dividends		2,609,048,538	2,002,352,509
Other cash payments relating to financing activities		610,051,971	–
Sub-total of cash outflows from financing activities		3,840,465,691	4,606,088,613
Net Cash Flow used in Financing Activities		(593,638,887)	(1,197,712,219)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(13,615,201)	2,023,354
V. Net Increase (decrease) in Cash and Cash Equivalents		1,482,475,471	(302,179,190)
Add: Opening balance of Cash and Cash Equivalents		3,141,838,852	3,444,018,042
VI. Closing Balance of Cash and Cash Equivalents		4,624,314,323	3,141,838,852

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2020

RMB

Item	Attributable to owners of the Company							
	Share capital	Less: Treasury shares	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total shareholders' equity
	V(34)	*V(35)*	*V(36)*	*V(37)*	*V(38)*	*V(39)*		
Balance at 1 January 2020	2,096,599,855	–	1,913,438,767	(17,416,212)	1,111,880,257	16,204,540,023	2,058,640,055	23,367,682,745
Changes in the year	–	610,051,971	30,099,285	(257,876,551)	–	3,100,161,864	109,923,126	2,372,255,753
(i) Total comprehensive income	–	–	–	(257,876,551)	–	5,630,598,812	441,715,208	5,814,437,469
(ii) Owners' contributions and reduction in capital	–	610,051,971	30,099,285	–	–	–	(2,675,884)	(582,628,570)
1. Ordinary shares contributed by shareholders	–	610,051,971	–	–	–	–	112,310,000	(497,741,971)
2. Share-based payment recognized in owners' equity	–	–	29,227,385	–	–	–	–	29,227,385
3. Others	–	–	871,900	–	–	–	(114,985,884)	(114,113,984)
(iii) Profit distribution	–	–	–	–	–	(2,530,436,948)	(329,116,198)	(2,859,553,146)
1. Distribution to shareholders	–	–	–	–	–	(2,530,436,948)	(329,116,198)	(2,859,553,146)
Balance at 31 December 2020	2,096,599,855	610,051,971	1,943,538,052	(275,292,763)	1,111,880,257	19,304,701,887	2,168,563,181	25,739,938,498

RMB

Item	Attributable to owners of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total shareholders' equity
	V(34)	*V(36)*	*V(37)*	*V(38)*	*V(39)*		
Balance at 31 December 2018	1,497,571,325	2,510,252,020	(9,023,883)	952,685,662	11,721,477,654	1,646,426,343	18,319,389,121
Add: Changes in accounting policies	–	–	5,249,225	–	22,159,671	–	27,408,896
Balance at 1 January 2019	1,497,571,325	2,510,252,020	(3,774,658)	952,685,662	11,743,637,325	1,646,426,343	18,346,798,017
Changes in the year	599,028,530	(596,813,253)	(13,641,554)	159,194,595	4,460,902,698	412,213,712	5,020,884,728
(i) Total comprehensive income	–	–	(13,641,554)	–	6,342,304,317	679,158,539	7,007,821,302
(ii) Owners' contributions and reduction in capital	–	2,215,277	–	–	–	26,111,714	28,326,991
1. Capital contributions from minority shareholders	–	–	–	–	–	36,355,823	36,355,823
2. Others	–	2,215,277	–	–	–	(10,244,109)	(8,028,832)
(iii) Profit distribution	–	–	–	159,194,595	(1,881,401,619)	(293,056,541)	(2,015,263,565)
1. Transfer to surplus reserve	–	–	–	159,194,595	(159,194,595)	–	–
2. Distribution to shareholders	–	–	–	–	(1,722,207,024)	(293,056,541)	(2,015,263,565)
(iv) Transfers within owners' equity	599,028,530	(599,028,530)	–	–	–	–	–
1. Capitalization of capital reserve	599,028,530	(599,028,530)	–	–	–	–	–
Balance at 31 December 2019	2,096,599,855	1,913,438,767	(17,416,212)	1,111,880,257	16,204,540,023	2,058,640,055	23,367,682,745

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2020

RMB

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

RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 31 December 2018	1,497,571,325	2,908,595,304	19,384,071	952,685,662	5,717,023,232	11,095,259,594
Add: Changes in accounting policies	–	–	5,249,225	–	22,159,671	27,408,896
Balance at 1 January 2019	1,497,571,325	2,908,595,304	24,633,296	952,685,662	5,739,182,903	11,122,668,490
Changes in the year	599,028,530	(596,813,253)	(7,529,820)	159,194,595	1,006,541,108	1,160,421,160
(i) Total comprehensive income	–	–	(7,529,820)	–	2,887,942,727	2,880,412,907
(ii) Owners' contributions and reduction in capital	–	2,215,277	–	–	–	2,215,277
1. Others	–	2,215,277	–	–	–	2,215,277
(iii) Profit distribution	–	–	–	159,194,595	(1,881,401,619)	(1,722,207,024)
1. Transfer to surplus reserve	–	–	–	159,194,595	(159,194,595)	–
2. Distribution to shareholders	–	–	–	–	(1,722,207,024)	(1,722,207,024)
(iv) Transfers within owners' equity	599,028,530	(599,028,530)	–	–	–	–
1. Capitalization of capital reserve	599,028,530	(599,028,530)	–	–	–	–
Balance at 31 December 2019	2,096,599,855	2,311,782,051	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650

I. BASIC INFORMATION ABOUT THE COMPANY

Huaxin Cement Co., Ltd. (the "Company") is a limited company established in the People's Republic of China (the "PRC"). In 1994, as approved by Hubei Provincial People's Government, the Company's shares were listed on the Shanghai Stock Exchange. In April 2019, based on its total share capital of 1,497,571,325 shares at the end of 2018, the Company allotted shares from its capital reserve or surplus reserve at 4 shares for every 10 shares, amounting to RMB599,028,530. As a result, the total shares of the Company increased to 2,096,599,855, including 1,361,879,855 A shares and 734,720,000 B shares.

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

The Company's and consolidated financial statements were authorized for issue by the Company's Board of Directors on 25 March 2021.

Principal subsidiaries included in the scope of consolidation are listed in Note VII "Equity interests in other entities". For the detailed changes in the scope of the consolidated financial statements in the current year, are included in Note VI "Changes in Scope of Consolidation".

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group adopts China Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. In addition, the Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting (Revised in 2014).

Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2020 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

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

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

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

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

For financial assets which are transacted at fair value on initial recognition, and a valuation technique involving unobservable input is used in subsequent measurement, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Group determines specific accounting policies and accounting estimates based on actual business operation characteristics, including the provision of expected credit loss for receivables (Note III(9)), the depreciation of fixed assets and the amortization of intangible assets (Note III(15), (18)) and the point of time of revenue recognition (Note III(25)) etc.

The key judgement made by the Group in determining significant accounting policies are detailed in (Note III(30)).

1. Statement of compliance with the CASBEs

The financial statements of the Company have been prepared in accordance with China Accounting Standards for Business Enterprises (“CASBEs”), and present truly and completely, the Company’s and consolidated financial position as at 31 December 2020, and the Company’s and consolidated results of operations, changes in shareholders’ equity and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating cycle

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

4. Functional currency

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

5. Business combination

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

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

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

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

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

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

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

6. Preparation of consolidated financial statements

6.1 *Preparation of consolidated financial statements*

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

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

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

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

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

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

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

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

If the transaction is recognized differently between the Group and the Company or subsidiaries, the transaction shall be adjusted based on the perspective of the Group.

7. Cash and cash equivalents

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

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

8.1 Transactions denominated in foreign currencies

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

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

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

8.2 Translation of financial statements denominated in foreign currencies

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

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

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

9. Financial instruments

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

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

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are recognized at initial recognition. When the Group initially recognizes accounts receivable without significant financing component or without considering a significant financing component in a contract of 1 year or less in accordance with the China Accounting Standards for Business Enterprises No. 14-Revenue (the "Revenue Standard"), the accounts receivable are initially measured at the transaction price defined in the Revenue Standard.

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

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

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability measured at initial recognition minus principal repayment, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount using the effective interest method, adjusted for any cumulative loss allowance (only applicable to financial assets).

9.1 Classification, recognition and measurement of financial assets

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

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

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): 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 and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. Financial assets subsequently measured at FVTOCI include notes receivable classified as at FVTOCI upon acquisition, which are presented as financing with receivables.

On initial recognition, the Group may irrevocably designate an equity instrument as financial assets at FVTOCI on an individual basis, if that equity instrument is neither held for trading nor contingent consideration recognized in a business combination under non-common control. Such financial assets at FVTOCI are presented as other equity instrument investments.

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

- It has been acquired principally for the purpose of selling in the near term; or

- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated as a financial guarantee contract and effective as a hedging instrument.

Financial assets that do not meet the conditions of being classified as financial assets at amortized cost or financial assets at FVTOCI are classified as financial assets at fair value through profit or loss ("FVTPL"). Such financial assets mainly include money market funds and stock investments in the secondary market, etc.

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

9.1.1 Financial assets measured at amortized cost

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

The Group recognizes interest income from financial assets classified as financial assets at amortized cost using the effective interest method. Interest income in calculated by applying the effective interests rate to the gross carrying amount of a financial asset, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusting effective interest rate to the amortized of the financial asset from initial recognition.

- For purchased or originated financial assets that have subsequently become credit-impaired interest income recognized by applying the effective interest rate to the amortized cost of financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

9.1.2 Financial assets classified as at FVTOCI

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

9.1.3 Financial assets designated as at FVTPL

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

9.1.4 Financial assets at FVTPL

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

9.2 Impairment of financial instruments

The Group recognizes loss allowance for financial assets classified as at amortized cost and financial assets at FVTOCI based on expected credit loss ("ECL") model.

The Group measures loss allowance for notes receivable and accounts receivable arising from transactions regulated by the Revenue Standard equal to lifetime ECL.

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

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

9.2.1 *Significant increase in credit risk*

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

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

(1) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;

(2) An actual or expected significant change in the operating results of the borrower;

(3) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;

(4) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

(5) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;

(6) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;

(7) Significant changes in the expected performance and behavior of the borrower;

(8) Changes in the Group's credit management approach in relation to the financial instrument.

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

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

9.2.2 *Credit-impaired financial asset*

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

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

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

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

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

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

9.2.3 Determination of ECL

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

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

- For a financial asset, the credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.

- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is the difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

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

9.2.4 Write-off of financial assets

The Group shall directly reduce the 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. A write-off constitutes a derecognition event.

9.3 Transfer of financial assets

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

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

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

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

9.4 Classification of liabilities and equity

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

9.4.1 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities FVTPL and other financial liabilities. The Group's financial liabilities are mainly other financial liabilities, including accounts payable, borrowings and bonds payable etc.

9.4.1.1 Other financial liabilities

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

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

9.4.2 Derecognition of financial liabilities

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

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

9.4.3 Equity instruments

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

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

9.5 Offsetting a financial asset and financial liability

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

10. Financing with receivables

For the notes receivable classified as at FVTOCI, the portion within one year (inclusive) since acquisition is presented as financing with receivables. For the relevant accounting policies, refer to Note III(9.1),(9.2) and(9.3).

11. Inventories

11.1 Categories of inventories

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

11.2 Valuation method of inventories upon delivery

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

11.3 Basis for determining net realizable value of inventories

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

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

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

11.4 Inventory count system

The perpetual inventory system is maintained.

11.5 Amortization method for spare parts and auxiliary materials

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

12. Contract assets

12.1 Methods and standards for the recognition of contract assets

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

13. Assets held-for-sale

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

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

The Group records the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of assets held-for-sale is made. When there is an increase in the net amount of fair value of non-current assets held for sale less costs to sell at the subsequent balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification of assets held-for-sale category will not be reversed.

Non-current assets classified as held-for-sale or non-current assets in disposal groups are not depreciated or amortized, and the interest and other expenses of liabilities of disposal groups classified as assets held-for-sale continue to be recognized.

14. Long-term equity investments

14.1 Criteria for determining joint control and significant influence

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

14.2 Determination of initial investment cost

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

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

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

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 Long-term equity investment accounted for using the cost method

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

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

14.3.2 Long-term equity investment accounted for using the equity method

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

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

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

14.4 Disposal of long-term equity investments

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

15. Fixed assets

15.1 Recognition criteria for fixed assets

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

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

15.2 Depreciation method

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

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

Category	Depreciation period	Residual value rate	Annual depreciation rate
Buildings	25-40 years	4%	2.4% to 3.8%
Machinery and equipment	5-18 years	4%	5.3% to 19.2%
Office equipment	5-10 years	4%	9.6% to 19.2%
Transportation vehicles	4-12 years	4%	8% to 24%

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

15.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

15.4 Other explanations

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

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

16. Construction in progress

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

17. Borrowing costs

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

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

18. Intangible assets

18.1 Measurement method and useful life of intangible assets

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

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

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

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

19. Impairment of long-term assets

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

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

If the recoverable amount of the asset is less than its carrying amount, an impairment loss provision is recognized in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

Except for the impairment loss of assets related to the contract cost, the above-mentioned impairment loss of assets, once recognized, it is not be reversed in any subsequent period. The impairment loss related to the contract costs can be reversed in subsequent periods, if the previous impairment conditions no longer exist or have improved, resulting in the difference between them is higher than the book value of assets, and included in the current profits and losses. However, the increased amount of the asset should not have determined (net of amortisation) if no impairment loss had been recognized previously.

20. Long-term prepaid expenses

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

21. Contract Liabilities

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

22. Employee benefits

22.1 Accounting treatment of short-term benefits

Short-term benefits includes salaries or wages, bonuses and allowances, staff welfare, medical insurance, injury insurance, maternity insurance, housing funds, labor union funds and employee education fee. In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

22.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans. The Group's defined contribution plan includes basic pension insurance and unemployment insurance.

The defined contribution plan set by the group includes retiree subsidy and retiree welfare. In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability and charged to profit or loss in the period, or included in cost of related assets. For defined benefit plan, the Group attributes benefits obligations arising from the defined benefit plan to the period in which employees render services based on the formula determined by the expected accumulated benefits unit method, and includes such obligations in profit or loss for the period or cost of related assets. Costs of employee benefits arising from the defined benefit plan are classified into the following components:

- Service cost (including the current service cost, past service cost and gain and loss from settlement);

- Net interest from net liabilities/assets of the defined benefit plan (including interest income of the plan assets, interest expenses on obligations of the defined benefit plan, and interest affected by the ceiling of assets); and

- Changes arising from re-measurement of net liabilities/assets of the defined benefit plan.

Service cost and net interest on net liabilities/assets of the defined benefit plan are included in profit or loss for the period or cost of related assets. Changes arising from re-measurement of net liabilities/assets of the defined benefit plan (including actuarial gains/ losses, returns from plan assets net of the amount included in net interest of net liabilities/assets of the defined benefit plan, changes in the maximum effect of assets net of the amount included in net interest on net liabilities/assets of the defined benefit plan are recognized in other comprehensive income.

22.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognizes any related restructuring costs.

Early retirement benefits

The Group provides early retirement benefits to employees who accept voluntary redundancy in exchange for these benefits. Early retirement benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The early retirement benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for early retirement benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognized as liabilities, with a corresponding charge to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognized in profit or loss for the period.

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

23. Provisions

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

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

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

24. Share-based payment

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

24.1 Equity-settled share-based payments

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

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

24.2 Cash-settled share-based payments

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. The Group recognizes the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at each balance sheet date within the vesting period. Until the liability is settled, the Group re-measures the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

25. Revenue

25.1 Accounting policies used for revenue recognition and measurement

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

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

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

The Group recognizes revenue at the point in time when the customer obtains control of relative good or service. When judging whether the customer has obtain control of the good or service, the Group considers the following indications: (i) the Group has a present right to payment for the good or service; (ii) the Group has transferred physical possession of the good to the customer; (iii) the Group has transferred the legal title or the significant risks and rewards of ownership of the good to the customer; (iv) the customer has accepted the good or service, etc.

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

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

For a sale attached with quality warranty terms, if such quality warranty provides a customer with a separate service in addition to the assurance that the good or service complies with agreed-upon specifications, such quality warranty constitutes a performance obligation, otherwise, the Group accounts for quality warranty in accordance with the *Accounting Standard for Business Enterprises No. 13 — Contingencies*.

In case of the existence of a significant financing component in the contract, the Group determines the transaction price at an amount that a customer would have paid if the customer had paid cash when obtaining the control of the good or service. The difference between the transaction price and contract consideration is amortized using effective interest method during the contract life. At contract inception, the Group estimates the period between the customer obtains the control of good or service and the time customer pays for that good or service is one year or less, and does not consider the significant financing component in the contract.

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

26. Contract Cost

26.1 Costs of obtaining a contract

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

26.2 Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of accounting standards for business enterprises other than the revenue standard, the costs will be recognized as an asset only if those costs meet all of the following criteria: (i) the costs relate directly to a contract or to an anticipated contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; (iii) the costs are expected to be recovered. The aforesaid assets are amortized on the basis that is consistent with the revenue recognition of good or service to which the asset relates.

27. Government grants

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

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

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

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

Government grants related to assets are recognized as deferred income, and systematically amortized to profit or loss within the useful life of the related asset. The Group adopts same presentation method for the same category of government grants.

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

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

For government grants related to income, where the grants are a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grants are recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grants are a compensation for related expenses or losses already incurred by the Group, the grants are recognized immediately in profit or loss in the current period.

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

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

28. Deferred tax assets/ deferred tax liabilities

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

28.1 Current income tax

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

28.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

28.3 Offsetting income tax

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

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

29. Leases

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

29.1 Accounting treatment of operating leases

29.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

29.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

29.2 The Group as lessee under finance leases

Relevant accounting treatment is set out in Note (III) "15.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases"

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

30. Other significant accounting policies and accounting judgements

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

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

(1) Accounting estimate on impairment of goodwill

In assessing the impairment of goodwill, it is required to calculate the present value of expected future cash flows arising from the corresponding assets group(s) including the estimation of the future cash flows of the asset group(s), and apply the appropriate pre-tax discount rate, which is able to reflect current market assessments of the time value of money and the risks specific to the asset group(s). The management reviews the significant estimates and assumptions at the end of each year, and recognizes the impairment of goodwill in profit or loss of the period.

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

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

(2) Provision for ECL of accounts receivable

The Group uses the ECL model to assess the impairment of accounts receivable. The application of the ECL model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on aging of the accounts receivable, historical recovery rates, etc., in combination with forward looking information including macro-economic environment, market and industry risks. The Group regularly monitors and reviews the assumptions used in the ECL model.

(3) 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 discounted to its net present value. With the progress of the current mining activities and revision and improvement of relevant laws and regulations, the estimation for the related cost may need be revised constantly when the impact on the future land and environment becomes clear.

(4) Deferred taxation

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

31. Changes in significant accounting policies and accounting estimates

31.1 Changes in significant accounting policies

The content and reason of accounting policy change	**Approval procedures**	**Remarks (Significantly Affected Report Item Name and Amount)**
Since 1 January 2020, the Group has implemented the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 (hereinafter referred to as the "New Revenue Standards"). The new revenue guidelines introduce a five-step approach on revenue recognition and measurement and add more guidance for specific transactions (or events). The Group's detailed accounting policies on revenue recognition and measurement are set forth in Note III(25). The new revenue rule requires that the cumulative impact of the initial application of the rule be recognised in retained earnings and other related items in the financial statements at the beginning of the first execution year (i.e. 1 January 2020) without comparable restatement of information.	The accounting policy changes were reviewed and approved by the Board of Directors of the Company on 26 August 2020.	Note III. (31.2)

31.2 Details of initial application of new standards of revenue to adjust the relevant items of the financial statements at the beginning of the year

Consolidated Balance Sheet

RMB

Item	**31 December 2019**	**Reclassification**	**1 January 2020**
Receipts in advance	616,086,758	(616,086,758)	
Contract liabilities		616,086,758	616,086,758

Balance Sheet of the Company

RMB

Item	**31 December 2019**	**Reclassification**	**1 January 2020**
Receipts in advance	9,921,984	(9,921,984)	
Contract liabilities		9,921,984	9,921,984

III. TAXES

1. Major categories of taxes and tax rates

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

Note I: The Group's subsidiaries Huaxin Yovon Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan. According to local tax laws, it is subject to an applicable enterprise income tax rate of 13% (Last year: 13% in Huaxin Yovon Cement LLC.; Huaxin Gayur (Sogd) Cement LLC. from January to June 2019 is duty-free, and from July to December 2019, 13% is duty-free)

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

The Group's subsidiary Cambodian Cement Chakrey Ting Factory Co., Ltd. is located in Cambodia. According to local tax laws, it is subject to an applicable enterprise income tax rate of 20% (last year: duty-free).

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

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

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

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

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

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

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

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

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

2. Tax preferences

2.1 Enterprise income tax

The Group's subsidiary Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd. was granted Certificate of High and New Technological Enterprise by Hubei Provincial Science & Technology Department in 2018. Pursuant to the Enterprise Income Tax Law of the PRC, the above company applicable to a reduced tax rate of 15% for the period (last year: 25%).

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 applicable to a reduced tax rate of 15% for the period.

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., Huaxin Cement (Dongjun) 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 Shentian Cement Co., Ltd. and Guizhou Shuicheng Shui On Cement Co., Ltd. are manufacturing enterprises established in Western Development Zone of the PRC. Pursuant to Cai Shui [2011] No. 58 Notice on Tax Policy Issues concerning Further Implementing the Western China Development Strategy, the applicable enterprise income tax rate of these subsidiaries for the years from 2011 to 2020 is reduced to 15%. Pursuant to Cai Shui [2020] No. 23 *Announcement on Enterprises Income Tax Policy Concerning Continuation of the Western China Development*, the applicable enterprise income tax rate of these subsidiaries for the years from 2021 to 2030 is reduced to 15%.

The Group's subsidiary Huaxin Cement (Tibet) Co., Ltd. is a manufacturing enterprise established in western development zone of the PRC and belongs to one of encouraged industries in the State's Western China Development Policy. Pursuant to Zang Zheng Fa [2011] No. 14 Notice of the People's Government of Tibet Autonomous Region on Issues Concerning the Enterprise Income Tax Rate in the Region, the applicable enterprise income tax rate for Huaxin Cement (Tibet) Co., Ltd. is reduced to 15% from 2011 to 2020. Pursuant to Zang Zheng Fa [2018] No. 25 Certain Provisions on Preferential Policies for Investment Promotion by Tibet Autonomous Region (Trial), Huaxin Cement (Tibet) Co., Ltd. is exempted from portion entitled to local government from 2018 to 2021. Pursuant to Cai Shui [2020] No. 23 Announcement on Enterprises Income Tax Policy Concerning Continuation of the Western China Development, the applicable enterprise income tax rate of Huaxin Cement (Tibet) Co., Ltd. for the years from 2021 to 2030 is reduced to 15%.

The Group's subsidiary Huaxin Cement Dzizak Co., Ltd. is located in Uzbekistan. According to local tax laws, it is exempted from income tax in 2020.

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

2.2 VAT

Based on regulations in *VAT Preference Items for Resource Comprehensively Utilized Products and Labor* (Cai Shui [2015] No. 78), certain subsidiaries of the Group which produce cement are entitled to preference policy of VAT refunding upon paying with refunded ratio at 70%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	Closing balance	Opening balance
Cash on hand	620,098	518,847
Bank balances	8,419,626,271	4,917,777,605
RMB	5,839,051,801	4,509,139,904
USD	2,550,942,933	397,916,732
TJS	4,383,601	5,689,603
Others	25,247,936	5,031,366
Other cash and bank balances	221,366,478	189,217,971
RMB	200,589,496	175,349,561
Others	20,776,982	13,868,410
Total	8,641,612,847	5,107,514,423
Including: Cash deposited overseas	906,642,344	285,378,285

As at 31 December 2020, other monetary assets include the deposits for the letter of guarantee of RMB30,938,600 notes, and the deposits for the letter of credit of RMB145,161,196, finance lease deposits of RMB15,000,000, and other nature deposits of RMB30,266,682 amounting to RMB221,366,478 in total (31 December 2019: RMB189,217,971). The other monetary assets are not regarded as cash and cash equivalents when preparing the cash flow statements.

2. Held-for-trading financial assets

RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	1,004,581,752	–
Including: Money market fund *(Note)*	1,004,581,752	–
Total	1,004,581,752	–

Note:

Money market fund is issued by China International Fund Management Co., Ltd. and Aegon-Industrial Fund Management Co., Ltd., which can be redeemed whenever necessary. The fair value of this product is determined based on the market value of the latest trading price.

3. Notes receivable

3.1 Notes receivable

(1) Classification of notes receivable

RMB

Category	**Closing balance**	**Opening balance**
Bank acceptance	79,939,117	97,734,290

(2) Notes receivable of the Group pledged at the end of the period

RMB

Item	**Amount pledged at the end of the period**
Bank acceptance	7,000,000

(3) Notes receivable of the Group that has been endorsed but has not yet due as at the balance sheet date at the end of the period

RMB

Item	**Derecognized amount**	**Unrecognized amount**
Bank acceptance – endorsed but not yet due as at the balance sheet date	–	44,207,322

(4) Disclosure by classification of bad debt provision methods

The Group believes that the credit rating of the accepting bank that holds the bank acceptance is relatively high and free of significant credit risk, thus no loss allowance has been made.

4. **Accounts receivable**

(1) ***The aging analysis of accounts receivable is as follows:***

RMB

Aging	31 December 2020	31 December 2019
Within 1 month		
1 – 6 months	563,211,099	419,372,748
6 – 12 months	44,891,100	76,476,818
Within 1 year	608,102,199	495,849,566
1 – 2 years	55,070,681	98,479,124
2 – 3 years	43,490,378	34,629,139
More than three years	94,919,838	118,378,207
Sub-total	801,583,096	747,336,036
Less: Impairment losses on credit	148,363,317	185,441,915
Total	653,219,779	561,894,121

(2) ***Disclosure by provision method for bad debt provision***

RMB

	Closing balance					Opening balance				
	Account balance		Bad debt provision			Account balance		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Carrying amount	Amount	Proportion	Amount	Proportion of provision	Carrying amount
		(%)		(%)			(%)		(%)	
Receivables for which bad debt provision is individually assessed	113,760,104	14	91,331,013	80	22,429,091	171,620,784	23	129,254,282	75	42,366,502
Receivables for which bad debt provision is collectively assessed on a portfolio basis	687,822,992	86	57,032,304	8	630,790,688	575,715,252	77	56,187,633	10	519,527,619
Total	801,583,096	100	148,363,317	19	653,219,779	747,336,036	100	185,441,915	25	561,894,121

Receivables for which bad debt provision is individually assessed:

	Closing balance			
Accounts receivable (by client)	**Accounts receivable**	**Bad debt provision**	**Proportion of provision**	**Reasons for the provision**
			(%)	
Client A	10,430,641	10,430,641	100	Recoverability
Client B	9,028,779	9,028,779	100	Recoverability
Client C	6,047,509	6,047,509	100	Recoverability
Client D	5,526,755	5,526,755	100	Recoverability
Client E	5,470,688	5,470,688	100	Recoverability
Others	77,255,732	54,826,641	71	Recoverability
Total	113,760,104	91,331,013	80	

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

Category of cement receivable:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate**
			(%)
1 – 6 months	93,030,874	2,106,516	2
6 – 12 months	1,150,471	64,450	6
1 – 2 years	6,688,774	678,457	10
2 – 3 years	10,429,963	2,126,050	20
More than 3 years	7,965,957	6,600,773	83
Total	119,266,039	11,576,246	

Portfolios that aging analysis is used for bad debt provision

Category of concrete receivable:

RMB

Name	Closing balance Accounts receivable	Bad debt provision	Expected average loss rate
			(%)
1 – 6 months	305,111,551	15,255,578	5
6 – 12 months	40,606,214	6,090,932	15
1 – 2 years	30,177,364	10,562,077	35
2 – 3 years	7,085,922	3,542,961	50
More than 3 years	7,041,456	5,633,165	80
Total	390,022,507	41,084,713	

Category of other business receivable:

RMB

Name	Closing balance Accounts receivable	Bad debt provision	Expected average loss rate
			(%)
1 – 6 months	164,218,427	680,747	–
6 – 12 months	2,412,039	144,536	6
1 – 2 years	2,242,926	224,293	10
2 – 3 years	6,194,446	1,415,135	23
More than 3 years	3,466,608	1,906,634	55
Total	178,534,446	4,371,345	

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

(3) Bad debt provision

RMB

Category	Opening balance	Changes for the period Provision	Reversal	Write-off	Closing balance
Bad debt provision for accounts receivable	185,441,915	26,215,031	(14,950,146)	(48,343,483)	148,363,317
Total	185,441,915	26,215,031	(14,950,146)	(48,343,483)	148,363,317

Accounts receivable of RMB215,883 written off in previous years was recovered in the current period.

(4) Accounts receivable written off in the current period

RMB

Item	Write-off amount
Accounts receivable written off	48,343,483

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

RMB

Item	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Client F	39,390,761	5	1,144,138
Client G	26,749,933	3	1,517,918
Client H	16,207,703	2	2,072,440
Client I	15,897,832	2	803,101
Client J	13,020,799	2	1,698,146
Total	111,267,028	14	7,235,743

5. Financing with receivables

(1) Classification of financing with receivables

RMB

Item	Balance at 31 December 2020	Balance at 31 December 2019
Bank acceptance	1,020,306,419	1,308,788,934
Total	1,020,306,419	1,308,788,934

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

RMB

Item	Amount pledged at the end of the period
Bank acceptance	94,904,632

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

RMB

Item	Derecognized amount	Non-derecognized amount
Bank acceptance – endorsed but not yet expired as at the balance sheet date	1,627,963,060	–

6. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

	Closing balance		Opening balance	
Item	Amount	Proportion	Amount	Proportion
		(%)		(%)
Within 1 year	356,458,523	94	224,482,793	87
1 – 2 years	13,999,597	4	18,662,407	7
2 – 3 years	1,669,076	–	14,262,313	6
Over 3 years	6,492,154	2	1,420,593	–
Total	378,619,350	100	258,828,106	100

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

RMB

Name of supplier	Amount	% of total balance
Supplier A	72,559,151	19
Supplier B	46,360,538	12
Supplier C	31,921,017	8
Supplier D	26,833,590	7
Supplier E	10,527,309	3
Total	188,201,605	49

7. Other receivables

7.1 Summary of other receivables

RMB

Item	Balance at 31 December 2020	Balance at 31 December 2019
Interest receivable	641,915	55,985
Dividends receivable	–	1,255,397
Other receivables	374,612,043	484,675,804
Total	375,253,958	485,987,186

7.2 Other receivables

(1) Portfolios that aging analysis is used for bad debt provision

RMB

Aging	31 December 2020	31 December 2019
Within 1 year	205,052,622	278,960,777
1 – 2 years	45,334,601	69,830,252
2 – 3 years	42,287,372	87,298,107
Over 3 years	182,262,818	149,551,717
Sub-total	474,937,413	585,640,853
Less: Credit loss allowance	100,325,370	100,965,049
Total	374,612,043	484,675,804

(2) Disclosure of other receivables by categories

RMB

Nature	Closing balance	Opening balance
Margin and deposits	278,131,546	408,834,668
Loans and out-of-pocket expenses	152,945,422	135,509,761
Petty cash	3,381,797	6,887,220
Others	40,478,648	34,409,204
Total	474,937,413	585,640,853

(3) *Bad debt provision*

RMB

Category	Opening balance	Changes for the period: Provision	Recovery or reversal	Write-off or elimination	Closing balance
Bad debt provision for other receivables	100,965,049	6,054,595	(3,106,106)	(3,588,168)	100,325,370
Total	100,965,049	6,054,595	(3,106,106)	(3,588,168)	100,325,370

(4) *Other receivables written off*

RMB

Item	Write-off amount
Other receivables written off	3,588,168

(5) *Top five entities with the largest balance of other receivables*

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of ECL provision
Client J	Government loans	38,927,223	Over 3 years	8	38,927,223
Client K	Security deposit of mine restoration	30,575,048	Over 3 years	6	–
Client L	Inter-company loans	27,027,341	Over 3 years	6	27,027,341
Client M	Withholding amounts	26,608,794	Within 1 year, 1-2 years, 2-3 years and over 3 years	6	22,349,477
Client N	Security deposits and margin	20,000,000	Within 1 year	4	–
Total		143,138,406		30	88,304,041

8. Inventories

(1) Categories of inventories

RMB

Item	Closing balance			Opening balance		
	Account balance	Provision for decline in value of inventories	Carrying amount	Account balance	Provision for decline in value of inventories	Carrying amount
Raw materials	873,139,368	763,072	872,376,296	695,890,209	2,901,035	692,989,174
Work in progress	587,286,515	165,122	587,121,393	323,439,086	165,122	323,273,964
Finished goods	495,705,006	–	495,705,006	616,363,209	–	616,363,209
Spare parts	481,868,753	87,915,259	393,953,494	441,197,229	76,827,800	364,369,429
Total	2,437,999,642	88,843,453	2,349,156,189	2,076,889,733	79,893,957	1,996,995,776

(2) Provision for decline in value of inventories

RMB

Item	Opening balance	Increase	Decrease		Closing balance
		Provision	Reversal	Write-off	
Raw materials	2,901,035	743,042	(2,881,005)	–	763,072
Work in progress	165,122	–	–	–	165,122
Spare parts	76,827,800	14,709,139	(3,214,647)	(407,033)	87,915,259
Total	79,893,957	15,452,181	(6,095,652)	(407,033)	88,843,453

9. Other current assets

RMB

	Closing balance	Opening balance
Retained input VAT	377,511,753	302,332,525
Prepaid income tax	4,831,943	18,902,267
Payments related to equity merger and acquisition *(Note VI, 1)*	236,071,742	–
Others	13,507,360	9,510,175
Total	631,922,798	330,744,967

10. Long-term equity investments

RMB

	Balance at 31 December 2019	Changes for the period					Balance at 31 December 2020
		Increase in investment	Decrease in investment	Investment income or loss recognized under equity method	Other equity changes	Declared cash dividends	
I. Associates							
Tibet High-tech Building Materials Group Co., Ltd.	287,074,560	–	–	68,333,072	871,900	–	356,279,532
Shanghai Wan'an Huaxin Cement Co., Ltd.	93,029,543	–	–	(615,586)	–	–	92,413,957
Zhangjiajie Tianzi Concrete Co., Ltd.	3,222,711	–	–	(471,824)	–	–	2,750,887
Nanguang Huasen Environmental Engineering Co., Ltd. (Note)	8,020,415	–	(8,020,415)	–	–	–	–
Chenfeng Intelligent Equipment Hubei Co., Ltd.	45,000	–	–	–	–	–	45,000
II. Joint venture							
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	22,698,530	28,301,470	–	9,791,825	–	–	60,791,825
Total	414,090,759	28,301,470	(8,020,415)	77,037,487	871,900	–	512,281,201

Note: The decrease in investment is the result of the Group's disposal of Nanguang Huasen Environmental Engineering Co., Ltd. in the current year.

11. Other equity instrument investments

(1) Other equity instrument investments

RMB

Item	Closing balance	Opening balance
Equity investment in unlisted companies No.1	33,774,995	38,230,101
Equity investment in unlisted companies No.2	2,775,600	2,775,600
Subtotal	36,550,595	41,005,701
Less: Impairment provision for equity investment in unlisted companies No.2	2,775,600	2,775,600
Total	33,774,995	38,230,101

(2) Investments in non-trading equity instruments

RMB

Item	Dividend income recognized for the year	Accumulated gains	Accumulated losses	Amount of retained earnings transferred from other comprehensive income	Reasons for the transfer
Equity investments in unlisted companies	1,133,360	22,050,329	2,775,600	–	/
Total	1,133,360	22,050,329	2,775,600	–	/

12. Other non-current financial assets

RMB

Item	Closing balance	Opening balance
Investments in equity instruments	32,827,254	35,003,608
Total	32,827,254	35,003,608

13. Fixed assets

13.1 Categories

RMB

Item	Closing balance	Opening balance
Fixed assets	19,174,711,857	16,714,775,889
Disposal of fixed assets	10,918,400	3,337,757
Total	19,185,630,257	16,718,113,646

13.2 Fixed assets

(1) Fixed assets

RMB

	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Cost					
1. Balance at 1 January 2020	13,669,394,865	16,561,699,688	278,369,398	535,511,913	31,044,975,864
2. Addition	1,995,852,862	2,606,677,969	24,211,231	60,316,589	4,687,058,651
(1) Purchase	2,900,997	58,699,986	12,077,290	22,646,454	96,324,727
(2) Transferred from construction in progress	1,883,955,513	2,014,946,477	11,872,360	37,007,566	3,947,781,916
(3) Increase due to business combination	108,996,352	533,031,506	261,581	662,569	642,952,008
3. Reduction	250,777,077	492,092,997	13,233,190	96,463,282	852,566,546
(1) Disposal or retirement	51,584,024	253,210,531	12,029,602	95,392,640	412,216,797
(2) Disposal of subsidiaries *(Note VI.2)*	199,193,053	238,882,466	1,203,588	1,070,642	440,349,749
4. Translation differences of financial statements denominated in foreign currencies	(207,575,479)	(233,509,585)	(2,506,226)	(12,682,206)	(456,273,496)
5. Balance at 31 December 2020	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
II. Accumulated depreciation					
1. Balance at 1 January 2020	3,731,223,637	9,569,213,575	202,586,804	425,249,075	13,928,273,091
2. Addition	466,314,753	1,042,096,193	19,472,025	51,494,815	1,579,377,786
(1) Provision made during the year	466,314,753	1,042,096,193	19,472,025	51,494,815	1,579,377,786
3. Reductions	91,367,210	384,405,275	11,850,645	99,081,327	586,704,457
(1) Disposal or retirement	20,274,736	211,181,276	10,918,777	98,348,237	340,723,026
(2) Disposal of subsidiaries *(Note VI.2)*	71,092,474	173,223,999	931,868	733,090	245,981,431
4. Translation differences of financial statements denominated in foreign currencies	(37,289,875)	(71,775,302)	(1,887,505)	(9,009,622)	(119,962,304)
5. Balance at 31 December 2020	4,068,881,305	10,155,129,191	208,320,679	368,652,941	14,800,984,116
III. Provision for impairment losses					
1. Balance at 1 January 2020	241,351,338	160,197,506	196,314	181,726	401,926,884
2. Addition	25,494,159	33,942,680	–	30,018	59,466,857
(1) Provision made during the year	25,494,159	33,942,680	–	30,018	59,466,857
3. Reductions	3,425,612	10,362,153	66,396	41,080	13,895,241
(1) Disposal or retirement	3,425,612	10,362,153	66,396	41,080	13,895,241
4. Balance at 31 December 2020	263,419,885	183,778,033	129,918	170,664	447,498,500
IV. Net book value					
1. Balance at 31 December 2020	10,874,593,981	8,103,867,851	78,390,616	117,859,409	19,174,711,857
2. Balance at 1 January 2020	9,696,819,890	6,832,288,607	75,586,280	110,081,112	16,714,775,889

As at 31 December 2020, buildings and machinery and equipment with carrying amount of RMB5,896,890 (cost of RMB8,083,098) (31 December 2019: the net book value of RMB208,437,226 and the cost of RMB399,733,642) are treated as the collateral for short-term and long-term borrowings. Details are set out in Note V, 19 and 28.

(2) *Fixed assets leased under finance lease*

RMB

Item	Cost	Accumulated depreciation	Impairment provision	Carrying amount
Machinery and equipment	290,000,000	193,055,556	–	96,944,444

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

RMB

Item	Carrying amount at 31 December 2020
Concrete batching plant	17,714,993

14. Construction in progress

14.1 Categories

RMB

Item	Closing balance	Opening balance
Construction in progress	2,967,890,214	3,945,642,522
Materials for construction of fixed assets	136,539,126	167,520,210
Total	3,104,429,340	4,113,162,732

14.2 Construction in progress

(1) Details of construction in progress are as follows:

RMB

Item	Closing balance			Opening balance		
	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Nepal Cement Clinker Production Line	562,494,489	–	562,494,489	399,497,295	–	399,497,295
Serial projects of Huaxin industrial park	327,767,990	–	327,767,990	266,548,563	–	266,548,563
Huaxin Environmental Engineering Series Project	308,876,320	–	308,876,320	375,781,020	–	375,781,020
Huaxin Aggregate Series Project	308,210,989	–	308,210,989	325,876,121	–	325,876,121
Huaxin Vertical Mill Renovation Project	118,677,090	–	118,677,090	87,396,181	–	87,396,181
1000T/D lime production line of Huaxin (Lijiang)	112,088,904	–	112,088,904	3,531,286	–	3,531,286
Integrated commodity concrete project of Huaxin Fumin	72,564,104	–	72,564,104	–	–	–
Scope expansion of limestone mine of Sangzhi Company	63,240,716	–	63,240,716	39,854,515	–	39,854,515
Dock Renovation Project of Zhuzhou Company	41,457,553	–	41,457,553	38,538,540	–	38,538,540
Dzizak Cement Clinker Production Line	34,038,088	–	34,038,088	493,274,606	–	493,274,606
Health Protection Land Acquisition and Relocation Project of Yichang Company	30,000,000	–	30,000,000	43,000,000	–	43,000,000
Huaxin Concrete Series Project	5,992,598	–	5,992,598	26,055,604	8,876,535	17,179,069
Huangshi Cement Clinker Production Line	5,062,312	–	5,062,312	1,088,538,656	–	1,088,538,656
Production line of burning free standard brick made of mudstone with an annual capacity of 240 million pieces of bricks	–	–	–	30,235,477	–	30,235,477
Luquan Phase II Project Cement Production Line	–	–	–	70,572,121	–	70,572,121
Others	986,791,426	9,372,365	977,419,061	667,467,290	1,648,218	665,819,072
Total	2,977,262,579	9,372,365	2,967,890,214	3,956,167,275	10,524,753	3,945,642,522

(2) *Changes in significant construction in progress*

RMB

Project name	Budget	Opening balance	Addition	Transfer to fixed assets	Other reductions	Closing balance	Accumulated cost incurred out of budget	Construction progress	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period	Source of funds
							(%)(Note)	*(%)(Note)*			*(%)*	
Nepal Cement Clinker Production Line	645,000,000	399,497,295	162,997,194	–	–	562,494,489	87	87	2,809,489	2,809,489	3.63	Self-owned funds and bank borrowings
Serial projects of Huaxin industrial park	440,077,000	266,548,563	61,219,427	–	–	327,767,990	N/A	N/A	–	–	–	Self-owned funds
Huaxin Environmental Engineering Series Project	917,603,388	375,781,020	85,753,819	144,628,634	8,029,885	308,876,320	N/A	N/A	–	–	–	Self-owned funds
Huaxin Aggregate Series Project	1,285,101,700	325,876,121	331,834,367	347,304,399	2,195,100	308,210,989	N/A	N/A	1,341,680	1,221,611	3.84	Self-owned funds and bank borrowings
Huaxin Vertical Mill Renovation Project	139,005,296	87,396,181	68,504,729	37,223,820	–	118,677,090	N/A	N/A	–	–	–	Self-owned funds
1000T/D lime production line of Huaxin (Lijiang)	148,973,733	3,531,286	108,557,618	–	–	112,088,904	75	75	–	–	–	Self-owned funds
Integrated commodity concrete project of Huaxin Fumin	92,782,500	–	72,564,104	–	–	72,564,104	78	78	–	–	–	Self-owned funds
Scope expansion of limestone mine of Sangzhi Company	441,767,400	39,854,515	23,386,201	–	–	63,240,716	N/A	N/A	–	–	–	Self-owned funds
Dock Renovation Project of Zhuzhou Company	42,820,600	38,538,540	2,919,013	–	–	41,457,553	97	97	–	–	–	Self-owned funds
Dzizak Cement Clinker Production Line	831,804,609	493,274,606	226,815,184	681,871,132	4,180,570	34,038,088	87	87	3,193,960	2,940,597	3.63	Self-owned funds and bank borrowings
Health Protection Land Acquisition and Relocation Project of Yichang Company	73,000,000	43,000,000	30,000,000	–	43,000,000	30,000,000	N/A	N/A	–	–	–	Self-owned funds
Huaxin Concrete Series Project	91,407,867	17,179,069	27,953,669	27,720,868	11,419,272	5,992,598	N/A	N/A	–	–	–	Self-owned funds
Production line of cement clinker of Huangshi Company	1,847,573,900	1,088,538,656	605,007,935	1,645,205,341	43,278,938	5,062,312	97	97	56,984,826	27,776,515	3.84	Self-owned funds and bank borrowings
Production line of burning free standard brick made of mudstone with an annual capacity of 240 million pieces of bricks	159,162,676	30,235,477	128,927,199	119,391,467	39,771,209	–	100	100	–	–	–	Self-owned funds
Luquan Phase II Project Production Line	750,150,000	70,572,121	119,125,027	189,697,148	–	–	100	100	9,367,604	–	3.84	Self-owned funds and bank borrowings
Others		665,819,072	1,081,942,357	754,739,107	15,603,261	977,419,061	N/A	N/A	11,537,902	748,708	3.84	Self-owned funds and bank borrowings
Total		3,945,642,522	3,137,507,843	3,947,781,916	167,478,235	2,967,890,214			85,235,461	35,496,920		

Note: As there are many projects under construction of the same nature in some business segments, they are merged into a series of projects for disclosure; The budget, actual investment and project progress cannot be disclosed one by one, so the proportion of cumulative investment in the budget and project progress for a series of projects is "N/A"; At the same time, the relevant capitalized interest amount is generated by the project with bank loans in the series of projects

(3) *Changes in provision for impairment losses for construction in progress are as follows:*

RMB

	Opening balance	Provision	Reductions	Closing balance	Reason for provision
Qingshan Project of Huaxin Concrete	7,401,126	–	7,401,126	–	Management decides to terminate these projects because of failure in obtaining governmental approval, which are disposed in the period.
Lengshuijiang Project of Huaxin Concrete	940,164	–	940,164		
Daoxian Project of Huaxin Concrete	277,395	–	277,395		
Chibi Project of Huaxin Concrete	257,850	–	257,850		
Huaxin Ywan Dangara Project	1,648,218		1,648,218		The project is terminated and cancelled for the period
Fangxian County Project of Huaxin Environment Engineering	–	1,520,583	–	1,520,583	The project has not been approved by the government and has been suspended.
Loudi Project of Huaxin Environment 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 limit of mining
Mining rights of Heshangbao, Zigui	–	485,436	–	485,436	The project has been suspended due to invalidation of initial planning
Total	10,524,753	9,372,365	10,524,753	9,372,365	/

14.3 *Materials for construction of fixed assets*

	Closing balance			Opening balance		
Item	Account balance	Impairment provision	Net book value	Account balance	Impairment provision	Net book value
Special equipment	136,539,126	–	136,539,126	167,520,210	–	167,520,210

15. Intangible assets

RMB

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Cost						
1. Balance at 1 January 2020	2,734,185,697	1,456,126,125	255,225,353	168,200,597	205,268,690	4,819,006,462
2. Addition	88,235,640	518,001,947	58,907,795	–	16,839,178	681,984,560
(1) Purchase	68,483,925	486,545,981	57,731,592	–	1,330,793	614,092,291
(2) Transferred from construction in progress	19,751,715	31,455,966	1,176,203	–	15,508,385	67,892,269
3. Reduction	54,280,034	–	–	–	2,345,275	56,625,309
(1) Disposal of subsidiaries	54,280,034	–	–	–	1,836,089	56,116,123
(2) Disposal and retirement	–	–	–	–	509,186	509,186
4. Translation differences of financial statements denominated in foreign currencies	(552,743)	(51,216,564)	–	–	(4,706,367)	(56,475,674)
5. Balance at 31 December 2020	2,767,588,560	1,922,911,508	314,133,148	168,200,597	215,056,226	5,387,890,039
II. Accumulated amortization						
1. Balance at 1 January 2020	422,849,878	233,478,810	64,676,036	19,602,375	185,252,043	925,859,142
2. Addition	52,462,709	77,952,485	19,399,846	14,632,368	19,617,464	184,064,872
(1) Provision made during the year	52,462,709	77,952,485	19,399,846	14,632,368	19,617,464	184,064,872
3. Reduction	8,848,003	–	–	–	2,304,639	11,152,642
(1) Disposal of subsidiaries	8,848,003	–	–	–	1,836,089	10,684,092
(2) Disposal and retirement	–	–	–	–	468,550	468,550
4. Translation differences of financial statements denominated in foreign currencies	(56,695)	(494,868)	–	–	(862,920)	(1,414,483)
5. Balance at 31 December 2020	466,407,889	310,936,427	84,075,882	34,234,743	201,701,948	1,097,356,889
III. Impairment provision						
Balance at 1 January 2020 and balance at 31 December 2020	–	23,524,969	–	–	–	23,524,969
IV. Net book value						
Balance at 31 December 2020	2,301,180,671	1,588,450,112	230,057,266	133,965,854	13,354,278	4,267,008,181
Balance at 1 January 2020	2,311,335,819	1,199,122,346	190,549,317	148,598,222	20,016,647	3,869,622,351

As at 31 December 2020, the land use rights of carrying amount of RMB6,254,797 (the cost of RMB8,497,487) (31 December 2019: the carrying amount of RMB9,660,241 and the cost of RMB12,997,487) are treated as collaterals for short-term and long-term bank borrowings. Details are set out in Note V, 19.

16. Goodwill

(1) Original carrying amount of goodwill

RMB

Name of investee	Opening balance	Addition: Goodwill arising from business combinations	Reduction: Goodwill arising from deregistration subsidiaries	Closing balance
Huaxin Cement (Daye) Co., Ltd.	189,057,605	–	–	189,057,605
Cambodian Cement Chakrey Ting Factory Co., Ltd.	125,767,908	–	–	125,767,908
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	101,685,698	–	–	101,685,698
Success Eagle Cement (Hong Kong) Limited and its subsidiaries	69,557,768	–	–	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	–	–	21,492,135
NETNIX LIMITED and its subsidiaries	59,573,587	–	–	59,573,587
Total	567,134,701	–	–	567,134,701

(2) Provision for impairment of goodwill

RMB

Name of investee	Opening balance	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
Total	91,049,903	–	91,049,903

(3) Describes the goodwill impairment test process, key parameters and the recognition method of goodwill impairment loss

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Huaxin Cement (Daye) Co., Ltd. The recoverable amount of the asset group of Huaxin Cement (Daye) Co., Ltd was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow forecast is based on the five-year budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remain unchanged, and using the discount rate of

16%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Huaxin Cement (Daye) Co., Ltd.

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd.. The recoverable amount of the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd. was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow forecast is based on the five-year budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remain unchanged, and using the discount rate of 18%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Cambodian Cement Chakrey Ting Factory Co., Ltd..

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. The recoverable amount of the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd. was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow forecast is based on the five-year budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remain unchanged, and using the discount rate of 16%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Huaxin Jinlong Cement (Yunxian) Co., Ltd..

On 31 December 2020, the Group assessed the recoverability of the goodwill related to the asset group of Netnix Limited and its subsidiaries. The recoverable amount of the asset group of Netnix Limited and its subsidiaries was determined in accordance with the present value of the expected future cash flows. Future cash flows are determined based on the asset group's past performance, existing capacity and the management's expected market development. The cash flow forecast is based on the five-year budget approved by the management, and the cash flow after 2025 is calculated at a 0% growth rate, gross margins remain unchanged, and using the discount rate of 18%. In the opinion of the Group's management, any reasonably possible change in any of the above assumptions will not cause the carrying value of the asset group to which the goodwill belongs to exceed the recoverable amount of the relevant asset group, and it is determined that there has been no impairment on the goodwill relate to the asset group of Netnix Limited and its subsidiaries.

17. Long-term prepaid expenses

RMB

Item	Opening balance	Addition	Amortization	Closing balance
Mine development cost	264,034,610	54,000,000	42,661,940	275,372,670
Others	64,604,919	42,133,458	18,350,273	88,388,104
Total	328,639,529	96,133,458	61,012,213	363,760,774

18. Deferred tax assets/Deferred tax liabilities

(1) Details of deferred tax assets before offsetting

RMB

	Closing balance		Opening balance	
Item	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Provision for impairment of assets	330,765,172	67,387,562	250,333,410	59,969,494
Difference between the fair value and the tax cost of identifiable assets of business combination	663,906,512	194,457,607	228,769,356	48,830,303
Temporary difference arising from expense recognition	394,662,984	92,044,072	337,181,332	79,411,837
Unrealized profit arising from elimination of intra-group transactions	224,685,679	56,171,420	232,790,617	58,197,654
Deductible tax losses	54,756,858	13,689,215	96,880,897	24,178,276
Provision for staff welfare	63,638,841	13,973,057	362,703,340	81,250,089
Others	56,275,616	12,831,370	5,891,591	1,384,819
Total	1,788,691,662	450,554,303	1,514,550,543	353,222,472

(2) *Details of deferred tax liabilities before offsetting*

RMB

	Closing balance		Opening balance	
Item	**Taxable temporary differences**	**Deferred tax liabilities**	**Taxable temporary differences**	**Deferred tax liabilities**
Capitalization of interest on general borrowings	77,046,476	19,261,619	48,952,364	12,238,091
Changes in fair value of other equity instrument investments	22,050,329	5,512,583	26,505,435	6,626,359
Changes in fair value of other non-current assets	28,965,529	7,241,382	31,141,882	7,785,470
Valuation appreciation on assets in business acquisitions	801,224,558	153,428,806	930,044,363	174,059,439
Depreciation difference of fixed assets between accounting and tax basis	511,353,931	91,833,095	505,399,853	91,133,267
Others	154,374,699	20,397,083	155,195,629	22,244,168
Total	1,595,015,522	297,674,568	1,697,239,526	314,086,794

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

RMB

Item	**The amount offset at the end of the period**	**Deferred tax assets or liabilities after offsetting at the end of the period**	**The amount offset at the beginning of the period**	**Deferred tax assets or liabilities after offsetting at the beginning of the period**
Deferred tax assets	12,753,965	437,800,338	14,411,829	338,810,643
Deferred tax liabilities	12,753,965	284,920,603	14,411,829	299,674,965

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

RMB

Item	Closing balance	Opening balance
Deductible temporary differences	2,891,063,013	3,039,336,630
Deductible tax losses	794,131,021	883,645,739
Total	3,685,194,034	3,922,982,369

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

RMB

Year	Closing balance	Opening balance
2020	–	221,195,435
2021	148,438,766	177,724,435
2022	153,614,289	219,977,336
2023	85,361,238	98,405,619
2024	144,409,755	166,342,914
2025	218,197,292	–
2029	15,592,131	–
2030	28,517,550	–
Total	794,131,021	883,645,739

19. Short-term borrowings

(1) Category of short-term borrowings

RMB

Item	Closing balance	Opening balance
Mortgaged bank borrowings *(Note 1)*	13,000,000	13,000,000
Unsecured bank borrowings *(Note 2)*	612,000,000	184,000,000
Total	625,000,000	197,000,000

Note 1: As at 31 December 2020, part of buildings, machinery and equipment (Note V, 13) and land use rights (Note V, 15) of the Group were mortgaged for the borrowing of RMB13,000,000 (31 December 2019: RMB13,000,000).

Note 2: As at 31 December 2020, unsecured bank borrowings included RMB612,000,000 (31 December 2019: RMB84,000,000) guaranteed by the Company for its subsidiaries within the Group.

As at 31 December 2020, the interest rate of short-term borrowings ranges from 1.85% to 4.35% per annum (31 December 2019: from 2.15% to 4.79% per annum).

The Group has no overdue short-term borrowings.

20. Notes payable

RMB

	Closing balance	Opening balance
Bank acceptance notes	472,696,537	191,505,647

21. Accounts payable

(1) Disclosure by categories

RMB

Item	Closing balance	Opening balance
Payables for raw materials	3,060,796,236	2,435,484,466
Payables for construction and equipment	1,653,357,986	2,138,300,132
Payables for transportation services	243,774,082	246,620,150
Payables for utility charges	140,332,638	120,335,475
Others	199,372,828	180,168,685
Total	5,297,633,770	5,120,908,908

(2) Significant accounts payable aged over one year

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Payables for construction and equipment and construction warranty	123,974,443	Part of project is under construction and related amounts have not been settled.
Total	123,974,443	

22. Receipts in advance

RMB

	Closing balance	Opening balance
Advance from clients	N/A	616,086,758
Total	N/A	616,086,758

23. Contract liabilities

	Closing balance	Opening balance
Advance from customers	830,492,042	N/A
Total	830,492,042	N/A

Notes:

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

(2) The contract liabilities on 31 December 2020 is expected to be recognized as revenue in 2021.

24. Employee benefits payable

(1) Summary of employee benefits payable

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Short-term employee benefits	385,764,652	2,365,456,918	2,338,340,270	412,881,300
2. Defined contribution plan	4,416,755	52,490,036	45,214,655	11,692,136
3. Long-term employee benefits payable within one year	94,283,860	107,908,169	96,887,544	105,304,485
Total	484,465,267	2,525,855,123	2,480,442,469	529,877,921

(2) Short-term employee benefits

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Salaries or wages, bonuses and allowances	353,983,141	1,796,400,508	1,764,329,591	386,054,058
2. Staff welfare	1,546,570	224,611,267	226,040,252	117,585
3. Social insurance	7,828,717	145,887,066	149,902,120	3,813,663
Including: Medical insurance	7,278,371	141,801,108	145,750,449	3,329,030
Injury insurance	506,405	2,333,746	2,411,309	428,842
Maternity insurance	43,941	1,752,212	1,740,362	55,791
4. Housing funds	2,125,670	156,025,824	156,847,830	1,303,664
5. Labor union funds and employee education fee	20,280,554	42,532,253	41,220,477	21,592,330
Total	385,764,652	2,365,456,918	2,338,340,270	412,881,300

(3) Defined contribution plan

RMB

Item	Opening balance	Addition	Reduction	Closing balance
1. Basic pension insurance	3,685,183	50,769,493	43,534,481	10,920,195
2. Unemployment insurance	731,572	1,720,543	1,680,174	771,941
Total	4,416,755	52,490,036	45,214,655	11,692,136

The Group participates in the basic pension insurance and unemployment insurance plans established by government agencies according to the regulations. According to the plans, except for the reduction for social assurance in part of the month based on the national policy, the Group contributes to the plans based on 12-19% and 0.5-0.7% of the employee's basic salary respectively in the rest month in 2020. In addition to the above monthly contributions, the Group shall not undertake any further payment obligations. The corresponding expenditure is recognized in profit or loss or the cost of related assets when it occurs.

The Group shall pay RMB50,769,493 and RMB1,720,543 (2019: RMB214,474,239 and RMB7,432,225) to the basic pension insurance and unemployment insurance plans respectively for the current year. As at 31 December 2020, the Group has outstanding contributions to pension insurance and unemployment plans that is due as at the reporting period amounting to RMB10,920,195 and RMB771,941 (31 December 2019: RMB3,685,183 and RMB731,572). The relevant outstanding expenses have been paid after the reporting period.

25. Taxes payable

RMB

Item	Closing balance	Opening balance
Enterprise income tax	662,119,248	616,807,673
VAT	223,034,704	174,845,435
Resource tax	28,857,087	22,086,424
Environment tax	28,299,652	26,111,393
Individual income tax	28,505,648	21,164,788
Others	215,349,804	104,561,031
Total	1,186,166,143	965,576,744

26. Other payables

26.1 Summary of other payables

RMB

Item	Closing balance	Opening balance
Interest payable	30,026,120	21,770,866
Dividends payable	63,842,709	34,268,915
Other payables	692,377,410	623,409,083
Total	786,246,239	679,448,864

26.2 Interest payable

RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	25,895,025	20,756,667
Interest on long-term borrowings	3,665,489	612,077
Interest on short-term borrowings	465,606	402,122
Total	30,026,120	21,770,866

26.3 Dividends payable

RMB

Item	Closing balance	Opening balance
Dividends of ordinary shares	23,821,382	576,326
Minority interests		
– Gayur Liability Limited Company	–	33,692,589
– Gede Hong Kong International Investment & Development Co., Ltd.	40,021,327	–
Total	63,842,709	34,268,915

26.4 Other payables

(1) Details of other payables

RMB

Item	Closing balance	Opening balance
Payables for acquisition of equity interests	218,043,450	113,940,515
Amounts due to minority interests	187,605,900	220,227,757
Margin and deposits	178,109,274	158,737,322
Collected or paid for others	13,628,805	29,289,163
Borrowings from government	5,000,000	9,012,411
Others	89,989,981	92,201,915
Total	692,377,410	623,409,083

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

RMB

Item	Closing balance	Reasons for being outstanding or carried forward
Amount due to minority shareholders	187,605,900	Payment criteria as agreed by the agreement is not met
Payables for acquisition of equity interests	94,272,136	Payment criteria of equity acquisition is not met

27. Non-current liabilities due within one year

RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year *(Note V, 28)*	524,266,910	676,748,733
Bonds payable due within one year *(Note V, 29)*	1,199,284,590	–
Long-term payables due within one year *(Note V, 30)*	150,932,659	92,936,978
Total	1,874,484,159	769,685,711

28. Long-term borrowings

(1) Categories of long-term borrowings

RMB

Item	Closing balance	Opening balance
Unsecured bank borrowings *(Note 1)*	3,501,684,221	2,030,189,670
Pledged bank borrowings *(Note 2)*	526,140,000	639,000,000
Mortgaged bank borrowings *(Note 3)*	–	45,000,000
Guaranteed bank borrowings *(Note 4)*	722,662	2,102,259
Less: Long-term borrowings due within one year		
Unsecured bank borrowings	415,684,248	516,487,227
Pledged bank borrowings	107,860,000	113,860,000
Mortgaged bank borrowings	–	45,000,000
Guaranteed bank borrowings	722,662	1,401,506
Total	3,504,279,973	2,039,543,196

Note 1: As at 31 December 2020, unsecured bank borrowings include long-term borrowings of RMB930,341,766 guaranteed by the Company for subsidiaries of the Group and dollar loans equivalent to RMB156,261,623 (31 December 2019: long-term borrowings of RMB1,149,638,888 and dollar loans equivalent to RMB347,465,733). Such unsecured bank borrowings shall be repaid in batches during the period from 2021 to 2027.

Note 2: As at 31 December 2020, pledged assets for pledged borrowings of RMB526,140,000 (31 December 2019: RMB639,000,000) are equity of the Group's certain subsidiaries. Such pledged borrowings shall be repaid in batches during the period from 2021 to 2025.

Note 3: As at 31 December 2020, the Group has no long-term mortgaged borrowings (31 December 2019: part of the Group's houses, buildings, equipment (Note V, 13) and land use rights (Note V, 15) are mortgaged for the long-term borrowing of RMB45,000,000).

Note 4: As at 31 December 2020, long-term borrowings are DKK borrowings equivalent to RMB722,662 (31 December 2019: RMB2,102,259), which is guaranteed by China Construction Bank Hubei Branch and Planning Commission of Hubei Province. Such guaranteed borrowings shall be repaid in 2021.

As at 31 December 2020, the interest rate of long-term borrowings ranges between 2.90% and 5.70% (31 December 2019: between 2.90% and 6.72%).

29. Bonds payable

(1) *Bonds payable*

RMB

Item	Closing balance	Opening balance
Phase-I corporate bonds issued in 2016 *(Note 1)*	–	1,198,058,176
Overseas bonds issued in 2020 *(Note 2)*	1,943,763,447	–
Total	1,943,763,447	1,198,058,176

(2) *Changes in bonds payable*

Name of bond	Par value	Issue date	Term of bond	Opening balance	Issued for the period	Amortization of discount	Exchange gain or loss	Closing balance	Balance of accrued interest
Phase-I corporate bonds issued in 2016 *(Note 1)*	1,200,000,000	19 August 2016	5 years	1,198,058,176	–	1,226,414	–	1,199,284,590	20,756,666
Overseas bond issued in 2020	1,973,460,000	19 November 2020	5 years	–	1,959,330,026	309,756	(15,876,335)	1,943,763,447	5,138,359
Less: Bonds payable due within one year		/	/	–	–	–	–	1,199,284,590	–
Total	3,173,460,000			1,198,058,176	1,959,330,026	1,536,170	(15,876,335)	1,943,763,447	25,895,025

Note 1: Pursuant to Zheng Jian Xu Ke [2016] No. 1255 approved by China Securities Regulatory Commission, the Company issued a total amount of RMB1.2 billion of phase-I corporate bonds on 19 August 2016 at a coupon rate of 4.79%. The corporate bonds are calculated at simple annual interest which is paid on an annual basis and with a period of five years.

Note 2: 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 USD 300 million at Singapore Exchange (SGX) on 19 November 2020 at a coupon rate of 2.25%. The corporate bonds are calculated at simple monthly interest which is paid on a half-year basis and with a period of five years.

30. Long-term payables

30.1 *Summary of long-term payables*

RMB

Item	Closing balance	Opening balance
Long-term payables	191,011,663	81,962,612
Total	191,011,663	81,962,612

30.2 Long-term payables

(1) Long-term payables by nature

RMB

Item	Closing balance	Opening balance
Transaction fees of mining right paid by installments	253,712,506	–
Finance lease payable	84,155,203	173,216,301
Others	4,076,613	1,683,289
Less: Transaction fees of mining right paid by installments due within one year	87,382,509	–
Finance lease payable due within one year	63,550,150	92,936,978
Total	191,011,663	81,962,612

As at 31 December 2019, finance lease payable amounted to RMB84,155,203 which were guaranteed by finance lease deposits of RMB15,000,000 (Note V, 1).

Finance lease payable is the balance of the minimum lease payments of the Group's fixed assets under finance lease less unrecognized finance costs. The future payment plan of finance lease payable is as follows:

RMB

	Closing balance	Opening balance
1st year subsequent to the balance sheet date	63,550,150	92,936,978
2nd year subsequent to the balance sheet date	23,258,673	63,550,150
3rd year subsequent to the balance sheet date	–	23,258,673
Total minimum lease payments	86,808,823	179,745,801
Unrecognized finance costs	2,653,620	6,529,500
Finance lease payable	84,155,203	173,216,301
Including: Finance lease payable due within one year	63,550,150	92,936,978
Finance lease payables due after one year	20,605,053	80,279,323

31. Long-term employee benefits payable

(1) Long-term employee benefits payable by nature

RMB

Item	Opening balance	Addition	Reduction	Closing balance
Compensation for retired staff *(Note 1)*	30,751,848	2,551,421	3,468,661	29,834,608
Early-retired employee benefits *(Note 2)*	34,353,338	271,065	3,706,501	30,917,902
Long-term employee incentives *(Note 3)*	153,734,094	107,735,367	89,712,382	171,757,079
Sub-total	218,839,280	110,557,853	96,887,544	232,509,589
Less: To be paid within one year	94,283,860			105,304,485
Total	124,555,420			127,205,104

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

Management determines the provision for employee benefits based on expected accumulated benefit unit method.

At the balance sheet date, the key assumptions for the calculation of Group's retired staff compensation payable are as follows:

Item	At the end of the period	At the beginning of the period
Discount rate	2.36%~3.75%	2.36%~3.75%
Salary/wage growth rate	10%	10%
Average life expectancy	77	77

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

Note 3: Long-term employee incentives: Long-term employee benefits represents three batches of three-year long-term incentive plan for core management. The amount of awards granted to the core management under this incentive plan is based on the virtual shares of the Company. (Note XI. (2))

32. Provisions

RMB

Item	Closing balance	Opening balance	Underlying reason
Provision for mine restoration	230,271,485	191,569,208	Mine restoration obligation
Provision for pending litigation	3,121,801	521,802	Expected compensation for pending litigation
Total	233,393,286	192,091,010	

33. Deferred income

RMB

Item	Opening balance	Addition	Reduction	Closing balance	Underlying reason
Government grants	317,140,694	19,097,236	34,838,164	301,399,766	Government grants related to assets

Items involving government grants:

RMB

Items of grant	Opening balance	Subsidies increased for the period	Amortization recognized in non-operating income	Amortization recognized in other income	Reduction in disposal of subsidiaries	Closing balance	Related to assets/ income
Cement kiln line infrastructure	243,410,176	18,597,099	177,600	21,755,499	1,171,131	238,903,045	Related to assets
Energy saving technological transformation	73,730,518	500,137	–	11,517,934	216,000	62,496,721	Related to assets
Total	317,140,694	19,097,236	177,600	33,273,433	1,387,131	301,399,766	

34. Share capital

Item	*RMB* Balance at 31 December 2020 and balance at 31 December 2019
Listed shares without restriction of trading	
A-share	1,361,879,855
B-share	734,720,000
Total share capital	2,096,599,855

35. Treasury shares

RMB

Item	Balance at 31 December 2018	Addition	Reduction	Balance at 31 December 2019
Treasury share used for equity-based incentive plan	–	610,051,971	–	610,051,971
Total	–	610,051,971	–	610,051,971

For the year ended 31 December 2020, the Company has accumulatively repurchased 22,689,338 shares and accumulatively paid RMB610,051,971 for the employee incentive plan.

36. Capital reserve

RMB

Item	Balance at 31 December 2019	Addition	Reduction	Balance at 31 December 2020
Share premium	1,811,326,903	–	–	1,811,326,903
Equity incentive	4,146,565	29,227,385	–	33,373,950
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	2,215,277	871,900	–	3,087,177
Total	1,913,438,767	30,099,285	–	1,943,538,052

37. Other comprehensive income

RMB

Item	Balance at 31 December 2019	Amount for the current period: Amounts incurred before income tax for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to the minority interest after tax	Closing balance
I. Other comprehensive income that cannot be reclassified to profit or loss	17,103,476	(4,455,106)	1,113,776	(3,341,330)	–	13,762,146
Including: Changes in fair value of other equity instrument investments	17,103,476	(4,455,106)	1,113,776	(3,341,330)	–	13,762,146
II. Other comprehensive income that will be reclassified to profit or loss	(34,519,688)	(355,814,384)	–	(254,535,221)	(101,279,163)	(289,054,909)
Including: Exchange differences on translation of financial statements denominated in foreign currencies	(34,519,688)	(355,814,384)	–	(254,535,221)	(101,279,163)	(289,054,909)
Total	(17,416,212)	(360,269,490)	1,113,776	(257,876,551)	(101,279,163)	(275,292,763)

38. Surplus reserve

RMB

Item	Closing balance and opening balance
Statutory surplus reserve	1,048,299,928
Discretionary surplus reserve	63,580,329
Total	1,111,880,257

In accordance with the "Company Law of the People's Republic of China" and Articles of Association of the Company, the Company makes provision for statutory surplus reserve at 10% of the net annual profit of the Company. When the accumulated amount of the Company's statutory surplus reserve reaches more than 50% of the registered capital, further appropriation is not required. The Company's accumulated amount of the Company's statutory surplus reserve reaches more than 50% of the registered capital, thus makes no provision for statutory surplus reserve in 2020 (2019: provision for statutory surplus reserve amounting to RMB159,194,595). Statutory surplus reserve can be used for offsetting losses or increasing share capital after approval.

The amount of provision for discretionary surplus reserve of the Company is proposed by the board of directors and approved by the shareholders meeting. Any discretionary surplus reserve can be used for offsetting losses of previous years or increasing share capital after approval. In the current year, the Company makes no discretionary surplus reserves (2019: Nil).

39. Retained profits

RMB

Item	Current year	Prior year
Opening balance of retained profits before adjustment	16,204,540,023	11,721,477,654
Changes in accounting policies	–	22,159,671
Adjusted opening balance of retained profits	16,204,540,023	11,743,637,325
Add: Net profit attributable to owners of the parent company in the current period	5,630,598,812	6,342,304,317
Less: Transfer to statutory surplus reserve	–	159,194,595
Ordinary share dividends payable *(Note)*	2,530,436,948	1,722,207,024
Closing balance of retained profits	19,304,701,887	16,204,540,023

Note: According to shareholders' meeting on 3 June 2020, the Company distributed a total of RMB2,530,436,948 of cash dividends to the whole shareholders.

40. Operating income and operating costs

(1) Operating income and operating costs

RMB

	Amount for the current period		Amount for the prior period	
Item	**Income**	**Costs**	**Income**	**Costs**
Principal operations	29,151,495,160	17,358,466,931	31,253,630,498	18,564,525,926
Other operations	205,020,531	81,764,829	185,584,102	60,780,295
Total	29,356,515,691	17,440,231,760	31,439,214,600	18,625,306,221

(2) Income from principal operations is presented by products:

Income from main operations is presented by products:

RMB

	Amount for the current period		Amount for the prior period	
Item	**Income**	**Costs**	**Income**	**Costs**
Sales of cement	23,632,070,676	14,012,683,630	26,472,168,851	15,459,145,372
Sales of concrete	1,879,572,334	1,352,602,357	1,810,661,745	1,388,339,846
Sales of clinker	1,312,805,606	902,627,538	787,174,626	551,188,596
Sales of aggregate	1,183,140,339	442,572,944	1,033,205,789	364,076,920
Others	1,143,906,205	647,980,462	1,150,419,487	801,775,192
Total	29,151,495,160	17,358,466,931	31,253,630,498	18,564,525,926

Income from other operations is presented by products:

RMB

	Amount for the current period		Amount for the prior period	
Item	**Income**	**Costs**	**Income**	**Costs**
Sales of materials	85,365,171	33,635,572	66,811,459	26,021,188
Rental income	18,342,979	6,088,659	18,993,194	8,086,999
Others	101,312,381	42,040,598	99,779,449	26,672,108
Total	205,020,531	81,764,829	185,584,102	60,780,295

(3) ***Significant performance obligation***

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

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

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

As at 31 December 2020, the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied was RMB830,492,042, which will be recognized in its entirety as revenue during the next year.

(5) ***External revenue by geographical area of source：***

RMB

	Amount for the current period	Amount for the prior period
China	27,555,709,343	29,901,542,015
Central Asia	1,215,963,422	851,193,003
Cambodia	513,508,171	686,479,582
Tanzania	71,334,755	–
Total	29,356,515,691	31,439,214,600

41. Taxes and levies

RMB

Item	Amount for the current period	Amount for the prior period
Resource tax	189,756,969	138,237,185
City maintenance and construction tax	75,539,756	89,734,180
Environmental protection tax	81,388,161	87,777,013
Educational surcharge	42,923,291	52,810,817
Land use tax	40,685,125	47,386,024
Property tax	28,521,057	37,389,093
Others	51,615,913	76,660,836
Total	510,430,272	529,995,148

42. Selling and distribution expenses

RMB

Item	Amount for the current period	Amount for the prior period
Consumption of materials	641,829,261	603,695,332
Transportation, carriage and handling labor expenses	595,029,706	586,330,193
Staff costs	375,034,320	440,147,383
Utilities expenses	81,427,135	80,121,077
Depreciation and amortization expenses	77,265,289	69,650,835
Repair expenses	40,610,435	65,510,351
Entertainment expenses	39,335,236	44,908,938
Traveling expenses	34,059,225	40,374,002
Rental expenses	10,544,582	17,440,193
Others	127,572,653	100,315,671
Total	2,022,707,842	2,048,493,975

43. General and administrative expenses

RMB

Item	Amount for the current period	Amount for the prior period
Staff costs	909,623,652	911,358,295
Depreciation and amortization expenses	167,694,797	122,147,250
Entertainment expenses	60,658,244	62,815,867
Traveling expenses	40,858,657	50,105,140
Office and meeting expenses	43,415,695	48,507,643
Outsourced labor expenses	39,672,040	36,929,280
Intermediary service expenses	96,846,072	59,917,803
Rental expenses	32,402,196	31,387,120
Utilities expenses	18,893,371	18,374,172
Property insurance expenses	13,636,775	12,677,920
Pollution expenses	16,452,209	23,361,124
Communication expenses	6,888,866	6,201,478
Group service charges	6,226,415	6,226,415
Others	151,431,528	168,478,201
Total	1,604,700,517	1,558,487,708

44. Financial expenses

RMB

Item	Amount for the current period	Amount for the prior period
Interest expenditure	236,075,150	295,855,589
Less: Capitalized interest	35,496,920	49,738,541
Interest expenses	200,578,230	246,117,048
Less: Interest income	63,827,091	62,443,270
Exchange losses	143,400,502	18,404,683
Others	25,553,868	6,076,260
Total	305,705,509	208,154,721

45. Other income

RMB

Item	2020	2019	Related to assets/income
Tax refunds from comprehensive utilization of resources	137,780,455	170,419,262	Related to income
Amortization of deferred income *(Note V, 33)*	33,273,433	31,305,694	Related to assets
Other government grants	68,330,061	39,791,487	Related to income
Total	239,383,949	241,516,443	

Other income recorded in non-recurring profit or loss amounted to RMB101,603,494 in the current year.

46. Investment income

RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under equity method	77,037,487	107,881,496
Income (losses) on disposal of long-term equity investments	36,754,077	(9,469,146)
Investment income of held-for-trading financial assets during the hold period	1,339,145	7,438,572
Dividend income of other equity instrument investments during the hold period	1,133,360	521,519
Dividend income of other non-current financial assets during the hold period	1,408,167	1,255,397
Interest income of debt investments during the hold period	900,000	900,000
Total	118,572,236	108,527,838

47. Gains from changes in fair value

RMB

Item	Amount for the current period	Amount for the prior period
Other non-current financial assets	(2,176,354)	5,296,455
Held-for-trading financial assets	4,581,752	–
Total	2,405,398	5,296,455

48. Impairment losses on credit

RMB

Item	Amount for the current period	Amount for the prior period
Impairment losses on credit for accounts receivable	11,049,002	16,977,257
Impairment losses on credit for other receivables	2,948,489	4,329,209
Total	13,997,491	21,306,466

49. Impairment losses on assets

RMB

Item	Amount for the current period	Amount for the prior period
I. Losses on decline in value of inventories	9,356,529	27,505,123
II. Impairment losses on fixed assets	59,466,857	137,195,710
III. Impairment losses on construction in progress	9,372,365	652,199
IV. Impairment losses on intangible assets	–	23,524,969
V. Impairment losses on goodwill	–	21,492,135
Total	78,195,751	210,370,136

50. Gains on disposal of assets

RMB

Item	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	14,013,082	167,264,182
(Losses) gains on disposal of intangible assets	–	21,590,404
Total	14,013,082	188,854,586

51. Non-operating income

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss for 2020
Gains on disposal of fixed assets	3,387,478	16,997,763	3,387,478
Government grants	289,064	3,846,295	289,064
Negative goodwill	–	3,823,563	–
Long-term unpaid payables	48,021,990	27,966,601	48,021,990
Others	13,569,284	23,339,384	13,569,284
Total	65,267,816	75,973,606	65,267,816

52. Non-operating expenses

RMB

Item	Amount for the current period	Amount for the prior period	Included in non-recurring profit or loss for 2020
Losses on retirement of fixed assets	26,413,678	39,301,583	26,413,678
Donations	28,893,355	16,654,180	28,893,355
Compensation losses	14,833,033	15,945,509	14,833,033
Others	30,424,237	31,923,025	30,424,237
Total	100,564,303	103,824,297	100,564,303

53. Income tax expenses

(1) Income tax expenses

RMB

Item	Amount for the current period	Amount for the prior period
Current tax expenses	1,407,809,653	1,744,172,954
Deferred tax expenses	82,242,453	(48,844,242)
Total	1,490,052,106	1,695,328,712

(2) Reconciliations of profits before tax and income tax expenses

RMB

Item	2020	2019
Profit before tax	7,663,645,289	8,716,122,114
Income tax expenses calculated at 25% of tax rate	1,915,911,322	2,179,030,529
Effect of preferential tax rates applicable to subsidiaries	(343,053,455)	(375,476,479)
Non-taxable income	(20,012,710)	(27,109,047)
Effect of non-deductible cost, expense and loss	17,661,184	46,315,394
Effect of utilizing deductible losses and deductible temporary differences not recognized for deferred tax assets for prior period	(130,836,559)	(147,787,955)
Effect of deductible temporary differences or deductible losses not recognized for deferred tax assets for the current period	70,159,199	46,867,537
Negative goodwill	–	(955,891)
Others	(19,776,875)	(25,555,376)
Income tax expenses	1,490,052,106	1,695,328,712

54. Notes to the items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB

Item	Amount for the current period	Amount for the prior period
Margin and deposits	54,431,205	53,623,226
Government subsidies	87,538,762	192,801,981
Interest income	63,827,091	62,443,270
Others	13,576,900	51,436,847
Total	219,373,958	360,305,324

(2) Other cash payments relating to operating activities

RMB

Item	Amount for the current period	Amount for the prior period
Travelling expenses	74,917,882	90,479,142
Margin and deposits, etc.	113,500,775	110,060,852
Pollution expenses	16,452,209	23,361,124
Entertainment expenses	99,993,480	107,724,805
Agency and other service charges	96,846,072	59,917,803
Low value consumables	59,779,746	63,891,066
Environmental maintenance expenses	44,975,210	49,016,921
Office and meeting expenses	43,415,695	48,507,643
Rental expenses	42,946,778	48,827,313
Property insurance expenses	13,636,775	12,677,920
Donations and other social responsibility expenses	57,681,606	55,111,644
Others	186,119,617	241,098,405
Total	850,265,845	910,674,638

(3) Other cash receipts relating to financing activities

RMB

Item	Amount for the current period	Amount for the prior period
Receipts of leaseback asset payments	–	137,900,000
Total	–	137,900,000

(4) Other cash payments relating to financing activities

RMB

Item	Amount for the current period	Amount for the prior period
Payments for repurchasing long-term incentive stocks	610,051,971	–
Repayments for principal and deposit of finance lease	92,936,980	74,306,814
Repayments of government borrowings	4,012,411	21,624,833
Repayments of cash advances to non-financial enterprises	–	46,650,000
Payments for the purchase of minority equity in previous years	–	44,983,690
Reduction in capital contributions from minority shareholders	–	16,200,000
Total	707,001,362	203,765,337

55. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	6,173,593,183	7,020,793,402
Add: Provision for impairment losses of assets	78,195,751	210,370,136
Allowance for credit impairment	13,997,491	21,306,466
Depreciation of fixed assets	1,579,377,786	1,540,472,996
Amortization of intangible assets	184,064,872	166,714,189
Amortization of long-term prepaid expenses	61,012,213	76,277,308
Amortization of deferred income	(33,451,033)	(31,749,882)
Gains on disposal of fixed assets, intangible assets and other long-term assets	(14,013,082)	(188,854,586)
Losses on retirement of fixed assets	23,026,200	22,303,820
Gains from changes in fair value	(2,405,398)	(5,296,455)
Financial expenses	200,578,230	246,117,048
Investment income	(118,572,236)	(108,527,838)
Negative goodwill	–	(3,823,563)
Decrease (increase) in deferred tax assets	97,540,904	(53,028,587)
(Decrease) increase in deferred tax liabilities	(15,298,451)	4,184,345
(Increase) decrease in inventories	(363,434,701)	110,360,027
Decrease (increase) in operating receivables	(198,626,001)	21,130,461
Increase in operating payables	739,887,032	630,436,578
Net cash flow from operating activities	8,405,472,760	9,679,185,865
2. Net changes in cash and cash equivalents:		
Closing balance of cash	8,420,246,369	4,918,296,452
Less: Opening balance of cash	4,918,296,452	5,236,222,134
Net increase/(decrease) in cash	3,501,949,917	(317,925,682)

(2) ***Net cash paid for acquisition of subsidiaries***

RMB

Item	Amount for the current period
Cash and cash equivalents paid for business combinations in the current period	654,895,782
Including: Maweni Limestone Limited	654,895,782
Less: Cash and cash equivalents of the subsidiaries at the acquisition date	5,606,521
Including: Maweni Limestone Limited	5,606,521
Add: Cash or cash equivalents paid for business combinations and acquisition of other operating entities in the prior period	35,401,470
Including: Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	28,301,470
Wanyuan Dabashan Cement Co., Ltd.	7,100,000
Net cash payments for acquisition of subsidiaries and other operating entities	684,690,731

(3) ***Net cash receipts from disposal of subsidiaries***

RMB

Item	Amount
Cash or cash equivalents received from disposal of subsidiaries in the period	210,000,000
Including: Hunan Huaxin Steel Cement Co., Ltd. and its subsidiaries	210,000,000
Less: Cash or cash equivalents held by subsidiaries on the date of loss of control	38,067,161
Including: Hunan Huaxin Steel Cement Co., Ltd. and its subsidiaries	38,067,161
Net cash receipts from disposal of subsidiaries	171,932,839

(4) ***Composition of cash and cash equivalents***

RMB

Item	Closing balance	Opening balance
I. Cash	8,420,246,369	4,918,296,452
Including: Cash on hand	620,098	518,847
Cash at bank without restriction	8,419,626,271	4,917,777,605
II. Closing balance of cash	8,420,246,369	4,918,296,452

56. Assets with limited ownership

RMB

Item	Closing balance	Opening balance
Cash and bank *(Note V, 1)*	221,366,478	189,217,971
Notes receivable *(Note V, 3)*	7,000,000	8,700,000
Financing with receivables *(Note V, 5)*	94,904,632	132,337,715
Fixed assets *(Note V, 13)*	5,896,890	208,437,226
Intangible assets *(Note V, 15)*	6,254,797	9,660,241
Total	335,422,797	548,353,153

In addition, the equity of certain subsidiaries of the Group is pledged to the bank for long-term borrowings (Note V, 28). As at 31 December 2020, the net book value of such equity amounted to approximately RMB4,526,129,297 (31 December 2019：approximately RMB4,904,996,818).

57. Foreign currency monetary items

(1) Foreign currency monetary items

RMB

Item	Closing balance of foreign currency	Exchange rate	RMB balance
Cash and bank balances			
Including: USD	177,727,736	6.5249	1,159,655,707
RMB	11,619,564	1.0000	11,619,564
EUR	55,802	8.0250	447,812
HKD	64,338	0.8418	54,161
Accounts receivable			
Including: USD	228,455	6.5249	1,490,643
RMB	19,430	1.0000	19,430
Other receivables			
Including: USD	360,005	6.5249	2,348,997
RMB	126,993	1.0000	126,993
HKD	14,026,770	0.8418	11,807,934
Non-current liabilities due within one year			
Including: USD	16,510,000	6.5249	107,726,099
DKK	670,000	1.0786	722,662
Long-term borrowings			
Including: USD	7,430,000	6.5249	48,480,007

(2) The Group's major operation is carried out inside China and majority of its transactions are denominated in RMB. Please refer to Note III (4) for the functional currency of the significant overseas subsidiaries of the Group.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combinations not involving enterprise under common control

(1) Business combinations not involving enterprise under common control

RMB

Name of the acquiree	Acquisition consideration	Proportion of equity interest acquired	Consideration settled/to be settled by	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of acquisition to the period-end	Net profit of the acquiree from the date of acquisition to the period-end
Maweni Limestone Ltd	149,528,257	100%	Cash	12 October 2020	Date of change in control	71,334,755	10,823,538

(2) Acquisition consideration and goodwill

RMB

Acquisition consideration	Maweni Limestone Ltd
– Cash	21,500,793
– Amounts expected to be paid *(Note)*	128,027,464
Total consideration	149,528,257
Less: Fair value of identifiable net asset acquired	149,528,257
Amount of acquisition consideration less than fair value of identifiable net assets	–

Note : As at 6 September 2019, the Group entered into an equity acquisition agreement with ARM Cement Plc (hereinafter referred to as "ARM"), MESSRS MUNIU THOITHI AND GEORGE WERU to acquire 100% equity interest of Maweni Limestone Ltd which is held by ARM and under trust of MESSRS MUNIU THOITHI AND GEORGE WERU, and is a creditor's right of ARM due from Maweni Limestone Ltd. The Group totally paid USD 116 million associated with the acquisition to the co-managed account of ARM and the Group, the residual amount of such payment after paying the third-party debts to Maweni Limestone Ltd will be used as consideration of equity and debts. For the year ended 31 December 2020, there is an amount of USD 36,180,132 (equivalent to RMB236,071,742) (Note V, 9) which have not been paid yet in the co-managed account. The Group's management estimates and reasonably considers that after deducting the amount due to the third party, the amount which shall be paid to the original shareholder ARM is USD 18,799,645 (equivalent to RMB128,027,464).

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

RMB

Item	Maweni Limestone Ltd Fair value on the acquisition date	Maweni Limestone Ltd Carrying amount on the acquisition date
Assets:		
Cash and bank balances	5,606,521	5,606,521
Prepayments	15,067,102	15,067,102
Other receivables	198,005	198,005
Inventories	14,566,184	14,566,184
Fixed assets	642,952,008	1,243,094,672
Construction in progress	15,613,419	15,613,419
Deferred tax assets	180,042,799	–
Liabilities:		
Short-term borrowings	406,130	406,130
Accounts payable	58,142,716	58,142,716
Contract liabilities	2,428,642	2,428,642
Employee benefits payable	1,876,512	1,876,512
Taxes payable	131,567,241	131,567,241
Other payables	530,096,540	1,695,656,783
Net Asset	149,528,257	(595,932,121)
Less: Minority interests	–	–
Net asset acquired	149,528,257	(595,932,121)

The Group engaged a third-party expert to determine fair value of assets and liabilities of Maweni Limestone Ltd at the date of acquisition. The discrepancy between carrying amount and fair value of other payables at the date of acquisition is mainly because of the impact that the Group has remitted part of the debts due to the original shareholder ARM during the acquisition.

2. Disposal of subsidiary

As at 26 August 2020, the Group entered into an equity transfer agreement with Hunan Fanyi Environmental Protection Technology Co., Ltd. to sell 60% equity interest of Hunan Huaxin Xianggang Cement Co., Ltd. totally held by the Group at a consideration of RMB210,000,000. Hunan Huaxin Xianggang Cement Co., Ltd. and its subsidiary Hunan Huaxiang Environmental Protection Development Co., Ltd. will no longer included in the consolidation scope. Gains from disposal of RMB37,521,174 are recognized in investment income.

VII. EQUITY INTERESTS IN OTHER ENTITIES

1. Equity interests in subsidiaries

(1) Components of the Group

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Proportion of ownership interest (%) Indirectly	Acquisition method
Huangshi Huaxin Green Building Materials Co., Ltd. *(Note 3)*	Huangshi	Huangshi	Production and sale of aggregate	60	0	Set up
Maweni limestone limited *(Note 3)*	Tanzania	Tanzania	Production and sale of cement	0	100	Business combination
Huaxin Concrete (Huanggang) Co., Ltd. *(Note 3)*	Huanggang	Huanggang	Production and sale of cement	0	100	Set up
Huaxin Concrete (Macheng) Co., Ltd. *(Note 3)*	Macheng	Macheng	Production and sale of cement	0	100	Set up
Chongqing Huaxin Renewable Resource Utilization Co., Ltd. *(Note 3)*	Chongqing	Chongqing	Industrial solid wastes	0	100	Set up
Huaxin Environmental Engineering (Hefeng) Co., Ltd. *(Note 3)*	Hefeng	Hefeng	Environmental design and construction and waste disposal	0	100	Set up
Huaxin New Building Materials (Luonan) Co., Ltd. *(Note 3)*	Luonan	Luonan	Production and sale of new materials	0	55	Set up
Cambodia Concrete Chakrey Ting Co., Ltd. *(Note 3)*	Cambodia	Cambodia	Production and sale of cement	0	100	Set up
Changzhou Huaxin Concrete Co., Ltd. *(Note 3)*	Changzhou	Changzhou	Production and sale of cement	0	100	Set up
Huaxin Cement International Finance Company Limited. *(Note 3)*	Hong Kong	Hong Kong	Investment	0	100	Set up
Huaxin New Building Materials (Kunming) Co., Ltd. *(Note 3)*	Kunming	Kunming	Production and sale of new materials	0	100	Set up
Huaxin (Hainan) Investment Co., Ltd. *(Note 3)*	Haikou	Haikou	Investment	60	40	Set up
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	100	0	Set up
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement	100	0	Set up
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of cement	100	0	Set up
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	100	0	Set up
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	67	33	Set up
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Production and sale of cement	60	40	Set up
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sale of cement	79	0	Set up
Huaxin Cement (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	100	0	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Xiantao) Co., Ltd.	Xiantao	Xiantao	Production and sale of cement	80	0	Set up
Huaxin Cement (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sale of cement	100	0	Set up
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	100	0	Set up
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of cement	100	0	Set up
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sale of cement	100	0	Set up
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sale of cement	51	0	Business combination
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100	0	Set up
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sale of cement	100	0	Set up
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of cement	100	0	Set up
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sale of cement	100	0	Set up
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sale of cement	51	0	Business combination
Huaxin Cement (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of cement	100	0	Business combination
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	100	0	Set up
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sale of cement	100	0	Set up
Huaxin Cement (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of cement	100	0	Business combination
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sale of cement	70	0	Business combination
Huaxin Cement (Danjiangkou) Co., Ltd.	Danjiangkou	Danjiangkou	Production and sale of cement	0	70	Business combination
Huaxin Cement (Lengshuijiang) Co., Ltd.	Lengshuijiang	Lengshuijiang	Production and sale of cement	90	0	Set up
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sale of cement	69	0	Business combination
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sale of cement	80	0	Business combination
Huaxin Yovon Cement LLC	Tajikistan	Tajikistan	Production and sale of cement	0	75	Set up
Huaxin Gayur (Sogd) Cement Co., Ltd.	Tajikistan	Tajikistan	Production and sale of cement	0	95	Set up
Huaxin Gayur Logistics Co., Ltd.	Tajikistan	Tajikistan	Loading and unloading, warehousing and other services	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sale of cement	0	100	Business combination
Huaxin Cement (Yunlong) Co., Ltd.	Yunlong	Yunlong	Production and sale of cement	0	100	Business combination
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sale of cement	0	100	Business combination
Panzhihua Huaxin Cement Co., Ltd.	Panzhihua	Panzhihua	Production and sale of cement	0	100	Business combination
Kunming Chongde Cement Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Yunnan State-owned Cement Kunming Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	80	0	Business combination
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	97.27	0	Business combination
Chongqing Huaxin Shentian Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	0	Business combination
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	0	100	Business combination
Guizhou Shuicheng Shui On Cement Co., Ltd.	Guizhou	Guizhou	Production and sale of cement	0	70	Business combination
Huaxin Narayani Cement Co., Ltd.	Narayani	Narayani	Production and sale of cement	100	0	Set up
Huaxin Cement (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of cement	80	14	Set up
Wuhan Wugang Huaxin Cement Co., Ltd. *(Note 1)*	Wuhan	Wuhan	Production and sale of cement and scoria	50	0	Set up
Huaxin Concrete (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	100	0	Set up
Huaxin Concrete (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of cement	0	100	Set up
Huaxin Concrete (Jingmen) Co., Ltd.	Jingmen	Jingmen	Production and sale of cement	0	100	Business combination
Xinyang Huaxin Concrete Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	0	100	Set up
Tibet Huaxin Construction Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	0	56.4297	Set up
Jiujiang Huaxin Concrete Co., Ltd.	Jiujiang	Jiujiang	Production and sale of cement	0	100	Set up
Jiujiang Rongda Energy Saving And Environmental Protection Building Materials Co., Ltd.	Jiujiang	Jiujiang	Production and sale of cement	0	100	Set up
Huaxin Concrete (Xiaogan) Co., Ltd.	Xiaogan	Xiaogan	Production and sale of cement	0	100	Set up
Huaxin Concrete Xiangyang Fancheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	0	100	Set up
Huaxin Building Materials Xiangyang Xiangcheng District Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	0	100	Set up
Huaxin Concrete (Xiangyang Nanzhang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	0	100	Business combination

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Zaoyang Huaxin Concrete Co., Ltd.	Zaoyang	Zaoyang	Production and sale of cement	0	84.41	Business combination
Huaxin Concrete (Yueyang) Co., Ltd.	Yueyang	Yueyang	Production and sale of cement	0	100	Set up
Huaxin Concrete (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	0	100	Set up
Hubei Zhushen Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of cement	0	84.41	Business combination
Huaxin Concrete (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	0	100	Set up
Huaxin Concrete (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of cement	0	100	Set up
Huaxin Concrete (Jianli) Co., Ltd.	Jianli	Jianli	Production and sale of cement	0	100	Set up
Huaxin Concrete (Jingzhou) Co., Ltd.	Jingzhou	Jingzhou	Production and sale of cement	0	100	Business combination
Huaxin Concrete (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sale of cement	0	51	Business combination
Huaxin Concrete (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	0	100	Set up
Huaxin Concrete (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of cement	0	100	Set up
Huaxin Concrete (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	84.41	0	Business combination
Huaxin Concrete Xiangyang Economic and Technological Development Zone Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	0	84.41	Business combination
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	0	Business combination
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	0	Business combination
Huaxin Concrete Yangxin New Material Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	0	100	Set up
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	100	0	Set up
Huaxin Environment Engineering (Huangshi) Co., Ltd.	Huangshi	Huangshi	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Xinyang) Co., Ltd.	Xinyang	Xinyang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Fengjie) Co., Ltd.	Fengjie	Fengjie	Environmental design and construction and waste disposal	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Environment Engineering (Nanzhang) Co., Ltd.	Nanzhang	Nanzhang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhuha) Co., Ltd.	Zhuhai	Zhuhai	Environmental design and construction and waste disposal	0	80	Set up
Huaxin Environment Engineering (Fangxian) Co., Ltd.	Fangxian	Fangxian	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (E'zhou) Co., Ltd.	Ezhou	Ezhou	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yingcheng) Co., Ltd.	Yingcheng	Yingcheng	Environmental design and construction and waste disposal	0	100	Set up
Enping Huaxin Environment Engineering Co., Ltd.	Enping	Enping	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zigui) Co., Ltd.	Zigui	Zigui	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Youxian) Co., Ltd.	Youxian	Youxian	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Daye) Co., Ltd.	Daye	Daye	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Loudi) Co., Ltd.	Loudi	Loudi	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yunyang) Co., Ltd.	Yunyang	Yunyang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Shiyan) Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	0	100	Business combination
Wuhan Dragon Mouth Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yidu) Co., Ltd.	Yidu	Yidu	Environmental design and construction and waste disposal	0	100	Set up
Chongqing Fulin Huaxin Environment Engineering Co., Ltd.	Chongqing	Chongqing	Environmental design and construction and waste disposal	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Environment Engineering (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Lijiang) Co., Ltd.	Lijiang	Lijiang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environment Engineering (Yichang) Co., Ltd.	Yichang	Yichang	Environmental design and construction and waste disposal	100	0	Set up
Huaxin Environment (Shiyan) Renewable Resources Utilization Co., Ltd.	Shiyan	Shiyan	Environmental design and construction and waste disposal	0	100	Set up
Zhuzhou Huaxin Environmental Hazardous Waste Disposal Co., Ltd.	Zhuzhou	Zhuzhou	Environmental design and construction and waste disposal	0	80	Set up
Huaxin Environment (Yangxin) Renewable Resources Utilization Co., Ltd.	Yangxin	Yangxin	Environmental design and construction and waste disposal	0	100	Set up
Huaxin (Nanzhang) Renewable Resources Utilization Co., Ltd.	Nanzhang	Nanzhang	Industrial solid waste, hazardous waste disposal and recycling	0	100	Set up
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of aggregate	0	100	Set up
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of aggregate	0	100	Set up
Huaxin New Building Materials Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	100	0	Set up
Chongqing Huaxin New Building Materials Co., Ltd.	Chongqing	Chongqing	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Wuhan) Co., Ltd.	Wuhan	Wuhan	Production and sale of new materials	0	60	Set up
Huaxin New Building Materials (Changyang) Co., Ltd.	Changyang	Changyang	Production and sale of new materials	0	100	Set up
Huaxin New Building Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	0	65	Set up
Huangshi Huaxin New Packaging Co., Ltd.	Huangshi	Huangshi	Production, sale of cement packaging bags	100	0	Set up
Huaxin Packaging (Chibi) Co., Ltd.	Chibi	Chibi	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Yidu) Co., Ltd	Yidu	Yidu	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (E'zhou) Co., Ltd	Ezhou	Ezhou	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Zhuzhou) Co., Ltd	Zhuzhou	Zhuzhou	Production, sale of cement packaging bags	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Packaging (Nanzhang) Co., Ltd	Nanzhang	Nanzhang	Production, sale of cement packaging bags	0	100	Set up
Huaxin Packaging (Quxian) Co., Ltd	Quxian	Quxian	Production, sale of cement packaging bags	0	100	Set up
Cambodia Zoretta Packaging Co., Ltd.	Cambodia	Cambodia	Production, sale of cement packaging bags	0	68	Set up
Huaxin Cement (Huangshi) Bulk Storage And Transportation Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	0	Set up
Xiangyang Huaxin Logistics Co., Ltd.	Xiangyang	Xiangyang	Loading and unloading, warehousing and other services	0	100	Set up
Kunming Huaxin Logistics Co., Ltd.	Kunming	Kunming	Loading and unloading, warehousing and other services	0	100	Business combination
Chongqing Huaxin Logistics Co., Ltd.	Chongqing	Chongqing	Loading and unloading, warehousing and other services	0	90.0166	Business combination
Huaxin Logistics (Zigui) Co., Ltd.	Zigui	Zigui	Loading and unloading, warehousing and other services	0	100	Set up
Zhuzhou Huaxin Logistics Co., Ltd.	Zhuzhou	Zhuzhou	Loading and unloading, warehousing and other services	0	100	Set up
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin Concrete Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin Aggregate Co., Ltd.	Wuhan	Wuhan	Investment	100	0	Set up
Huaxin (Hong Kong) International Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment	100	0	Set up
Success Eagle Cement (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Investment	65	0	Business combination
Huaxin Hong Kong (Cambodia) Investment Co., Ltd.	Hong Kong	Hong Kong	Investment	0	100	Set up
Huaxin Hong Kong (Central Asia)Investment Co., Ltd. *(Note 2)*	Hong Kong	Hong Kong	Investment	0	51	Set up
Huaxin Narayani Investment(Shanghai) Co., Ltd.	Shanghai	Shanghai	Investment	100	0	Set up
Yunnan Huaxin building materials Investment Co., Ltd.	Kunming	Kunming	Investment	100	0	Business combination
Somerset Mauritius Investment Co., Ltd.	Mauritius	Mauritius	Investment	100	0	Business combination
Huangshi Huaxin Cement Scientific Research and Design Co., Ltd.	Huangshi	Huangshi	Building materials engineering design, etc.	99	0	Set up
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100	0	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Hunan Huaxiang Environmental Industry Development Co., Ltd.	Xiangtan	Xiangtan	Production and sale of mineral powder	0	60	Set up
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	0	100	Set up
Huaxin Equipment Engineering Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools	100	0	Set up
Huaxin Xincai Landscape Engineering (Wuhan) Co., Ltd.	Wuhan	Wuhan	Building materials wholesale, construction consulting	0	100	Set up
Nanzhang Huaxin Xinrui Hotel Management Co., Ltd.	Nanzhang	Nanzhang	Accommodation services	0	99	Set up
Huaxin Cement Dzizak Co., Ltd.	Uzbekistan	Uzbekistan	Production and sale of cement	0	100	Set up
Huaxin Concrete (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement	0	100	Set up
Wuhan South Taizihu Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Environmental Engineering (Badong) Co., Ltd.	Badong	Badong	Environmental design and construction and waste disposal	0	100	Set up
Shannan Huaxin Environmental Engineering Co., Ltd.	Shannan	Shannan	Environmental design and construction and waste disposal	0	100	Set up
Wuhan Changshankou Huaxin Environmental Engineering Co., Ltd.	Wuhan	Wuhan	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Aggregate (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of aggregate	0	70	Set up
Huaxin Hongkong Tanzania Co., Ltd.	Hong Kong	Hong Kong	Investment	0	100	Set up
Wuhan Huaxin Changshankou Logistics Co., Ltd.	Wuhan	Wuhan	Loading and unloading, warehousing and other services	0	100	Set up
Huaxin (Huangshi) Logistics Co., Ltd.	Huangshi	Huangshi	Loading and unloading, warehousing and other services	100	0	Set up
Huaxin New Building Materials Xiangyang Co., Ltd.	Xiangyang	Xiangyang	Production and sale of new materials	0	100	Set up
Huaxin Seepage-proofing and Energy-saving Special New Materials (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of new materials	0	86	Set up
Huaxin Concrete (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	0	100	Set up

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd.	Lijiang	Lijiang	Production and sale of new materials	0	70	Set up
Huaxin Aggregate Xiangyang Co., Ltd.	Nanzhang	Nanzhang	Production and sale of aggregate	0	100	Set up
Huaxin Environmental Engineering (Yunnan) Co., Ltd	Kunming	Kunming	Environmental design and construction and waste disposal	0	100	Set up
Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd.	Huangshi	Huangshi	Production and sale of new materials	0	100	Set up
HX International (Tanzania) Limited.	Tanzania	Tanzania	Investment	0	100	Set up
NETNIX LIMITED	Cyprus	Cyprus	Investment	0	100	Business combination
Yuzhno-Kyrgyzskyi Cement CJSC	Kyrgyzstan	Kyrgyzstan	Production and sale of cement	0	100	Business combination
Stone Group LLC	Kyrgyzstan	Kyrgyzstan	Management and staff dispatch services	0	100	Business combination
Power Assets LLC	Kyrgyzstan	Kyrgyzstan	Land and house lease services	0	100	Business combination
Yunwei Baoshan Organic Chemical Co., Ltd.	Baoshan	Baoshan	Production and sale of cement	0	80	Business combination
Huaxin Cement (Songming) Co., Ltd.	Songming	Songming	Production and sale of cement	0	100	Set up
Huaxin Environmental Engineering (Changyang) Co., Ltd.	Changyang	Changyang	Environmental design and construction and waste disposal	0	100	Set up
Huaxin (Changyang) Renewable Resource Utilization Co., Ltd.	Changyang	Changyang	Industrial solid wastes	0	100	Set up
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sale of cement	70	0	Business combination
Huaxin Cement (E'zhou) Co., Ltd.	Ezhou	Ezhou	Production and sale of cement	70	0	Business combination
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sale of cement	0	65.07	Business combination
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sale of cement	0	68	Business combination
Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of cement	0	100	Business combination
Yunnan Huaxin Dongjun Co., Ltd.	Kunming	Kunming	Production and sale of cement	0	100	Business combination
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sale of cement	0	100	Business combination
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination
Huaxin Cement (Chuxiong) Co., Ltd.	Chuxiong	Chuxiong	Production and sale of cement	0	100	Business combination
Hekou County Honghe Cement Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination
Yanshan County Yuanda Honghe Co., Ltd.	Honghe	Honghe	Production and sale of cement	0	100	Business combination

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Directly	Indirectly	Acquisition method
Huaxin Cement (Suizhou) Co., Ltd.	Suizhou	Suizhou	Production and sale of cement	60	0	Business combination
Huaxin Cement (Sangzhi) Co., Ltd.	Sangzhi	Sangzhi	Production and sale of cement	80	0	Set up

Note 1: Wuhan Wugang Huaxin Cement Co., Ltd. is included in the scope of consolidation since the Group has the right to govern its operation decision making.

Note 2: The Group effectively holds 51% equity interest of Huaxin Hong Kong (Central Asia) Investment Co., Ltd.. The approval mechanism of the board of directors of Huaxin Hong Kong (Central Asia) Investment Co., Ltd. is simple majority, and the Group is eligible to assign three out of the five directors. Hence, the Group obtains control of Huaxin Hong Kong (Central Asia) Investment Co., Ltd..

Note 3: These companies are established or acquired by the Group in 2020, and are included in the scope since 2020.

(2) *Significant non-wholly subsidiaries*

RMB

Subsidiaries	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Closing balance of minority interest
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	49.00%	58,588,035	84,142,594	327,078,268
Cambodia Cement Charkrey Ting Factory Co., Ltd.	32.00%	9,131,734	–	279,810,471
Huaxin Cement (Daye) Co., Ltd.	30.00%	37,350,881	24,000,000	211,559,705
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49.00%	86,868,813	90,473,606	210,399,585
Huaxin Cement (Tibet) Co., Ltd.	21.00%	82,683,339	63,000,000	207,791,362

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

RMB

Subsidiaries	Closing balance						Opening balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	207,532,325	730,317,128	937,849,453	295,648,501	93,283,897	388,932,398	258,399,432	975,025,764	1,233,425,196	442,324,003	199,749,995	642,073,998
Cambodian Cement Charkrey Ting Factory Co., Ltd.	422,874,468	682,474,348	1,105,348,816	121,479,377	109,461,716	230,941,093	303,439,896	792,998,853	1,096,438,749	118,263,631	132,304,066	250,567,697
Huaxin Cement (Daye) Co., Ltd.	479,269,499	452,929,272	932,198,771	206,517,942	20,481,810	226,999,752	359,678,403	482,462,381	842,140,784	160,235,029	21,209,677	181,444,706
Huaxin Hongta Cement (Jinghong) Co., Ltd.	210,695,237	349,301,834	559,997,071	124,121,015	6,489,148	130,610,163	206,590,121	354,973,429	561,563,550	117,772,313	7,047,609	124,819,922
Huaxin Cement (Tibet) Co., Ltd.	545,698,696	992,800,571	1,538,499,267	412,211,505	176,226,162	588,437,667	455,473,107	1,039,323,642	1,494,796,749	396,530,609	240,821,221	637,351,830

RMB

Subsidiaries	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Huaxin Hong Kong (Central Asia) Investment Co., Ltd.	855,278,792	213,684,099	79,537,210	351,253,662	849,347,632	239,833,541	234,610,488	446,728,565
Cambodian Cement Charkrey Ting Factory Co., Ltd.	586,349,404	88,847,570	28,536,670	180,317,151	686,479,582	150,205,318	163,127,816	175,578,830
Huaxin Cement (Daye) Co., Ltd.	734,842,960	124,502,937	124,502,937	239,163,936	829,570,335	156,699,659	156,699,659	204,715,200
Huaxin Hongta Cement (Jinghong) Co., Ltd.	577,536,237	177,283,292	177,283,292	212,526,592	637,752,058	205,155,569	205,155,569	280,833,197
Huaxin Cement (Tibet) Co., Ltd.	1,435,017,145	394,423,378	394,423,378	476,122,534	1,369,670,670	379,874,968	379,874,968	572,060,531

2. Equity interests in joint ventures or associates

(1) Significant associates

Associate	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%) Direct	Indirect	Accounting treatment for investment in associate
Tibet High-tech Building Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	43	0	Equity method

(2) Key financial information of significant associates

RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the prior period
	Tibet High-tech Building Materials Co., Ltd.	**Tibet High-tech Building Materials Co., Ltd.**
Current Assets	709,248,857	476,474,203
Non-current Assets	877,725,350	935,092,069
Total Assets	1,586,974,207	1,411,566,272
Current Liabilities	347,374,337	333,191,184
Non-current Liabilities	270,793,670	300,626,941
Total Liabilities	618,168,007	633,818,125
Minority interests	125,346,036	95,229,778
Equity interest attributable to the shareholders of the parent Company	843,460,164	682,518,369
Share of net assets calculated based on the proportion of shareholding	362,687,871	293,482,899
Adjustment – Unrealized profits from internal transactions	(6,408,339)	(6,408,339)
Carrying amount of equity investments in associates	356,279,532	287,074,560
Operating income	1,075,707,112	1,048,004,677
Net profit	158,914,122	253,612,930
Total comprehensive income	158,914,122	253,612,930
Dividends received from associates in the current year	–	165,550,000

(3) Summarized financial information of insignificant joint ventures or associates

RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the current period
Associates		
Gross carrying amount of investments	95,209,844	104,317,669
Total amounts calculated based on proportion of ownership interest:		
– Net profit	(1,087,410)	(1,172,063)
– Total comprehensive income	(1,087,410)	(1,172,063)
Joint ventures		
Gross carrying amount of investments	60,791,825	22,698,530
Total amounts calculated based on proportion of ownership interest:		
– Net profit	9,791,825	–
– Total comprehensive income	9,791,825	–

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

RMB

	Closing balance	Opening balance
Financial assets		
Measured at FVTPL		
Held-for-trading financial assets	1,004,581,752	–
Other non-current financial assets	32,827,254	35,003,608
Measured at FVTOCI		
Financing with receivables	1,020,306,419	1,308,788,934
Other equity instrument investments	33,774,995	38,230,101
Measured at amortized cost		
Notes receivable	79,939,117	97,734,290
Accounts receivable	653,219,779	561,894,121
Other receivables	375,253,958	485,987,186
Debt investments	7,500,000	7,500,000
Long-term receivables	29,141,216	29,148,833
Financial liabilities		
Measured at amortized cost		
Short-term borrowings	625,000,000	197,000,000
Notes payable	472,696,537	191,505,647
Accounts payable	5,297,633,770	5,120,908,908
Other payables	786,246,239	679,448,864
Non-current liabilities due within one year	1,874,484,159	769,685,711
Long-term borrowings	3,504,279,973	2,039,543,196
Bonds payable	1,943,763,447	1,198,058,176
Long-term payables	191,011,663	81,962,612

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the followings are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

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

1.1 *Market risk*

1.1.1. Currency risk

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

The finance department of the headquarter of the Group monitors the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, to minimize the foreign exchange risks; therefore, the Group is likely to avoid currency risks by signing forward foreign exchange contracts or currency swaps. During 2020 and 2019, the Group did not enter into any forward foreign exchange contracts or currency swaps.

As at 31 December 2020 and 2019, for companies of the Group whose functional currency is not USD, the financial assets and financial liabilities denominated in USD are translated into RMB as follows:

RMB

	Closing balance	Opening balance
Cash and bank balances	1,159,655,707	410,154,431
Accounts receivable	–	27,912,731
Other receivables	–	175,050,305
Accounts payable	1,490,643	33,371,085
Other payables	2,348,997	1,244,990
Borrowings	156,206,106	347,465,733

Sensitivity analysis on currency risk

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

RMB

		Current period		Prior period	
Item	**Change in exchange rate**	**Effect on profit before tax**	**Effect on shareholders' equity**	**Effect on profit before tax**	**Effect on shareholders' equity**
USD	5% up	49,980,498	37,170,197	11,551,783	9,328,488
USD	5% down	(49,980,498)	(37,170,197)	(11,551,783)	(9,328,488)

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

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. As at 31 December 2020, the balance of the Group's long-term borrowings at variable rate was RMB4,107,824,221 (31 December 2019: RMB2,038,842,443) (please refer to Note V, 28 for details). Financial liabilities with variable rates expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The finance department of the headquarter of the Group continues to monitor the Group's interest rate level. Increase in interest rates will increase the costs of new interest-bearing liabilities and the interest expenses with respect to the Group's outstanding variable rate liabilities, and therefore have a material adverse effect on the Group's financial results. The management will make adjustments which are likely to mitigate interest rate risks through interest rate swaps in accordance with the latest market conditions. During 2020 and 2019, the Group did not enter into any interest rate swap agreements.

The sensitivity analysis on interest rate risk

As at 31 December 2020, where all other variables are held constant, the variable interest rate had been 100 basis points higher or lower, the effect on the pre-tax profit and shareholders' equity is set out as below:

RMB

	Current period		**Prior period**	
Change in interest rate	**Effect on profit before tax**	**Effect on shareholders' equity**	**Effect on profit before tax**	**Effect on shareholders' equity**
Benchmark interest rate increased by 1%	(41,078,242)	(30,808,682)	(20,388,424)	(15,291,318)
Benchmark interest rate reduced by 1%	41,078,242	30,808,682	20,388,424	15,291,318

1.1.3. *Other price risk*

The Group's investments classified as other equity investments and other non-current financial assets are measured at fair value at each balance sheet date. As at 31 December 2020, the other equity investments and other non-current financial assets held by the Group were not significant, therefore, the risk level of changes in the securities market the Group exposed to was not significant.

1.2 *Credit risk*

As 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure to discharge an obligation by the counterparties, which specifically includes cash and bank balances (Note V(1)), notes receivable (Note V(3)), accounts receivable (Note V(4)), financing with receivables (Note V(5)), other receivables (Note V(7)), long-term receivables and debt investments, etc. At the balance sheet date, the carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

The Group's risk exposure is distributed in many different regions and involves a number of customers, therefore, the Group does not have significant concentration of credit risks. As at 31 December 2020, the balance of amounts due from the Group's top five customers is amounted to RMB111,267,028 (31 December 2019: RMB118,781,603), representing 14% (31 December 2019: 17%) of the balance of the Group's accounts receivable. In addition, the Group does not have other credit risk exposure concentrated on a single financial asset or a portfolio of financial assets sharing similar characteristics.

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

RMB

		12-month or lifetime ECL	
Item	*Note*	**Category**	**Account balance**
Financial assets at amortized cost			
– Cash and bank balances	*Note V(1)*	12-month ECL	8,641,612,847
– Notes receivable	*Note V(3)*	12-month ECL	79,939,117
– Accounts receivable	*Note V(4)*	Lifetime ECL (not credit-impaired)	687,822,992
		Lifetime ECL (credit-impaired)	113,760,104
		Sub-total	801,583,096
– Other receivables	*Note V(7)*	12-month ECL	346,703,297
		Lifetime ECL (credit-impaired)	128,876,031
		Sub-total	475,579,328
– Long-term receivables		Lifetime ECL (not credit-impaired)	29,141,216
– Debt investments		Lifetime ECL (not credit-impaired)	7,500,000
		Lifetime ECL (credit-impaired)	2,000,000
Financial assets at FVTOCI			
– Financing with receivables	*Note V(5)*	12-month ECL	1,020,306,419

The Group manages credit risks by portfolios, which mainly refer to accounts receivable.

The Group's bank deposits are mainly deposited in banks with high credit rating. The Group believes that there is lower credit risk and there will be no significant losses due to the default of the counterparties.

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

For other receivables, most of them are security fund, deposits, deposits for transactions and petty cash for employees, etc. The Group believes that the credit risk is low and there will be no significant losses due to the default of the counterparties. For loans and advances, the Group has made appropriate provision for expected credit losses based on the repayment abilities and willingness of the counterparties.

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

1.3. ***Liquidity risk***

Each subsidiary within the Group is responsible for its own cash flow forecast. Based on the cash flow forecasts of each subsidiary, the finance department of the headquarter of the Group continuously monitors the short-term and long-term capital demands at the Group level to ensure the maintenance of sufficient cash reserves. At the same time, it continuously monitors compliance with the provisions of the loan agreement and acquires the loan commitment from the major financial institutes to meet short-term and long-term capital demands.

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

RMB

	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Non derivatives financial liabilities					
Short-term borrowings	633,808,230	–	–	–	633,808,230
Notes payable	472,696,537	–	–	–	472,696,537
Accounts payable	5,297,633,770	–	–	–	5,297,633,770
Other payables	786,246,239	–	–	–	786,246,239
Long-term borrowings	665,194,785	602,057,183	2,543,763,984	679,754,911	4,490,770,863
Bonds payable	1,279,907,714	44,402,850	2,087,617,312	–	3,411,927,876
Long-term payables	150,932,659	114,734,059	88,106,800	7,336,800	361,110,318
Total	9,286,419,934	761,194,092	4,719,488,096	687,091,711	15,454,193,833

IX. DISCLOSURE OF FAIR VALUE

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

RMB

	Closing balance			
Item	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	32,827,254	1,004,581,752	–	1,037,409,006
1. Held-for-trading financial assets		1,004,581,752	–	1,004,581,752
(1) Money market fund		1,004,581,752	–	1,004,581,752
2. Other non-current financial assets	32,827,254	–	–	32,827,254
(1) Equity instrument investments	32,827,254	–	–	32,827,254
(II) Financing with receivables	–	–	1,020,306,419	1,020,306,419
(III) Other equity instrument investments	–	–	33,774,995	33,774,995
Total assets continuously measured at fair value	32,827,254	1,004,581,752	1,054,081,414	2,091,490,420

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

The market prices of the above items measured at Level 1 fair value are determined based on the closing price of stock on 31 December 2020.

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

The fair value of the aforesaid money market fund is determined based on its transaction price in the near term.

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

For fair value of the above other equity investment, the Group refers to the price-to-book ratio of the listed controlling shareholder of the investee and considers a discount for lack of marketability for valuation.

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

RMB

Item	1 January 2020	Total losses for the period: Included in other comprehensive income	31 December 2020	Changes in unrealized gains or losses included in profit or loss in respect of the assets held at the end of the reporting period
Financial assets measured at fair value through other comprehensive income – Other equity instrument investments	38,230,101	(4,455,106)	33,774,995	–

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

The Group's financial assets and liabilities not measured at fair value mainly include: cash and bank balances, accounts receivable, notes receivable, other receivables, debt investments, long-term receivables, bank borrowings, accounts payable, bonds payable, other financial liabilities, etc. As at 31 December 2020, there is no significant difference between the carrying amount and the fair value of the Group's financial assets and financial liabilities.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

Name	Place of registration	Nature of business	Registered capital	Proportion of shareholdings in the Company	Proportion of voting rights in the Company
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	100,000 Euros	39.85%	41.84%
Huaxin Group Co., Ltd.	Huangshi City, Hubei Province	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of service etc.	RMB340,000,000	16.01%	16.01%

Holchin B.V. is the Company's largest shareholder and its ultimate holding shareholder is Lafarge Holcim Ltd. Holpac Limited, the person acting in concert of Holchin B.V., holds 1.99% equity of the Company. Therefore, Holchin B.V. maintains 41.84% voting rights of the company.

2. The Company's subsidiaries

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

3. The Company's associates

See Note VII for details of the Company's significant associates.

4. Other related parties

Other related parties	Relationship with the Company
LafargeHolcim Energy Solutions S.A.S.	Controlled by Lafarge Holcim Ltd.
Lafarge Holcim Construction Material (China) Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Chongqing Lafarge Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Lafarge Holcim Ltd.
Holcim Technology Ltd.	Controlled by Lafarge Holcim Ltd.
Holcim Philippines, Inc.	Controlled by Lafarge Holcim Ltd.
LafargeHolcim distribution	Controlled by Lafarge Holcim Ltd.
Hubei Huaxin Real Estate Co., Ltd.	Controlled by Huaxin Group Co., Ltd.
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Subsidiary of the Group's associate
Shanghai Wan'an Huaxin Cement Co., Ltd.	Associate of the Group
Chenfeng Intelligent Equipment Hubei Co., Ltd.	Associate of the Group

5. Related party transactions

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

Purchases of goods/receipts of services

RMB

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
LafargeHolcim distribution	Purchase of materials	9,459,440	–
Holcim Technology Ltd.	Technical services	–	7,673,820
Huaxin Group Co., Ltd.	Receipts of integrated management services	6,226,415	6,226,415
LafargeHolcim Energy Solutions S.A.S.	Purchase of fuel	–	32,863,634
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	–	1,273,585
LAFARGE ASIA SDN BHD	Technical services	–	1,300,260
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Purchase of materials	–	1,172,022

Sales of goods/provision of services

RMB

Related parties	Nature of transaction	Amount for the current period	Amount for the prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sale of spare parts and construction services etc.	41,983,966	80,224,219
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Technical services	3,167,428	2,737,019
Lafarge Holcim Construction Material (China) Co., Ltd.	Sale of materials	–	135,259
Holcim Philippines, Inc.	Sale of spare parts and construction services etc.	–	29,435,018

(2) Leases with related parties

Leases where the Group is the lessee

RMB

Related party	Nature of transaction	Amount for the current period	Amount for the prior period
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	13,079,685	11,791,384

(3) Remuneration of key management

RMB

Item	Amount for the current period	Amount for the prior period
Remuneration of key management	94,617,796	65,271,117

6. Amounts due to/from related parties

(1) Amounts due from related parties

RMB

Accounts	Related parties	Closing balance	Opening balance
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	1,009,216	2,929,916
Accounts receivable	Huaxin Group Co., Ltd.	–	54,070
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	16,207,703	28,584,515
Prepayments	Chenfeng Intelligent Equipment Hubei Co., Ltd.	4,480,000	–
Other receivables	Huaxin Group Co., Ltd.	–	21,485
Other receivables	Chongqing Lafarge Cement Co., Ltd.	–	899,027
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	3,618,968	4,254,226
Other receivables	Shanghai Wan'an Huaxin Cement Co., Ltd.	22,365	22,365

(2) Amounts due to related parties

RMB

Accounts	Related parties	Closing balance	Opening balance
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	15,224,013	276,800
Other receivables	Huaxin Group Co., Ltd.	23,684	23,684
Other receivables	LAFARGE ASIA SDN BHD	409,394	401,421

XI. SHARE-BASED PAYMENTS

1. Equity-settled share-based payments

	RMB
The method of determining the fair value of equity instruments at the grant date	The fair value is determined based on the Company's stock price at the grant date
The basis of determining the number of equity instruments expected to be vested	At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may unlock, the company's performance conditions and individual performance assessment and evaluation of incentive targets, etc. and revises the number of equity instruments expected to be unlocked. At the date expected to be unlocked, the number of equity instruments finally expected to be unlocked is consistent with the number of equity instruments actually to be unlocked.
Reasons for significant differences between the estimate in the current period and that in the prior period	None
The cumulative amounts of equity-settled share-based payments recognized into capital reserves	29,227,385
The total amount of recognised expenses paid by equity-settled shares in the current period	29,227,385

On 25 September 2020, the resolutions of the second extraordinary general meeting of 2020 approved the Proposal on the Company's Core Employee Stock Ownership Plan ("ESOP") 2020-2022 (Draft) and the Summary to grant totally 22,689,338 shares of restricted stock to the core employees at nil price. The aforesaid restricted stock was repurchased by the Company from the secondary market with an average price of repurchase amounting to RMB26.88 per share. The ESOP includes two parts of Plan A and Plan B, of which Plan A refers to a long-term incentive plan linked to annual performance assessment during 2020 – 2022, including six batches which are A-0, A-1.1, A-1.2, A-2.1, A-2.2, A-3, and granted, assessed vested by stages; Plan B refers to a long-term incentive plan linked to milestone performance assessment during 2020 – 2022, which is granted, assessed vested in one time. The Group completed the grant of Plan A-0 and Plan B on 25 September 2020, the total amount of shares granted was 16,575,024. The restricted shares under Plan A-0 are restricted for 36 months, 48 months and 60 months since the date of transferring the restricted stock to the ESOP and will be unlocked at a rate of 33%, 33% and 34%, respectively; The restricted shares under Plan B are restricted for 48 months since the date of transferring the restricted stock to the ESOP and will be unlocked at a rate of 100% upon 100% achievement of assessment target, 87.5% upon 90% achievement of assessment target and 75% upon 80% achievement of assessment target.

2. Cash-settled share-based payments

	RMB
The accumulated amount of the liabilities arising from cash-settled share-based payments	171,757,079
The total amount of expense recognised in the current period for cash-settled share payments	107,735,367

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

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Capital commitments

RMB

	Closing balance	**Opening balance**
Capital commitments that have been entered into but have not been recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	1,177,743,687	1,513,149,478

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

RMB

	Closing balance	**Opening balance**
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	31,111,810	14,972,035
2nd year subsequent to the balance sheet date	28,395,390	15,045,624
3rd year subsequent to the balance sheet date	29,061,992	15,119,213
Subsequent years	115,917,167	100,507,509
Total	204,486,359	145,644,381

2. Pending litigation

(1) In August 2019, Ping'an Bank Co., Ltd. Guangzhou Branch ("Ping'an Bank") filed a lawsuit to the People's Court of Tianhe District, Guangzhou City, claiming that Ping'an Bank entered into a "Cooperation Agreement (Delivery against Bank Guarantee)" (the "Cooperation Agreement") with the Company's subsidiaries Huaxin Cement (Zhuzhou) Co., Ltd. ("Zhuzhou Cement") and Guangzhou Tiecheng Engineering Materials Co., Ltd. ("Guangzhou Tiecheng") in February 2016 which stipulated that Guangzhou Tiecheng and Zhuzhou Cement adopted bank acceptance as the method of payment for their trading contracts and that Zhuzhou Cement was liable for refund of the bank acceptance received when the goods are not delivered by Zhuzhou Cement or the value of the goods delivered was less than the amount stipulated in the contract. From April to July 2016, Guangzhou Tiecheng had applied for issuance of many bank acceptances via online supply chain of Ping'an Bank and Zhuzhou Cement had issued the confirmation of the commercial acceptances received. Ping'an Bank required Zhuzhou Cement to assume refund liability for the principal of RMB41, 579, 542 advanced by bank acceptances in accordance with the above Cooperation Agreement and to pay late fee of 2.1‱ per day from the lawsuit date to the settlement date. Zhuzhou Cement then immediately reported the case to Zhuzhou Public Security Bureau Lukou Branch, claiming that it had not entered into such Cooperation Agreement. Zhuzhou Public Security Bureau Lukou Branch entrusted an accrediting body to authenticate the seal of the contract involved, which concluded that the seal of the contract involved is not the same as that of Zhuzhou Cement. On 7 January 2020, the People' Court of Tianhe District, Guangzhou City believed that the seal of Zhuzhou Cement affixed in the cooperation agreement was forged based on the authentication result, thus rejecting the lawsuit from Ping'an Bank who lodged an appeal against the decision. In August 2020, the People's Court of Tianhe District, Guangzhou City judged in the second instance to reject its appeal. As at the approval date for issue of the financial statements, after consulting the legal advice, the management believes that the Company has won the first instance, thus no provision is made.

(2) In September 2019, Guangzhou Changjing Trading Co., Ltd. ("Changjing Trading") filed a lawsuit to the People's Court of Enping City, claiming that in May 2017, the Company's subsidiary Huaxin Cement (Enping) Co., Ltd. ("Enping Cement") entrusted Changjing Trading to tender a bid for cement purchase project of Guangdong Zhongkai Highway Jiangmen Section with the confirmation of supplying cement to Changjing Trading at the fixed unit price. However, after the successful bidding of Changjing Trading, Enping Cement declined to supply cement at the stipulated unit price. Consequently, Changjing Trading suffered tremendous losses because it had to purchase cement from markets at rising market price to fulfill its obligations in the bid, so it required Enping Cement to compensate for its losses of RMB22,369,475. The People's Court of Enping City judged that the price negotiated between the two parties was not the fixed price, thus the lawsuits from Changjing Trading were rejected in December 2019, April 2020 and September 2020, respectively. As at the approval date for the issue of the financial statements, after consulting the legal advice, the management believes that the Court has rejected the lawsuits from the counterparty, thus no provision is made.

(3) In September 2020, Moncement Building Materials LLC ("Moncement Building Materials") applied for arbitration with ICC, claiming that the Group entered into EPC agreements and relevant supplementary agreements for the general contracting of construction project of cement production line of Moncement Building Materials from 2013 to 2017, however, breached its obligations of quality assurance obligations and maintenance obligations, and caused damages against Moncement Building Materials. Moncement Building Materials demanded the Group to compensate it for the amount of damages and all arbitration costs, and to pay interest at the rate of 10% per annum from the date of the arbitration application to the date of actual payment. As of the date of approving issuance of these financial statements, the management of the Company considered that the outcome was not yet predictable and no provision had been made.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. PROFIT DISTRIBUTION

In accordance with the resolution of the board of directors on 25 March 2021, the board of directors proposed that the Company distribute cash dividends of RMB2,261,384,322 to all shareholders. The above proposal is pending approval by the shareholders' meeting.

XIV. SEGMENT REPORTING

1. Determination basis and accounting policies of reporting segments

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

2. Financial information of reporting segments

Non-current assets by geographical locations *RMB*

	Closing balance	Opening balance
China	24,408,221,749	22,803,090,399
Central Asia	1,828,399,859	2,018,424,011
Cambodia	682,081,096	792,998,853
Nepal	689,076,875	433,692,466
Tanzania	645,073,560	–
Total	28,252,853,139	26,048,205,729

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

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure by aging

RMB

Aging	Closing balance	Opening balance
Within 1 year		
1 – 6 months	520,489,417	74,646,323
6 – 12 months	940,457	372,544,679
Sub-total, within 1 year	521,429,874	447,191,002
1 – 2 years	25,185,682	294,243
2 – 3 years	294,243	2,411,691
Over 3 years	20,277,245	128,543,030
Sub-total	567,187,044	578,439,966
Less: Credit loss allowance	21,437,478	23,040,829
Total	545,749,566	555,399,137

(2) Disclosure by bad debt provision method

RMB

	Closing balance					Opening balance				
	Account balance		Bad debt provision			Account balance		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Receivables for which bad debt provision is individually assessed	552,623,510	97	21,201,797	4	531,421,713	544,248,674	94	23,015,875	4	521,232,799
Receivables for which bad debt provision is collectively assessed on a portfolio basis	14,563,534	3	235,681	2	14,327,853	34,191,292	6	24,954	–	34,166,338
Total	567,187,044	100	21,437,478	4	545,749,566	578,439,966	100	23,040,829	4	555,399,137

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

Category of cement receivable:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	6,244,174	–	–
6 – 12 months	259,859	20,789	8
1 – 2 years	915,283	183,056	20
Total	7,419,316	203,845	

Category of other receivables:

RMB

	Closing balance		
Name	**Accounts receivable**	**Bad debt provision**	**Expected average loss rate (%)**
1 – 6 months	6,825,855	–	–
1 – 2 years	318,363	31,836	10
Total	7,144,218	31,836	

(3) ***Bad debt provision***

Changes in bad debt provision for accounts receivable:

RMB

		Changes for the period		
Category	**Opening balance**	**Provision**	**Recovery or reversal**	**Closing balance**
Bad debt provision for accounts receivable	23,040,829	65,001	(1,668,352)	21,437,478
Total	23,040,829	65,001	(1,668,352)	21,437,478

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

RMB

Item	Closing balance of accounts receivable	% of total balance	Closing balance of bad debt provision
Subsidiary A	28,147,802	5	–
Subsidiary B	25,550,080	5	–
Subsidiary C	23,952,037	4	–
Subsidiary D	22,272,664	4	–
Subsidiary E	19,343,388	3	–
Total	119,265,971	21	–

2. Other receivables

2.1 Summary of other receivables

RMB

Item	Closing balance	Opening balance
Dividends receivable	–	21,255,397
Other receivables	4,396,614,326	4,525,408,017
Total	4,396,614,326	4,546,663,414

2.2 Dividends receivable

(1) Dividends receivable

RMB

Investees	Closing balance	Opening balance
Subsidiaries	–	21,255,397
Total	–	21,255,397

2.3 *Other receivables*

(1) *Disclosure by aging*

RMB

Aging	Closing balance	Opening balance
Within 1 year	2,056,247,333	2,578,283,454
1 – 2 years	1,243,904,562	486,372,052
2 – 3 years	437,314,641	838,930,770
Over 3 years	706,042,459	668,550,171
Sub-total	4,443,508,995	4,572,136,447
Less: Credit loss allowance	46,894,669	46,728,430
Total	4,396,614,326	4,525,408,017

(2) *Classification by nature of receivables*

RMB

Nature of receivables	Closing balance	Opening balance
Amounts due from subsidiaries and related parties	4,422,786,704	4,523,393,436
Margin and deposits	17,237,489	45,094,757
Others	3,484,802	3,648,254
Total	4,443,508,995	4,572,136,447

(3) *Bad debt provision*

RMB

		Changes for the period			
Category	Opening balance	Provision	Recovery or reversal	Write-off or elimination	Closing balance
Bad debt provision for other receivables	46,728,430	1,290,162	(85,790)	(1,038,133)	46,894,669
Total	46,728,430	1,290,162	(85,790)	(1,038,133)	46,894,669

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

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of bad debt provision
Subsidiary F	Amounts due from subsidiaries	650,165,546	Within 1 year, 1 – 2 years and over 3 years	15	–
Subsidiary G	Amounts due from subsidiaries	487,727,009	Within 1 year, 1 – 2 years	11	–
Subsidiary H	Amounts due from subsidiaries	415,044,413	Within 1 year, 1 – 2 years	9	–
Subsidiary I	Amounts due from subsidiaries	383,342,721	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	9	–
Subsidiary J	Amounts due from subsidiaries	316,876,765	Within 1 year, 1 – 2 years, 2 – 3 years and over 3 years	7	–
Total	–	2,253,156,454		51	–

3. Long-term equity investments

RMB

	Closing balance	Opening balance
Subsidiaries	10,712,823,034	10,147,923,034
Associates	448,693,489	380,104,103
Sub-total	11,161,516,523	10,528,027,137
Less: Impairment provision for long-term equity investments	42,000,000	42,000,000
Total	11,119,516,523	10,486,027,137

(1) Subsidiaries

RMB

Subsidiaries	Opening balance	Changes for the year: Additional investment	Changes for the year: Decrease in investment	Closing balance	Balance of impairment provision
Hunan Huaxin Steel Cement Co., Ltd.	85,500,000	–	85,500,000.00	–	–
Huaxin Aggregate Co., Ltd.	258,100,000	–	–	258,100,000	–
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	–	–	91,601,080	–
Huaxin Environment Engineering (Yichang) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Environment Engineering Co., Ltd.	1,000,000,000	–	–	1,000,000,000	–
Huaxin (Huangshi) Logistics Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	–	–	80,502,159	–
Huaxin Concrete Co., Ltd.	50,000,000	30,000,000	–	80,000,000	–
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	–	–	363,802,268	–
Huaxin Narayani Investment (Shanghai) Co., Ltd.	500,000	–	–	500,000	–
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	–	–	197,590,806	–
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	–	–	220,000,000	–
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Daye) Co., Ltd.	420,100,753	–	–	420,100,753	–
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	–	–	65,550,000	–
Huaxin Cement (E'zhou) Co., Ltd.	99,437,031	–	–	99,437,031	–
Huaxin Cement (Enping) Co., Ltd.	674,058	–	–	674,058	–
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	–	–	40,200,000	–
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	–	–	30,124,664	–
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	–	–	200,000,000	–
Huaxin Cement (Hefeng) National Materials Co., Ltd.	24,300,483	20,400,000	–	44,700,483	–
Huaxin Cement (Huangshi) Bulk Storage and transportation Co., Ltd.	20,000,000	–	–	20,000,000	–

Subsidiaries	Opening balance	Changes for the year: Additional investment	Changes for the year: Decrease in investment	Closing balance	Balance of impairment provision
Huaxin Cement (Huangshi) Co., Ltd.	400,000,000	–	–	400,000,000	–
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	20,000,000	–	–	20,000,000	–
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	–	–	70,800,000	–
Huaxin Cement Research and Design Co.,Ltd.	990,000	–	–	990,000	–
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	–	–	180,000,000	–
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	–	–	65,000,000	–
Huaxin Cement (Nantong) Co., Ltd.	–	–	–	–	–
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	–	–	240,000,000	–
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	–	–	120,000,000	–
Huaxin Cement (Suizhou) Co., Ltd.	24,600,000	–	–	24,600,000	–
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	–	–	190,000,000	–
Huaxin Cement (Wuhan) Co., Ltd.	42,000,000	–	–	42,000,000	42,000,000
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	–	–	300,000,000	–
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Cement (Xiantao) Co., Ltd.	14,658,135	–	–	14,658,135	–
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	–	–	40,000,000	–
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	–	–	140,000,000	–
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	–	–	653,713,479	–
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	–	–	505,589,562	–
Huaxin Cement (Yueyang) Co., Ltd.	22,500,000	–	–	22,500,000	–
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	–	–	45,000,000	–
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	–	–	200,000,000	–
Zhuzhou Cement	340,000,000	–	–	340,000,000	–
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	–	–	240,000,000	–

Subsidiaries	Opening balance	Changes for the year: Additional investment	Changes for the year: Decrease in investment	Closing balance	Balance of impairment provision
Huaxin (Hong Kong) International Holdings Limited	157,935,219	–	–	157,935,219	–
Huaxin New Building Materials Co., Ltd.	50,000,000	–	–	50,000,000	–
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	388,623,689	–	–	388,623,689	–
Huaxin Equipment Engineering Co., Ltd.	190,000,000	–	–	190,000,000	–
Huangshi Huaxin Packaging Co., Ltd.	60,229,648	–	–	60,229,648	–
Mauritus Somerset Investment Co., Ltd.	252,000,000	–	–	252,000,000	–
Wuhan Wugang Huaxin Cement Co., Ltd.	20,000,000	–	–	20,000,000	–
Yunnan Huaxin Construction Materials Investment Holding Ltd.	977,000,000	–	–	977,000,000	–
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	–	–	73,000,000	–
Chongqing Huaxin Phoenix Lake Concrete Co., Ltd.	40,000,000	–	–	40,000,000	–
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	–	–	29,000,000	–
Chongqing Huaxin Yanjing Cement Co., Ltd.	4,000,000	–	–	4,000,000	–
Chongqing Lafarge Shui On Cement Co., Ltd.	253,300,000	–	–	253,300,000	–
Huangshi Huaxin Green Building Materials Co., Ltd.	–	600,000,000	–	600,000,000	–
Total	10,147,923,034	650,400,000	85,500,000	10,712,823,034	42,000,000

(2) Associates

RMB

	Balance at 31 December 2018	Changes for the period: Decrease in investment	Investment income and losses based on equity method	Other equity changes	Declared cash dividends	Balance at 31 December 2020
I. Associates						
Tibet High-tech Building Materials Co., Ltd.	287,074,560	–	68,333,072	871,900	–	356,279,532
Shanghai Wan'an Huaxin Cement Co., Ltd.	93,029,543	–	(615,586)	–	–	92,413,957
Total	380,104,103	–	67,717,486	871,900	–	448,693,489

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

RMB

	Closing balance & opening balance
Subsidiary – Huaxin Cement (Wuhan) Co., Ltd.	42,000,000

4. Operating income and operating costs

RMB

Item	Amount for the current period: Income	Amount for the current period: Costs	Amount for the prior period: Income	Amount for the prior period: Costs
Principal operations	1,135,016,134	808,673,342	1,139,849,588	751,806,633
Other operations	2,878,207,488	2,574,643,647	2,972,819,511	2,622,721,664
Total	4,013,223,622	3,383,316,989	4,112,669,099	3,374,528,297

5. Investment income

RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	3,006,506,405	2,423,388,386
Investment income from disposal of subsidiaries	124,500,000	140,408,268
Share of results from long-term equity investments under equity method	67,717,486	106,996,430
Investment income of held-for-trading financial assets during the hold period	1,339,145	7,438,572
Dividend income of other equity instrument investments during the hold period	1,133,360	521,519
Dividend income of other non-current financial assets during the hold period	1,408,167	1,255,397
Total	3,202,604,563	2,680,008,572

6. Supplementary information to the cash flow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	3,155,313,737	2,887,942,727
Add: Provision for impairment losses of assets	206,466	58,993
Allowance for credit impairment	(398,978)	(380,768)
Depreciation of fixed assets	40,782,415	36,404,208
Amortization of intangible assets	3,543,039	3,976,218
Amortization of long-term prepaid expenses	2,413,779	3,758,906
Amortization of deferred income	(3,844,333)	–
(Gains) losses on disposal of non-current assets	(10,798,209)	1,183,233
Gains on retirement of fixed assets	148,238	(9,538,859)
Gains from changes in fair value	(2,405,398)	(5,296,455)
Financial expenses	143,467,622	99,801,942
Investment income	(3,202,604,563)	(2,680,008,572)
Decrease in deferred income tax assets	7,181,746	9,205,883
(Increase) decrease in inventories	(37,726,016)	63,181,742
Increase in operating receivables	(153,368,102)	(1,294,495,925)
Increase in operating payables	327,593,301	123,621,383
Net cash flow from (used in) operating activities	269,504,744	(760,585,344)
2. Net changes in cash and cash equivalents:		
Closing balance of cash	4,624,314,323	3,141,838,852
Less: Opening balance of cash	3,141,838,852	3,444,018,042
Net increase (decrease) in cash	1,482,475,471	(302,179,190)

XVI. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

RMB

Item	Amount
Profit or loss on disposal of non-current assets	(9,013,118)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	101,892,558
Profit or loss on changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	3,744,543
Recovery of bad debt provision written-off	2,338,361
Other non-operating income or expenses other than the above	(12,559,351)
Effect of income tax	(11,733,195)
Effect of minority interests	2,220,722
Total	76,890,520

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by the Group in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	25.03	2.69	2.69
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	24.68	2.65	2.65

REVIEW REPORT

De Shi Bao (Yue) Zi (22) No. R00011

TO THE SHAREHOLDERS OF HUAXIN CEMENT CO., LTD.:

We have reviewed the accompanying interim financial information of Huaxin Cement Co., Ltd. (the "Company"), which comprises the consolidated and the Company's balance sheets as of 30 September 2021 and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in shareholders' equity for the nine-month period then ended, and the explanatory notes. The management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with China Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting. Our responsibility is to issue a review report on this interim financial information based on our review.

We conducted our review in accordance with China Certified Public Accountants Reviewing Standards No. 2101 – Review of Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the financial statements are free from material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with China Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting.

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

22 March 2022

The review report and the accompanying financial statements are English translations of the Chinese review report and Interim financial statements prepared under Accounting Standards for Business Enterprises. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED BALANCE SHEET

As at 30 September 2021

RMB

Item	*Notes*	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Current Assets			
Cash and bank balances	*IV(1)*	7,833,915,492	8,641,612,847
Held-for-trading financial assets	*IV(2)*	300,000,000	1,004,581,752
Notes receivable	*IV(3)*	556,253,296	79,939,117
Accounts receivable	*IV(4)*	1,397,731,368	653,219,779
Financing with receivables	*IV(5)*	526,398,348	1,020,306,419
Prepayments	*IV(6)*	540,416,731	378,619,350
Other receivables		369,630,179	375,253,958
Inventories	*IV(7)*	2,864,012,988	2,349,156,189
Other current assets		608,722,596	631,922,798
Total Current Assets		14,997,080,998	15,134,612,209
Non-current Assets			
Debt investments		7,500,000	7,500,000
Long-term receivables		33,408,908	29,141,216
Long-term equity investments	*IV(8)*	527,368,113	512,281,201
Other equity instrument investments		49,138,327	33,774,995
Other non-current financial assets		26,114,948	32,827,254
Fixed assets	*IV(9)*	19,878,569,965	19,185,630,257
Construction in progress	*IV(10)*	4,593,882,712	3,104,429,340
Right-of-use assets		163,124,435	–
Intangible assets	*IV(11)*	5,371,074,695	4,267,008,181
Development expenditure		8,916,594	2,050,090
Goodwill		611,050,112	476,084,798
Long-term prepaid expenses		516,447,191	363,760,774
Deferred tax assets		405,541,052	437,800,338
Other non-current assets		423,958,200	341,608,498
Total Non-current Assets		32,616,095,252	28,793,896,942
Total ASSETS		47,613,176,250	43,928,509,151

RMB

Item	Notes	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Current Liabilities			
Short-term borrowings	*IV(12)*	522,000,000	625,000,000
Held-for-trading financial liabilities		3,587,852	–
Notes payable		337,029,152	472,696,537
Accounts payable	*IV(13)*	6,563,227,772	5,297,633,770
Contract liabilities	*IV(14)*	859,779,636	830,492,042
Employee benefits payable		288,761,411	529,877,921
Taxes payable		955,590,561	1,186,166,143
Other payables		952,299,524	786,246,239
Non-current liabilities due within one year	*IV(15)*	948,494,364	1,874,484,159
Total Current Liabilities		11,430,770,272	11,602,596,811
Non-current Liabilities			
Long-term borrowings	*IV(16)*	4,127,860,687	3,504,279,973
Bonds payable	*IV(17)*	3,363,532,389	1,943,763,447
Lease liabilities		136,899,682	–
Long-term payables		334,948,456	191,011,663
Long-term employee benefits payable		57,260,931	127,205,104
Provisions		230,794,317	233,393,286
Deferred income		284,887,319	301,399,766
Deferred tax liabilities		287,458,595	284,920,603
Total Non-current Liabilities		8,823,642,376	6,585,973,842
TOTAL LIABILITIES		20,254,412,648	18,188,570,653

RMB

Item	*Notes*	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Shareholders' Equity			
Share capital		2,096,599,855	2,096,599,855
Capital reserve		2,014,138,654	1,943,538,052
Less: Treasury shares		610,051,971	610,051,971
Other comprehensive income		(302,733,694)	(275,292,763)
Surplus reserve		1,111,880,257	1,111,880,257
Retained profits	*IV(18)*	20,605,501,382	19,304,701,887
Total equity attributable to shareholders of the Company		24,915,334,483	23,571,375,317
Minority interests		2,443,429,119	2,168,563,181
Total Shareholders' Equity		27,358,763,602	25,739,938,498
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		47,613,176,250	43,928,509,151

The notes are an integral part of the financial statements.

The financial statements on pages V-2 to V-61 are signed by:

Legal representative *Principal in charge of accounting* *Head of accounting department*

BALANCE SHEET OF THE COMPANY
As at 30 September 2021

RMB

Item	*Notes*	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Current Assets			
Cash and bank balances		3,994,043,422	4,650,418,319
Held-for-trading financial assets		300,000,000	1,004,581,752
Notes receivable		22,000,000	100,000
Accounts receivable		848,575,342	545,749,566
Financing with receivables		110,903,162	151,473,769
Prepayments		457,694,167	226,396,232
Other receivables		4,626,499,313	4,396,614,326
Inventories		392,186,189	320,998,776
Non-current assets due within one year		1,580,000	1,580,000
Other current assets		11,629,819	18,886,995
Total Current Assets		10,765,111,414	11,316,799,735
Non-current Assets			
Long-term receivables		68,926,586	18,738,952
Long-term equity investments		11,670,933,011	11,119,516,523
Other equity instrument investments		49,138,327	33,774,995
Other non-current financial assets		26,114,948	32,827,254
Fixed assets		417,493,566	437,139,833
Construction in progress		295,649,251	209,773,010
Right-of-use assets		62,085,188	–
Intangible assets		38,969,709	40,397,874
Long-term prepaid expenses		13,665,546	15,339,306
Deferred tax assets		17,948,106	17,350,047
Total Non-current Assets		12,660,924,238	11,924,857,794
TOTAL ASSETS		23,426,035,652	23,241,657,529

RMB

Item	*Notes*	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Current Liabilities			
Short-term borrowings		–	300,000,000
Held-for-trading financial liabilities		3,587,852	–
Notes payable		51,010,000	24,246,455
Accounts payable		309,478,322	410,565,470
Contract liabilities		41,980,824	14,795,403
Employee benefits payable		93,451,558	63,346,794
Taxes payable		209,957,463	234,439,071
Other payables		6,982,856,262	7,224,579,499
Non-current liabilities due within one year		174,309,451	1,321,867,253
Total Current Liabilities		7,866,631,732	9,593,839,945
Non-current Liabilities			
Long-term borrowings		1,450,850,000	1,202,780,000
Bonds payable		1,297,597,907	–
Lease liabilities		49,620,296	–
Long-term employee benefits payable		18,027,210	99,997,218
Provisions		7,472,515	8,282,611
Deferred income		10,639,500	12,085,332
Total Non-current Liabilities		2,834,207,428	1,323,145,161
TOTAL LIABILITIES		10,700,839,160	10,916,985,106

RMB

Item	*Notes*	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Shareholders' Equity			
Share capital		2,096,599,855	2,096,599,855
Capital reserve		2,412,481,938	2,341,881,336
Less: Treasury shares		610,051,971	610,051,971
Other comprehensive income		25,284,645	13,762,146
Surplus reserve		1,111,880,257	1,111,880,257
Retained profits		7,689,001,768	7,370,600,800
Total Shareholders' Equity		12,725,196,492	12,324,672,423
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,426,035,652	23,241,657,529

CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2021 to 30 September 2021

RMB

Item	*Notes*	For the three months ended 30 September 2021 (Unaudited)	For the three months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
I. Operating income	*IV(19)*	7,709,476,944	7,846,727,754	22,453,863,016	20,411,674,930
Less: Operating costs	*IV(19)*	4,953,016,803	4,513,062,277	14,260,569,092	12,180,073,412
Taxes and levies	*IV(20)*	160,707,551	130,105,750	438,790,589	333,808,037
Selling and distribution expenses	*IV(21)*	553,747,827	521,116,904	1,602,704,526	1,383,963,263
General and administrative expenses	*IV(22)*	465,662,911	351,843,471	1,143,546,310	1,077,025,528
Research and development expense		6,135,829	7,972,821	29,137,008	16,414,345
Financial expenses		16,189,045	55,502,933	119,131,106	145,929,280
Including: Interest expenses		56,698,090	48,219,155	191,389,998	139,794,935
Interest income		44,159,443	20,003,745	98,907,637	46,426,172
Add: Other income		32,207,368	65,459,248	144,986,222	171,544,839
Investment income		4,408,753	79,632,523	32,477,209	113,457,395
Including: Income from investments in associates and joint ventures		3,114,734	40,163,713	14,355,105	71,155,551
(Losses) Gains on changes in fair value		(9,071,681)	1,087,054	(21,981,729)	(6,359,274)
Impairment (losses) gains on credit		(8,717,437)	945,071	(23,908,265)	(26,214,188)
Impairment losses on assets		(1,896,211)	(7,894,888)	(23,699,983)	(12,464,424)
Gains (Losses) on disposal of assets		1,613,842	1,101,444	(1,763,916)	10,114,587
III. Operating profit		1,572,561,612	2,407,454,050	4,966,093,923	5,524,540,000
Add: Non-operating income		4,547,332	13,519,244	23,956,421	20,242,108
Less: Non-operating expenses		14,212,259	18,268,047	50,234,855	59,184,925
IV. Profit before tax		1,562,896,685	2,402,705,247	4,939,815,489	5,485,597,183
Less: Income tax expenses		334,122,067	427,813,800	1,045,402,145	1,055,043,129

RMB

Item	*Notes*	For the three months ended 30 September 2021 (Unaudited)	For the three months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
V. Net profit		1,228,774,618	1,974,891,447	3,894,413,344	4,430,554,054
(i) Classified by the continuity of operation					
1. Net profit from continuing operations		1,228,774,618	1,974,891,447	3,894,413,344	4,430,554,054
(ii) Classified by the ownership					
1. Net profit attributable to shareholders of the Company		1,125,021,084	1,772,441,202	3,563,345,363	4,024,415,213
2. Profit or loss attributable to minority interests		103,753,534	202,450,245	331,067,981	406,138,841
VI. Other comprehensive income, net of tax		9,465,740	(115,718,726)	(32,620,268)	(180,334,689)
Other comprehensive income attributable to shareholders of the Company, net of tax		7,611,916	(86,062,272)	(27,440,931)	(142,229,572)
1. Other comprehensive income that cannot be reclassified to profit or loss		10,468,097	1,714,943	11,522,499	(1,626,386)
(1). Changes in fair value of investments in other equity instruments		10,468,097	1,714,943	11,522,499	(1,626,386)
2. Other comprehensive income that will be reclassified to profit or loss		(2,856,181)	(87,777,215)	(38,963,430)	(140,603,186)
(1). Exchange differences on translation of financial statements denominated in foreign currencies		(2,856,181)	(87,777,215)	(38,963,430)	(140,603,186)
Other comprehensive income attributable to minority interests, net of tax		1,853,824	(29,656,454)	(5,179,337)	(38,105,117)

RMB

Item	*Notes*	For the three months ended 30 September 2021 (Unaudited)	For the three months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
VII. Total comprehensive income		1,238,240,358	1,859,172,721	3,861,793,076	4,250,219,365
Total comprehensive income attributable to shareholders of the Company		1,132,633,000	1,686,378,930	3,535,904,432	3,882,185,641
Total comprehensive income attributable to minority interests		105,607,358	172,793,791	325,888,644	368,033,724
VIII. Earnings per share					
(i) Basic earnings per share (RMB)		0.54	0.85	1.72	1.93
(ii) Diluted earnings per share (RMB)		0.54	0.85	1.72	1.93

INCOME STATEMENT OF THE COMPANY

For the period from 1 January 2021 to 30 September 2021

RMB

Item	Notes	For the three months ended 30 September 2021 (Unaudited)	For the three months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
I. Operating income		1,331,942,780	990,619,078	3,424,305,080	2,587,901,954
Less: Operating costs		1,272,436,144	855,701,222	3,171,205,683	2,254,081,211
Taxes and levies		2,279,255	5,141,785	6,864,584	13,020,893
Selling and distribution expenses		9,685,744	18,577,855	36,909,502	53,848,811
General and administrative expenses		72,928,727	76,049,611	203,946,180	247,192,555
Research and development expenses		329,797	2,564,095	10,509,290	5,269,309
Financial expenses		(25,796,720)	77,438,787	20,007,862	88,447,050
Including: Interest expenses		56,064,073	52,498,062	171,805,869	157,441,161
Interest income		77,804,916	30,438,043	168,099,179	108,857,058
Add: Other income		494,958	2,783,905	4,223,259	4,913,877
Investment income		227,474,304	297,495,738	2,603,599,918	2,035,575,927
Including: Income from investments in associates and joint ventures		(249,602)	40,348,102	6,684,682	65,588,851
(Losses) Gains on changes in fair value		(1,971,861)	1,087,054	(14,881,911)	(6,359,274)
Impairment (losses) gains on credit		(444,549)	1,727,842	(414,158)	350,454
Impairment losses on assets		(152,780)	(59,465)	(469,719)	(97,231)
Gains on disposal of assets		3,834	1,544,159	352,661	1,602,454

RMB

Item	*Notes*	For the three months ended 30 September 2021 (Unaudited)	For the three months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
II. Operating profit		225,483,739	259,724,956	2,567,272,029	1,962,028,332
Add: Non-operating income		51,801	7,937,819	10,856,975	7,947,532
Less: Non-operating expenses		478,760	567,556	1,621,060	7,623,974
III. Profit before tax		225,056,780	267,095,219	2,576,507,944	1,962,351,890
Less: Income tax expenses		3,077,982	25,354,643	(4,438,892)	13,942,262
IV. Net profit		221,978,798	241,740,576	2,580,946,836	1,948,409,628
(i) Net profit from continuing operations		221,978,798	241,740,576	2,580,946,836	1,948,409,628
V. Other comprehensive income, net of tax		10,468,097	1,714,943	11,522,499	(1,626,386)
(i) Other comprehensive income that cannot be reclassified to profit or loss		10,468,097	1,714,943	11,522,499	(1,626,386)
1. Changes in fair value of investments in other equity instruments		10,468,097	1,714,943	11,522,499	(1,626,386)
VI. Total comprehensive income		232,446,895	243,455,519	2,592,469,335	1,946,783,242

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 January 2021 to 30 September 2021

RMB

Item	Notes	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		21,240,586,758	22,923,621,377
Receipts of tax refunds		70,856,132	149,568,773
Other cash receipts relating to operating activities		261,721,451	230,931,760
Sub-total of cash inflows from operating activities		21,573,164,341	23,304,121,910
Cash payments for goods purchased and services received		12,960,985,301	12,617,304,114
Cash payments to and on behalf of employees		2,192,637,644	1,938,152,403
Payments of various types of taxes		2,394,254,553	2,523,193,035
Other cash payments relating to operating activities		458,236,527	573,406,942
Sub-total of cash outflows from operating activities		18,006,114,025	17,652,056,494
Net Cash Flow from Operating Activities	*IV(23)(1)*	3,567,050,316	5,652,065,416

RMB

Item	*Notes*	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		1,700,000,000	650,070,000
Cash receipts from investment income		16,145,820	4,737,700
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		23,872,602	19,372,382
Net cash receipts from disposal of subsidiaries and other business units		22,000	171,932,839
Other cash receipts relating to investing activities		5,602,256	46,634,283
Sub-total of cash inflows from investing activities		1,745,642,678	892,747,204
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,343,434,372	2,648,711,564
Cash payments to acquire investments		1,000,000,000	978,304,258
Net cash payments for acquisition of subsidiaries and other business units	*IV(23)(2)*	328,542,886	7,100,000
Other cash payments relating to investing activities		–	655,069,453
Sub-total of cash outflows from investing activities		4,671,977,258	4,289,185,275
Net Cash Flow from Investing Activities		(2,926,334,580)	(3,396,438,071)

RMB

Item	*Notes*	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		153,333,766	112,310,000
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		153,333,766	112,310,000
Cash receipts from borrowings		1,613,514,638	2,724,644,872
Cash receipts from bond issuance		1,297,504,000	–
Other cash receipts relating to financing activities		124,507,075	–
Sub-total of cash inflows from financing activities		3,188,859,479	2,836,954,872
Cash repayments of borrowings		2,100,386,913	964,694,532
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,507,330,094	2,819,598,192
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		166,195,867	172,130,744
Other cash payments relating to financing activities		52,358,440	710,952,073
Sub-total of cash outflows from financing activities		4,660,075,447	4,495,244,797
Net Cash Flow from Financing Activities		(1,471,215,968)	(1,658,289,925)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(2,447,481)	(32,863,774)

RMB

Item	*Notes*	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
V. Net (Decrease) Increase in Cash and Cash Equivalents		(832,947,713)	564,473,646
Add: Opening balance of cash and cash equivalents		8,420,246,369	4,918,296,452
VI. Closing Balance of Cash and Cash Equivalents	*IV(23)(1)*	7,587,298,656	5,482,770,098

CASH FLOW STATEMENT OF THE COMPANY

For the period from 1 January 2021 to 30 September 2021

RMB

Item	Notes	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		2,852,069,385	3,038,772,597
Receipts of tax refunds		4,745,638	–
Other cash receipts relating to operating activities		964,448,079	1,107,914,411
Sub-total of cash inflows from operating activities		3,821,263,102	4,146,687,008
Cash payments for goods purchased and services received		3,390,090,850	2,663,509,769
Cash payments to and on behalf of employees		211,785,534	473,637,848
Payments of various types of taxes		96,311,124	59,876,433
Other cash payments relating to operating activities		503,417,697	818,724,627
Sub-total of cash outflows from operating activities		4,201,605,205	4,015,748,677
Net Cash Flow from Operating Activities		(380,342,103)	130,938,331

RMB

Item	*Notes*	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		1,700,000,000	650,000,000
Cash receipts from investment income		2,262,036,887	1,766,742,473
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,400,727	14,714,737
Net cash receipts from disposal of subsidiaries and other business units		–	210,000,000
Other cash receipts relating to investing activities		4,495,631,395	79,297,793
Sub-total of cash inflows from investing activities		8,474,069,009	2,720,755,003
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		56,171,479	91,272,571
Cash payments to acquire investments		1,000,000,000	950,000,000
Net cash payments for acquisition of subsidiaries and other business units		544,000,000	600,000,000
Other cash payments relating to investing activities		4,214,618,610	–
Sub-total of cash outflows from investing activities		5,814,790,089	1,641,272,571
Net Cash Flow from Investing Activities		2,659,278,920	1,079,482,432

RMB

Item	*Notes*	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		400,000,000	1,100,000,000
Cash receipts from bond issuance		1,297,504,000	–
Other cash receipts relating to financing activities		–	8,742,157,094
Sub-total of cash inflows from financing activities		1,697,504,000	9,842,157,094
Cash repayments of borrowings		1,610,937,253	594,441,547
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,355,303,993	2,535,251,078
Other cash payments relating to financing activities		638,962,750	8,009,633,691
Sub-total of cash outflows from financing activities		4,605,203,996	11,139,326,316
Net Cash Flow from Financing Activities		(2,907,699,996)	(1,297,169,222)

RMB

Item	*Notes*	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,308,639)	(5,528,974)
V. Net (Decrease) in Cash and Cash Equivalents		(632,071,818)	(92,277,433)
Add: Opening balance of cash and cash equivalents		4,624,314,323	3,141,838,852
VI. Closing Balance of Cash and Cash Equivalents		3,992,242,505	3,049,561,419

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 1 January 2021 to 30 September 2021

RMB

	For the nine months ended 30 September 2021								
	Attributable to owners of the parent Company								
Item	Share capital	Capital reserve	Less: Treasury share	Other Comprehensive income	Surplus reserve	Retained profits	Sub-total	Minority interests	Total shareholders' equity
I. Balance at 31 December 2020	2,096,599,855	1,943,538,052	610,051,971	(275,292,763)	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
II. Balance at 1 January 2021	2,096,599,855	1,943,538,052	610,051,971	(275,292,763)	1,111,880,257	19,304,701,887	23,571,375,317	2,168,563,181	25,739,938,498
III. Changes for the period	–	70,600,602	–	(27,440,931)	–	1,300,799,495	1,343,959,166	274,865,938	1,618,825,104
(I) Total comprehensive income	–	–	–	(27,440,931)	–	3,563,345,363	3,535,904,432	325,888,644	3,861,793,076
(II) Owners' contributions and reduction in capital	–	70,600,602	–	–	–	–	70,600,602	153,333,766	223,934,368
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	153,333,766	153,333,766
2. Share-based payment recognized in owners' equity	–	69,868,795	–	–	–	–	69,868,795	–	69,868,795
3. Others	–	731,807	–	–	–	–	731,807	–	731,807
(III) Profit distribution	–	–	–	–	–	(2,262,545,868)	(2,262,545,868)	(204,356,472)	(2,466,902,340)
1. Distribution to shareholders	–	–	–	–	–	(2,262,545,868)	(2,262,545,868)	(204,356,472)	(2,466,902,340)
IV. Balance at 30 September 2021	2,096,599,855	2,014,138,654	610,051,971	(302,733,694)	1,111,880,257	20,605,501,382	24,915,334,483	2,443,429,119	27,358,763,602

RMB

Item	For the nine months ended 30 September 2020								
	Attributable to shareholders of the Company								
	Share capital	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits	Sub-total	Minority interests	Total shareholders' equity
I. Balance at 31 December 2019	2,096,599,855	1,913,438,767	–	(17,416,212)	1,111,880,257	16,204,540,023	21,309,042,690	2,058,640,055	23,367,682,745
II. Balance at 1 January 2020	2,096,599,855	1,913,438,767	–	(17,416,212)	1,111,880,257	16,204,540,023	21,309,042,690	2,058,640,055	23,367,682,745
III. Changes for the period	–	3,423,266	610,051,971	(142,229,572)	–	1,493,978,265	745,119,988	174,209,371	919,329,359
(I) Total comprehensive income	–	–	–	(142,229,572)	–	4,024,415,213	3,882,185,641	368,033,724	4,250,219,365
(II) Owners' contributions and reduction in capital	–	3,423,266	610,051,971	–	–	–	(606,628,705)	(2,675,884)	(609,304,589)
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	112,310,000	112,310,000
2. Share-based payment recognized in owners' equity	–	1,654,885	–	–	–	–	1,654,885	–	1,654,885
3. Others	–	1,768,381	610,051,971	–	–	–	(608,283,590)	(114,985,884)	(723,269,474)
(III) Profit distribution	–	–	–	–	–	(2,530,436,948)	(2,530,436,948)	(191,148,469)	(2,721,585,417)
1. Distribution to shareholders	–	–	–	–	–	(2,530,436,948)	(2,530,436,948)	(191,148,469)	(2,721,585,417)
IV. Balance at 30 September 2020	2,096,599,855	1,916,862,033	610,051,971	(159,645,784)	1,111,880,257	17,698,518,288	22,054,162,678	2,232,849,426	24,287,012,104

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 1 January 2021 to 30 September 2021

RMB

	For the nine months ended 30 September 2021						
Item	Share capital	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at 31 December 2020	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423
II. Balance at 1 January 2021	2,096,599,855	2,341,881,336	610,051,971	13,762,146	1,111,880,257	7,370,600,800	12,324,672,423
III. Changes for the period	–	70,600,602	–	11,522,499	–	318,400,968	400,524,069
(I) Total comprehensive income	–	–	–	11,522,499	–	2,580,946,836	2,592,469,335
(II) Owners' contributions and reduction in capital	–	70,600,602	–	–	–	–	70,600,602
1. Share-based payment recognized in owners' equity	–	69,868,795	–	–	–	–	69,868,795
2. Others	–	731,807	–	–	–	–	731,807
(III) Profit distribution	–	–	–	–	–	(2,262,545,868)	(2,262,545,868)
1. Distribution to shareholders	–	–	–	–	–	(2,262,545,868)	(2,262,545,868)
IV. Balance at 30 September 2021	2,096,599,855	2,412,481,938	610,051,971	25,284,645	1,111,880,257	7,689,001,768	12,725,196,492

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 1 January 2020 to 30 September 2020

RMB

	For the nine months ended 30 September 2020						
Item	Share capital	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at 31 December 2019	2,096,599,855	2,311,782,051	–	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650
II. Balance at 1 January 2020	2,096,599,855	2,311,782,051	–	17,103,476	1,111,880,257	6,745,724,011	12,283,089,650
III. Changes for the period	–	3,423,266	610,051,971	(1,626,386)	–	(582,027,320)	(1,190,282,411)
(I) Total comprehensive income	–	–	–	(1,626,386)	–	1,948,409,628	1,946,783,242
(II) Owners' contributions and reduction in capital	–	3,423,266	610,051,971	–	–	–	(606,628,705)
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–
2. Share-based payment recognized in owners' equity	–	1,654,885	–	–	–	–	1,654,885
3. Others	–	1,768,381	610,051,971	–	–	–	(608,283,590)
(III) Profit distribution	–	–	–	–	–	(2,530,436,948)	(2,530,436,948)
1. Distribution to shareholders	–	–	–	–	–	(2,530,436,948)	(2,530,436,948)
IV. Balance at 30 September 2020	2,096,599,855	2,315,205,317	610,051,971	15,477,090	1,111,880,257	6,163,696,691	11,092,807,239

I. BASIC INFORMATION ABOUT THE COMPANY

Huaxin cement Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacturing and sales of cement, concrete, clinker, aggregate and other construction materials.

The Company's and consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 October 2021.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group adopts the Accounting Standard for Business Enterprises and relevant regulations issued by the Ministry of Finance. The interim financial statements have been prepared in accordance with China Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting.

2. Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 September 2021 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Group determines specific accounting policies and accounting estimates based on the characteristics of its production and operation. For the nine-month period ended 30 September 2021, there are no significant changes in the accounting policies as compared with that of 2020, other than the first implementation since 1 January 2021 of the policies on amendment and issuance of Accounting Standards for Business Enterprises No. 21 – Leasing (Note III (2.2)), the application of financial liabilities at fair value through profit or loss (Note III (2.4)) and the application of preferred shares (Note III (2.5)) issued by the Ministry of Finance on 13 December 2018.

1. Statement of compliance with the Accounting Standards for Business Enterprises ("ASBEs")

The financial statements of the Group have been prepared in accordance with China Accounting Standards for Business Enterprises ("CASBEs"), and present truly and completely, the Group's consolidated and the Company's financial position as at 30 September 2021, and consolidated and the Company's results of operations, changes in shareholders' equity and cash flows for the six months ended 30 September 2021.

2. Significant changes in accounting policies

2.1 Changes in accounting policies

The Group implements the "CASBEs No. 21 – Leasing" amended by the Ministry of Finance in 2018 (hereinafter referred to as the "New Lease Standards", and the Leasing Standards before the revision as the "Original Leasing Standards") from 1 January 2021 (the "first implementation date"), and the changes in accounting policies have been reviewed and approved by the Group's Board of Directors on 27 March 2021. The New Lease Standards complete the definition of a lease, and introduce the content of lease identification, separation and merger, etc.; cancel the classification of lessee operating leases and finance leases; require recognition of right-of-use assets and lease liabilities, and separate recognition of depreciation and interest costs for all leases (except for short-term leases and low-value asset leases) on the commencement date of the lease period; improve the subsequent measurement of the lease by a lessee; add the re-assessment on selection rights and the accounting treatment for a lease change as well as relevant disclosure requirements. In addition, the Standards also enrich the disclosure content of a lessor. The Group's revised accounting policies for the recognition and measurement of leases as lessee and lessor are set out in Note III (2.2).

For contracts that existed before the first implementation date, the Group chose not to re-assess whether they were leases or contained leases on the first implementation date.

2.2 Leases

Lease refers to a contract in which the lessor conveys the right to use an asset for a period of time to the lessee in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The Group reassesses whether a contract is a lease or contains a lease only if the terms and conditions of the contract are changed.

2.2.1 The Group as a lessee

2.2.1.1 Lease split

If a contract contains one or more lease components and non-lease components at the same time, the Group separates each lease component and non-lease components, and allocates the consideration in the contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.2.1.2 Right-of-use asset

Except for short-term leases and low- value asset leases, the Group recognizes a right-of-use asset for lease at the commencement date of the lease term. The commencement date of the lease term is the date on which a lessor makes an underlying asset available for use by the Group. Right-of-use assets are initially measured at cost. This cost comprise:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date of the lease term, less lease incentives received if there is any;

The Group refers to relevant depreciation requirements in the CASBEs No.4 – Fixed Assets to depreciate the right-of-use of asset. Right-of-use of assets in which the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term are depreciated over the remaining useful life of the leased asset. Otherwise, right-of-use of assets are depreciated over the shorter of the lease term and its remaining useful life.

The Group determines whether the right-of-use asset is impaired and accounts for it in accordance with the relevant provisions of the "CASBEs No. 8 – Asset Impairment".

2.2.1.3 Lease liability

Except for short-term leases and leases of low-value assets, at the commencement date of the lease term, the Group initially measures lease liabilities at the present value of the unpaid lease payments at that day. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the incremental borrowing interest rate is used as the discount rate.

Lease payments refer to the payments made by the Group to the lessor relating to the right to use the leased assets during the lease term, including:

- Fixed payment and in-substance fixed payment, less any lease incentives, if there is any;

After the commencement date of lease term, the Group calculates the interest expense of the lease liability in each period during the lease term using a constant periodic rate of interest, and recognises it in the current period profit or loss or the cost of related asset.

After the commencement date of lease term, due to a change in the lease term or a change in the assessment the purchase option, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate, and adjusts the corresponding right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability Group recognizes any difference in the current period profit and loss.

2.2.1.4 Short-term leases and low-value asset leases

The Group elects not to recognize right-of-use assets and lease liabilities to short-term leases of machinery and equipment, properties and buildings, and leases of low-value assets. Short-term lease refers to a lease that, at the commencement date of lease term, has a lease term of 12 months or less and does not contain a purchase option. Low-value asset lease refers to a lease for which the leased asset is of low value when it is new. The Group recognises the lease payments associated with short-term leases and low-value asset leases in the current period profit and loss or the cost of related asset costs on a straight-line basis in each period during the lease term.

2.2.1.5 Lease modifications

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

- The modification increase the scope of the lease by adding the right to use one or more underlying assets;

- The consideration increased by an amount commensurate with the stand-alone price for the increase in scope adjusted for the circumstances of the contract.

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Group allocates the consideration in the modified contract, redetermines the lease term and remeasures the lease liability by discounting the revised lease payment using a revised discount rate.

If the lease modification results in the reduction of the scope of lease or the shortening of the lease term, the Group decreases the carrying amount of the right-of-use asset accordingly, and recognizes in current period profit and loss any gain or loss relating to partial or full termination of the lease. The Group adjusts the carrying amount the right-of-use asset accordingly if the lease liability is remeasured for all other lease modifications.

2.2.2 The Group as a lessor

2.2.2.1 Classification of leases

The Group records the operating lease business as a lessor

In each period during the lease term, the Group recognizes lease receipts from operating leases as rental income on a straight-line basis. The initial direct costs related to operating leases are capitalized when incurred, and amortized on the same basis as the recognition of rental income over the lease term, and recognised in the current period profit and losses by installments.

The variable lease receipts from operating leases obtained by the Group that are not recognised in the lease receipts are recognised in the current period profit and losses when they actually occur.

2.2.2.2 Sale and leaseback transactions

The Group as the seller-lessee

The Group applies the requirement of CASBEs No. 14 – Revenue to assess whether the transfer of asset in the sale and leaseback transaction constitutes a sale. If the transfer of the asset does not satisfy the requirement as a sale, the Group continues to recognize the transferred asset, and at the same time recognize a financial liability equal to the transfer proceeds, and account for the financial liability in accordance with the CASBEs No. 22 – Recognition and Measurement of Financial Instruments. If the transfer of the asset satisfies the requirement as a sale, the Group 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 seller, and recognise the amount of any gain or loss that relates to the rights transferred to the lessor.

2.3. First implementation of the New Lease Standards

The Group as the lessee

The Group adjusts the amount of retained earnings and other related items in the financial statements on the first implementation day based on the cumulative impact of the first implementation of the New Lease Standards, and does not adjust the information of comparable period.

For operating leases other than low-value leases before the first implementation day, the Group chooses to adopt one or more of the following simplified treatments according to each lease:

- Leases that will be completed within 12 months from the date of first implementation are treated as short-term leases;

- When measuring lease liabilities, leases with similar characteristics use the same discount rate;

- The measurement of right-of-use assets does not include initial direct costs;

- If there is an option to renew or terminate the lease, the Group shall determine the lease term according to the actual exercise of the option prior to the first exercise and other latest conditions;

- If a lease change occurs before the first implementation day, the Group will perform accounting treatment according to the final arrangement of the lease change;

- As an alternative to the impairment test of the right-of-use assets, the Group assesses whether the contract containing the lease is an onerous contract before the first implementation day according to the *ASBEs No. 13 – Contingencies*, and adjusts the right-of-use assets based on the provision for losses included in assets and liabilities before the first implementation day.

- For operating leases before the first implementation day, the Group measures the lease liabilities at the present value of remaining lease payments discounted by the lessee's incremental borrowing interest rate on the first implementation day, and measures the right-of-use assets at the amount equal to the lease liabilities based on necessary adjustments to the advance rent payments.

On 1 January 2021, the Group recognized the lease liabilities of RMB159,162,026 and the right-of-use assets of RMB165,832,759. For the operating lease prior to the first implementation day, the Group measures the lease liabilities by using the present value discounted by the incremental borrowing interest rate on the first implementation day. The weighted average of the incremental borrowing interest rate for 1 to 5 years is 4.75%, and the weighted average of the incremental borrowing interest rate for more than 5 years is 4.90%.

The impact of the implementation of the New Lease Standards on the items in the Company's balance sheet as at 1 January 2021 is shown below:

Item	**31 December 2020**	**Adjustments**	**1 January 2021**
Current assets:			
Prepayments	378,619,350	(6,670,733)	371,948,617
Non-current assets:			
Right-of-use assets	–	165,832,759	165,832,759
Current liabilities:			
Non-current liabilities due within one year	1,874,484,159	30,331,816	1,904,815,975
Non-current liabilities:			
Lease liabilities	–	128,830,210	128,830,210

Information on the difference between the Group's lease liabilities recognized at 1 January 2021 and the significant operating lease commitments disclosed in the 2020 financial statements is as follows:

Item	**31 December 2020**
I. Operating lease commitment on 31 December 2020	204,486,359
Less: Effect of adjustments to borrowing interest rate on 1 January 2021	44,268,836
Lease liabilities calculated at the discount by the incremental borrowing interest rate on the first implementation day	160,217,523
Less: Confirmation of exemption - short-term leases	702,304
Confirmation of exemption - leases of low-value assets	353,193
Lease liabilities related to the original operating lease recognized in accordance with the New Lease Standards	159,162,026
II. Lease liabilities on 1 January 2021	159,162,026
Listed as follows:	
Other non-current liabilities due within one year	30,331,816
Lease liabilities	128,830,210

The carrying amount of the right-of-use assets on 1 January 2021 consists of:

Item	**1 January 2021**
Right-of-use assets:	
The right-of-use assets recognized for the operating lease prior to the first implementation date	159,162,026
Reclassification of prepaid rent *(Note 1)*	6,670,733
Total	165,832,759

By categories:

Item	**1 January 2021**
Land and mine use right	78,272,699
Buildings and related facilities	80,855,915
Machinery and equipment	6,704,145
Total	165,832,759

Note 1: The prepaid rent of RMB6,670,733 in the Group leases was reported as prepayment on 31 December 2020 and was reclassified to right-of-use assets on the first implementation day.

The Group as the lessor

The Group has no connection adjustments for the lease as the lessor, and will make accounting treatments in accordance with the New Lease Standards from the first implementation day. The implementation of the New Lease Standards has no significant impact on the Group's balance sheet as at 1 January 2021.

2.4 Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including held-for-trading financial liabilities (which include derivatives belonging to financial liabilities) and those designated as at fair value through profit or loss.

If a financial liability meets one of the following conditions, it indicates that the Group assumes the financial liability for sale:

(1) The purpose of assuming such financial liabilities is mainly for repurchasing in the near future.

(2) The financial liabilities are part of a centralized managed portfolio of identifiable financial instruments at the time of initial recognition, and there is evidence for short-term profit in the near future.

(3) The financial liabilities are derivatives instruments, except for derivatives that meet the definition of a financial guarantee contract and those designated as valid hedging instruments.

Financial liabilities that meet one of the following criteria may be designated at the time of initial recognition as financial liabilities measured at fair value through profit or loss: (1) The designation may eliminate or significantly reduce inconsistencies in the recognition and measurement of the gains or losses resulting from the differences in the measurement basis of the financial liability; (2) The Group's risk management or investment strategy sets out officially in written that the financial liabilities portfolio or the portfolio of financial assets and financial liabilities to which such financial liabilities belong shall be managed, evaluated and reported to key management personnel on a fair value basis; (3) Qualified hybrid instrument containing embedded derivatives.

Financial liabilities measured at fair value through profit or loss are measured subsequently at fair value, and the gains or losses resulting from changes in fair value and dividends or interest expenses related to such financial liabilities are included in the current profit or loss.

Preferred shares issued by the Group contain a number of embedded derivatives such as redemption, transfers, etc., which are designated as a whole as financial liabilities measured at fair value through profit or loss by the Group at the time of initial recognition.

For financial liabilities designated as measured at fair value through profit or loss, the fair value changes caused by the Group's own changes in credit risk are included in other comprehensive income, and other fair value changes are included in the current profit or loss. When the financial liability is terminated, the cumulative change in its fair value caused by changes in its own credit risk, which was previously included in other comprehensive income, is transferred to retained earnings. Dividends or interest expenses related to such financial liabilities are included in the current profit or loss. If the effects of changes in their own credit risk of such financial liabilities are addressed in the manner described above, resulting in or expanding the accounting mismatch in profit or loss, the Group will include all the gains or losses of such financial liabilities (including the amount affected by the changes in their own credit risk) in the current profit or loss.

2.5 *Preferred shares and other financial instruments*

Other financial instruments, such as preferred shares issued by the Group, are classified as equity instruments if:

(1) The financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;

(2) Where the financial instrument is to be settled in the future with or available to the enterprise's own equity instrument, if the financial instrument is a non-derivative instrument, the contractual obligation to deliver a variable number of its own equity instruments for settlement is not included; in the case of derivatives, the Group may settle the financial instrument only by exchanging a fixed amount of cash or other financial assets with a fixed number of its own equity instruments.

Preferred shares issued by the Group that do not meet the above conditions are classified as financial liabilities.

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

IV. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Cash on hand	693,264	620,098
Bank balances	7,586,605,392	8,419,626,271
Other monetary assets *(Note)*	246,616,836	221,366,478
Total	7,833,915,492	8,641,612,847
Including: Cash deposited overseas	1,188,205,479	906,642,344

Note: As at 30 September 2021, other monetary assets include mine reclamation deposit of RMB90,520,980, letter of guarantee deposit of RMB27,284,539, notes and L/C security deposits of RMB112,664,250, sale and leaseback financing lease deposits of RMB15,000,000 and deposits of other nature RMB1,147,067, amounting to RMB246,616,836 (31 December 2020: RMB221,366,478). The restricted cash is not regarded as cash when preparing the cash flow statements.

2. Held-for-trading financial assets

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Financial assets at fair value through profit or loss	300,000,000	1,004,581,752
Including: Money market fund *(Note)*	300,000,000	1,004,581,752
Total	300,000,000	1,004,581,752

Note: Money market fund is issued by China International Fund Management Co., Ltd. and Aegon-Industrial Fund Management Co., Ltd., which can be redeemed whenever necessary. The fair value of this product is determined based on the market value of the latest trading price.

3. Notes receivable

(1) Classification of notes receivable

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Bank acceptance	556,253,296	79,939,117
Total	556,253,296	79,939,117

(2) Notes receivable of the Group pledged at the end of the period

RMB

Item	Amount pledged at the end of the period
Bank acceptance	38,000,000

(3) Notes receivable of the Group that have been endorsed or discounted but were not yet due as at the balance sheet date

RMB

Item	Derecognized amount	Unrecognized Amount
Bank acceptance	–	469,886,331
Total	–	469,886,331

(4) Disclosure by classification of bad debt provision methods

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

4. Accounts receivable

(1) The aging analysis of accounts receivable is as follows

RMB

Aging	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Within 1 year		
Including: divided into two parts		
Within 6 months	1,150,500,043	563,211,099
6 – 12 months	180,340,093	44,891,100
Subtotal	1,330,840,136	608,102,199
1 – 2 years	86,678,498	55,070,681
2 – 3 years	27,264,145	43,490,378
More than 3 years	116,902,423	94,919,838
Less: Provision for credit loss	163,953,834	148,363,317
Total	1,397,731,368	653,219,779

(2) Bad debt provision

RMB

Category	Opening balance	Changes for the period: Provision	Recovery or reversal	Write-off or elimination	Other changes	Closing balance
Bad debt provision for accounts receivable	148,363,317	29,163,182	(7,634,241)	(5,938,424)	–	163,953,834
Total	148,363,317	29,163,182	(7,634,241)	(5,938,424)	–	163,953,834

5. Financing with receivables

(1) Classification of financing with receivable

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Bank acceptance notes	526,398,348	1,020,306,419
Total	526,398,348	1,020,306,419

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

RMB

Item	Amount pledged at the end of the period
Bank acceptance	118,541,576

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

RMB

Item	Derecognized amount	Unrecognized Amount
Bank acceptance – endorsed but not yet expired as at the balance sheet date	1,418,237,897	–

6. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

Aging	Balance at 30 September 2021 (Unaudited) Amount	Proportion	Balance at 31 December 2020 Amount	Proportion
		(%)		*(%)*
Within 1 year	518,607,392	96	356,458,523	94
1 - 2 years	8,608,676	2	13,999,597	4
2 - 3 years	6,132,042	1	1,669,076	–
Over 3 years	7,068,621	1	6,492,154	2
Total	540,416,731	100	378,619,350	100

7. Inventories

(1) Categories of inventories

RMB

	Balance at 30 September 2021 (Unaudited)			Balance at 31 December 2020		
Item	Account balance	Provision for decline in value of inventories	Carrying amount	Account balance	Provision for decline in value of inventories	Carrying amount
Raw materials	1,083,348,648	763,072	1,082,585,576	873,139,368	763,072	872,376,296
Work in progress	716,792,794	165,122	716,627,672	587,286,515	165,122	587,121,393
Finished goods	590,453,499	–	590,453,499	495,705,006	–	495,705,006
Spare parts	564,347,572	90,001,331	474,346,241	481,868,753	87,915,259	393,953,494
Total	2,954,942,513	90,929,525	2,864,012,988	2,437,999,642	88,843,453	2,349,156,189

8. Long-term equity investments

RMB

Investee	Balance at 31 December 2020	Changes for the period: Increase in investment	Changes for the period: Investment income or losses under equity method	Changes for the period: Other equity changes	Balance at 30 September 2021 (Unaudited)	Closing balance of impairment provision
I. Joint venture						
Huaxin Traffic Investment (Chibi) New Building Materials Co., Ltd.	60,791,825	–	8,497,131	–	69,288,956	–
Sub total	60,791,825	–	8,497,131	–	69,288,956	–
II. Associates						
Tibet High-tech Building Materials Group Co., Ltd.	356,279,532	–	6,939,718	731,807	363,951,057	–
Shanghai Wan'an Huaxin Cement Co., Ltd.	92,413,957	–	(255,036)	–	92,158,921	–
Zhangjiajie Tianzi Concrete Co., Ltd.	2,750,887	–	(826,708)	–	1,924,179	–
Chenfeng Intelligent Equipment Hubei Co., Ltd	45,000	–	–	–	45,000	–
Sub total	451,489,376	–	5,857,974	731,807	458,079,157	–
Total	512,281,201	–	14,355,105	731,807	527,368,113	–

9. Fixed assets

Categories *RMB*

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Fixed assets	19,873,739,440	19,174,711,857
Disposal of fixed assets	4,830,525	10,918,400
Total	19,878,569,965	19,185,630,257

(1) Fixed assets

RMB

Item	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
I. Cost					
1. Balance at 1 January 2021	15,206,895,171	18,442,775,075	286,841,213	486,683,014	34,423,194,473
2. Addition	814,041,462	1,206,438,550	12,376,234	58,898,868	2,091,755,114
(1) Purchase	23,891,983	54,457,738	8,690,938	5,741,225	92,781,884
(2) Transferred from construction in progress	738,540,019	1,107,792,567	2,957,621	35,745,576	1,885,035,783
(3) Increase due to business combination	51,609,460	44,188,245	727,675	17,412,067	113,937,447
3. Reduction	19,949,746	96,412,687	2,190,470	44,749,807	163,302,710
(1) Disposal or retirement	18,258,844	96,207,355	2,042,565	44,749,807	161,258,571
(2) Disposal of subsidiaries	1,690,902	205,332	147,905	–	2,044,139
4. Translation differences of financial statements denominated in foreign currencies	(21,599,569)	(26,102,036)	(179,037)	(1,130,295)	(49,010,937)
5. Balance at 30 September 2021 (Unaudited)	15,979,387,318	19,526,698,902	296,847,940.00	499,701,780.00	36,302,635,940

Item	Buildings	Machinery and equipment	Office equipment	Transportation vehicles	Total
II. Accumulated depreciation					
1. Balance at 1 January 2021	4,068,881,305	10,155,129,191	208,320,679	368,652,941	14,800,984,116
2. Addition	384,125,187	885,020,661	13,710,996	35,759,910	1,318,616,754
(1) Provision made during the year	384,125,187	885,020,661	13,710,996	35,759,910	1,318,616,754
3. Reductions	6,379,127	81,610,523	2,047,394	42,552,231	132,589,275
(1) Disposal or retirement	5,158,598	81,466,041	1,915,528	42,552,231	131,092,398
(2) Disposal of subsidiaries	1,220,529	144,482	131,866	–	1,496,877
4. Translation differences of financial statements denominated in foreign currencies	(5,127,043)	(18,011,454)	(155,910)	(833,109)	(24,127,516)
5. Balance at 30 September 2021 (Unaudited)	4,441,500,322	10,940,527,875	219,828,371	361,027,511.00	15,962,884,079
III. Provision for impairment losses					
1. Balance at 1 January 2021	263,419,885	183,778,033	129,918	170,664	447,498,500
2. Addition	16,791,806	2,679,864	104,647	22,351	19,598,668
(1) Provision made during the year	16,791,806	2,679,864	104,647	22,351	19,598,668
3. Reductions	48,379	1,023,213	13,155	–	1,084,747
(1) Disposal or retirement	48,379	1,023,213	13,155	–	1,084,747
4. Balance at 30 September 2021 (Unaudited)	280,163,312	185,434,684	221,410	193,015	466,012,421
IV. Net book value					
1. Balance at 30 September 2021 (Unaudited)	11,257,723,684	8,400,736,343	76,798,159	138,481,254	19,873,739,440
2. Balance at 1 January 2021	10,874,593,981	8,103,867,851	78,390,616	117,859,409	19,174,711,857

As at 30 September 2021, buildings and machinery and equipment with carrying amount of RMB5,706,340 (cost of RMB8,083,098) are treated as the collateral for short-term borrowings (31 December 2020: buildings and machinery and equipment with the carrying amount of RMB5,896,890 and the cost of RMB8,083,098 are treated as the collateral for short-term borrowings and long-term borrowings). Details are set out in Note IV, 12 and 16.

10. Construction in progress

Categories

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Construction in progress	4,519,658,789	2,967,890,214
Materials for construction of fixed assets	74,223,923	136,539,126
Total	4,593,882,712	3,104,429,340

(1) Details of construction in progress are as follows

RMB

	Balance at 30 September 2021 (Unaudited)			Balance at 31 December 2020		
Item	Account balance	Impairment provision	Carrying amount	Account balance	Impairment provision	Carrying amount
Nepal Cement Clinker Production Line	924,798,503	–	924,798,503	562,494,489	–	562,494,489
Huaxin Integrated series project	537,440,266	–	537,440,266	144,239,265	–	144,239,265
Huaxin Aggregate Series Project	436,007,270	–	436,007,270	308,210,988	–	308,210,988
Huaxin Huangshi Green building materials billion tons machine-made sand project	336,153,673	–	336,153,673	–	–	–
Huaxin Environmental Engineering Series Project	330,811,868	–	330,811,868	308,876,320	–	308,876,320
Serial projects of Huaxin industrial park	183,656,521	–	183,656,521	327,767,990	–	327,767,990
Fuchi Harbour project	182,023,806	–	182,023,806	–	–	–
Huaxin Packaging Series Project	171,820,587	–	171,820,587	83,433,469	–	83,433,469
Huangshi Cement Clinker Production Line	153,514,070	–	153,514,070	5,062,312	–	5,062,312
Marvini 1# production line transformation	109,228,165	–	109,228,165	12,187,915	–	12,187,915
Huaxin Vertical Mill Renovation Project	95,612,550	–	95,612,550	118,677,090	–	118,677,090
Huaxin Concrete Series Project	77,409,563	–	77,409,563	5,992,597	–	5,992,597
Yichang land acquisition health protection relocation project	50,000,000	–	50,000,000	30,000,000	–	30,000,000
1000T/D lime production line of Huaxin (Lijiang)	8,796,410	–	8,796,410	112,088,904	–	112,088,904
Others	931,762,118	9,376,581	922,385,537	958,231,240	9,372,365	948,858,875
Total	4,529,035,370	9,376,581	4,519,658,789	2,977,262,579	9,372,365	2,967,890,214

(2) Changes in significant construction in progress

RMB

Project name	Budget	Balance at 1 January 2020	Addition	Transfer to fixed assets	Other reductions	Balance at 30 September 2021 (Unaudited)	Accumulated cost incurred out of budget	Construction progress	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period	Source of funds
							(%)	(%)			(%)	
Nepal Cement Clinker Production Line	953,353,800	562,494,489	362,304,014	–	–	924,798,503	97	97	2,809,489			Self-owned funds and bank borrowings
Huaxin Integrated series project	1,288,254,200	144,239,265	677,182,457	277,885,888	6,095,568	537,440,266	N/A	N/A				Self-owned funds
Huaxin Aggregate Series Project	1,710,885,700	308,210,988	560,556,434	244,431,495	188,328,657	436,007,270	N/A	N/A	10,216,972	5,285,035	3	Self-owned funds and bank borrowings
Huaxin Huangshi Green building materials billion tons machine-made sand project	9,957,000,000	–	336,820,151	666,478	–	336,153,673	3	3				Self-owned funds
Huaxin Environmental Engineering Series Project	1,446,492,042	308,876,320	187,711,793	148,411,647	17,364,598	330,811,868	N/A	N/A				Self-owned funds
Serial projects of Huaxin industrial park	533,264,500	327,767,990	132,169,698	245,796,839	30,484,328	183,656,521	N/A	N/A				Self-owned funds
Fuchi Harbour project	404,497,350	–	182,023,806	–	–	182,023,806	45	45				Self-owned funds
Huaxin Packaging Series Project	402,542,300	83,433,469	95,240,981	6,494,593	359,270	171,820,587	N/A	N/A				Self-owned funds
Huangshi Cement Clinker Production Line	2,208,039,800	5,062,312	270,246,410	121,794,652	–	153,514,070	89	89	–			Self-owned funds and bank borrowings
Marvini 1# production line transformation	225,473,850	12,187,915	170,949,234	73,908,984	–	109,228,165	81	81				Self-owned funds
Huaxin Vertical Mill Renovation Project	309,373,940	118,677,090	7,759,465	3,366,176	27,457,829	95,612,550	N/A	N/A				Self-owned funds
Huaxin Concrete Series Project	323,142,567	5,992,597	76,366,314	4,949,348	–	77,409,563	N/A	N/A				Self-owned funds
Yichang land acquisition health protection relocation project	63,000,000	30,000,000	20,000,000	–	–	50,000,000	79	79				Self-owned funds
1000T/D lime production line of Huaxin (Lijiang)	155,011,387	112,088,905	49,001,249	152,293,744	–	8,796,410	100	100				Self-owned funds
Others	–	948,858,874	705,839,994	605,035,939	127,277,392	922,385,537	N/A	N/A	11,537,902			Self-owned funds and bank borrowings
Total		2,967,890,214	3,834,172,000	1,885,035,783	397,367,642	4,519,658,789			24,564,363	5,285,035		

Note: As there are many projects under construction of the same nature in some business segments, they are merged into a series of projects for disclosure; The budget, actual investment and project progress cannot be disclosed one by one, so the proportion of cumulative investment in the budget and project progress for a series of projects is "N/A"; At the same time, the relevant capitalized interest amount is generated by the project with bank borrowings in the series of projects.

11. Intangible assets

(1) Intangible assets

RMB

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
I. Cost						
1. Balance at 1 January 2021	2,767,588,560	1,922,911,508	314,133,148	168,200,597	215,056,226	5,387,890,039
2. Addition	191,131,723	1,134,341,030	9,452,013	–	5,540,725	1,340,465,491
(1) Purchase	157,084,790	1,065,935,457	9,452,013	–	385,977	1,232,858,237
(2) Transfer from construction in progress	2,557,339	68,405,573	–	–	5,110,950	76,073,862
(3) Increase due to business combination	31,489,594	–	–	–	43,798	31,533,392
3. Reduction	235,771	–	–	–	1,182,308	1,418,079
(1) Disposal of subsidiaries	235,771	–	–	–	125,191	360,962
(2) Disposal and retirement	–	–	–	–	1,057,117	1,057,117
4. Translation differences of financial statements denominated in foreign currencies	(52,993)	(8,870,519)	–	–	(402,489)	(9,326,001)
5. Balance at 30 September 2021 (Unaudited)	2,958,431,519	3,048,382,019	323,585,161	168,200,597	219,012,154	6,717,611,450
II. Accumulated amortization						
1. Balance at 1 January 2021	466,407,889	310,936,427	84,075,882	34,234,743	201,701,948	1,097,356,889
2. Addition	47,310,042	144,595,883	10,222,377	10,975,666	14,518,399	227,622,367
(1) Provision	47,310,042	144,595,883	10,222,377	10,975,666	14,518,399	227,622,367
3. Reduction	72,309	–	–	–	1,172,844	1,245,153
(1) Disposal of subsidiaries	72,309	–	–	–	125,191	197,500
(2) Disposal or retirement	–	–	–	–	1,047,653	1,047,653
4. Translation differences of financial statements denominated in foreign currencies	(4,217)	(663,148)	–	–	(54,952)	(722,317)
5. Balance at 30 September 2021 (Unaudited)	513,641,405	454,869,162	94,298,259	45,210,409	214,992,551	1,323,011,786

Item	Land use rights	Mining rights	Mine restoration fees	Concession rights	Software and others	Total
III. Impairment provision						
1. Balance at 1 January 2021	–	23,524,969	–	–	–	23,524,969
2. Addition	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–
3. Reduction	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	
4. Balance at 30 September 2021 (Unaudited)	–	23,524,969	–	–	–	23,524,969
IV. Net book value						
1. Balance at 30 September 2021 (Unaudited)	2,444,790,114	2,569,987,888	229,286,902	122,990,188	4,019,603	5,371,074,695
2. Balance at 1 January 2021	2,301,180,671	1,588,450,112	230,057,266	133,965,854	13,354,278	4,267,008,181

Other explanation:

As at 30 September 2021, the land use rights and mining rights with the carrying amount of RMB11,122,390 (the cost of RMB13,836,187) (31 December 2020: the carrying amount of RMB6,254,797 and the cost of RMB8,497,487) are treated as collateral for borrowings. Details are set out in Note IV (12) and (16).

12. Short-term borrowings

Category of short-term borrowings

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Mortgaged bank borrowings	13,000,000	13,000,000
Bank borrowings on credit	509,000,000	612,000,000
Total	522,000,000	625,000,000

Notes to category of short-term borrowings:

Note 1: As at 30 September 2021, part of buildings, machinery and equipment (Note IV (9)) and land use rights (Note IV (11)) of the Group were mortgaged for the borrowings of RMB13,000,000 (31 December 2020: RMB13,000,000).

Note 2: As at 30 September 2021, bank borrowings on credit included RMB409,000,000 (31 December 2020: RMB612,000,000) guaranteed by the Company for the subsidiaries within the Group.

As at 30 September 2021, the interest rate of short-term borrowings ranges from 1.85% to 4.35% per annum (31 December 2020: from 1.85% to 4.35% per annum).

13. Accounts payable

(1) Disclosure by categories

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Payables for production	3,981,558,195	3,644,275,784
Payables for construction	2,581,669,577	1,653,357,986
Total	6,563,227,772	5,297,633,770

14. Contract liabilities

(1) Details of contract liabilities

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Advances from customers	859,779,636	830,492,042
Total	859,779,636	830,492,042

Notes:

(1) Contract liabilities are mainly the advances received by the Group in accordance with the sales contract of building materials, and the relevant income of the contract will be recognized after the Group performs its obligations.

(2) The contract liabilities at the end of the period are expected to be recognized as revenue within the next year.

15. Non-current liabilities due within one year

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Long-term borrowings due within one year	720,078,229	524,266,910
Bonds payable due within one year	–	1,199,284,590
Long-term payables due within one year	202,431,488	150,932,659
Lease liability due within one year	25,984,647	–
Total	948,494,364	1,874,484,159

16. Long-term borrowings

RMB

Item	**Balance at 30 September 2021** (Unaudited)	**Balance at 31 December 2020**
Bank borrowings on credit	4,416,167,149	3,501,684,221
Pledged bank borrowings	428,710,000	526,140,000
Mortgaged bank borrowings	3,061,767	–
Guaranteed bank borrowings	–	722,662
Less: Long-term borrowings due within one year		
Bank borrowings on credit	597,218,229	415,684,248
Pledged bank borrowings	122,860,000	107,860,000
Mortgaged bank borrowings	–	–
Guaranteed bank borrowings	–	722,662
Total	4,127,860,687	3,504,279,973

Notes to categories of long-term borrowings:

Note 1: As at 30 September 2021, bank borrowings on credit of RMB4,416,167,149 include long-term borrowings of RMB1,864,437,856 guaranteed by the Company for subsidiaries of the Group and borrowings in USD equivalent to RMB1,317,729,293 (31 December 2020: bank borrowings on credit of RMB3,501,684,221 include long-term borrowings of RMB93,341,766 guaranteed by the Company for subsidiaries of the Group and borrowings in USD equivalent to RMB156,261,623). Such bank borrowings on credit shall be repaid batch-by-batch during the period from 2021 to 2028.

Note 2: As at 30 September 2021, the pledged assets for pledged borrowings of RMB428,710,000 (31 December 2020: RMB526,140,000) are equity of the Group's certain subsidiaries. Such mortgaged borrowings shall be repaid in batches during the period from 2021 to 2025.

Note 3: As at 30 September 2021, the mortgage assets for mortgaged bank borrowings of RMB3,061,767 (31 December 2020: Nil) are part of the Group's mining rights. Such mortgaged bank borrowings shall be repaid in 2023.

Note 4: As at 30 September 2021, the Group has no guaranteed bank borrowings (31 December 2020: RMB722,662).

As at 30 September 2021, the interest rate of long-term borrowings ranges from 1.1% to 5.1% (31 December 2020: from 2.90% to 5.70%).

17. Bonds payable

(1) Bonds payable

RMB

Item	**Balance at 30 September 2021 (Unaudited)**	**Balance at 31 December 2020**
Bonds issued overseas in 2020	1,933,990,714	1,943,763,447
Bonds issued publicly in 2021	1,297,597,907	–
Preference shares *(Note 1)*	131,943,768	–
Total	3,363,532,389	1,943,763,447

Note 1: The principal terms of the preference shares are as follows:

- Redemption terms:

  If a subsidiary of the Group triggers a specific event (such as a breach of the provisions of the transaction documents or a change of control or the expiration of the eighth year after the settlement date), the preferred shareholders may submit a written request to a subsidiary of the Group to redeem the preferred shares.

- Equity transfer term

  Preferred shareholders shall have the right to convert their preferred shares into ordinary shares at any time between the settlement date and the expiration date without payment of any consideration by application. From the settlement date to the third year after the settlement date (inclusive), the preferred shareholders shall have the right to convert their preferred shares into ordinary shares at a ratio of 1:1; From the third year of the settlement date to the sixth year after the settlement date (inclusive), the preferred shareholders shall have the right to convert their preferred shares into ordinary shares at a ratio of 1:0.8571428; From the sixth year after the settlement date until the expiration date, the preferred shareholders shall have the right to convert their preferred shares into ordinary shares at a ratio of 1:0.7142857.

(2) *Changes in bonds payable*

RMB

Name of bond	Par value	Issue date	Term of bond	Issue amount	Balance at 31 December 2020	Issuance in current period	Amortization of discount	Exchange gain or loss	Repayment in current period	Balance at 30 September 2021 (Unaudited)	Balance of accrued interest
Phase-I corporate bonds issued in 2016	100	19 August 2016	5 years	1,200,000,000	1,199,284,590	–	613,209	–	1,199,897,799	–	–
Bonds issued overseas in 2020 *(Note 1)*	100	19 November 2020	5 years	1,973,460,000	1,943,763,447	–	2,000,364	(11,773,097)	–	1,933,990,714	16,051,365
Bonds issued publicly in 2021 *(Note 2)*	100	25 August 2021	3 years	1,300,000,000	–	1,297,504,000	93,907	–	–	1,297,597,907	4,238,000
Less: Bonds payable due within one year					1,199,284,590	–	613,209	–	1,199,897,799	–	–
Total				4,473,460,000	1,943,763,447	1,297,504,000	2,094,271	(11,773,097)	–	3,231,588,621	20,289,365

Note 1: As filed by Fa Gai Ban Wai Zi Bei [2020] No. 160 Document issued by the National Development and Reform Commission of China, the Company issued corporate bonds totalling USD 300 million at the Singapore Exchange (SGX) on 19 November 2020 with a coupon rate of 2.25%. The corporate bonds are calculated at a simple monthly interest which is paid on a half-year basis and with a period of five years.

Note 2: As approved by the Zheng Jian Xu Ke [2021] No. 2628 Document issued by China Securities Regulatory Commission, the Company issued corporate bonds totalling RMB1.3 billion on 25 August 2021 with a coupon rate of 3.26%. The corporate bonds are calculated at a simple annual interest which is paid on an annual basis and with a period of three years.

(3) *Changes in outstanding preferred shares at the end of the period*

	Additional issued		Gain or loss from changes in fair value		Exchange gain or loss		Balance at 30 September 2021 (Unaudited)	
Financial instruments in issue	**Amount**	**Carrying amount**	**Amount**	**Carrying amount**	**Amount**	**Carrying amount**	**Amount**	**Carrying amount**
Preferred shares of subsidiaries *(Note 1)*	19,250,000	124,507,075	–	7,099,818	–	336,875	19,250,000	131,943,768
Total	19,250,000	124,507,075	–	7,099,818	–	336,875	19,250,000	131,943,768

Note 1: In August 2021, Huaxin Hong Kong (Tanzania) Investment Co., Ltd, a subsidiary of the Group, signed a subscription agreement with China-Africa Development Fund Company according to which the Company issued 19.25 million preferred shares at a price of USD1 per share with a total cash consideration of USD19.25 million. In August 2021, this round of preferred shares was issued and contributed completely.

18. Retained profits

RMB

Item	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Opening balance before adjustment	19,304,701,887	16,204,540,023
Adjustments of retained profits	–	–
Opening balance after adjustment	19,304,701,887	16,204,540,023
Add: Net profit attributable to the owner of the parent company in the period	3,563,345,363	4,024,415,213
Less: Ordinary share dividends payable	2,262,545,868	2,530,436,948
Closing Balance	20,605,501,382	17,698,518,288

Note: According to the shareholders' meeting on 28 April 2021, the Company distributed a total amount of RMB2,262,545,868 of cash dividends to all of the shareholders.

19. Operating income and operating costs

(1) *Operating income and operating costs*

RMB

	For the nine months ended 30 September 2021 (Unaudited)		For the nine months ended 30 September 2020 (Unaudited)	
Item	Income	Costs	Income	Costs
Principle operations	22,304,465,731	14,199,533,343	20,289,283,247	12,142,318,057
Other operations	149,397,285	61,035,749	122,391,683	37,755,355
Total	22,453,863,016	14,260,569,092	20,411,674,930	12,180,073,412

(2) *Income generated from contracts*

Income from principal operations is presented by products:

RMB

	For the nine months ended 30 September 2021 (Unaudited)		For the nine months ended 30 September 2020 (Unaudited)	
Item	Income	Costs	Income	Costs
Sales of cement	16,694,256,398	10,866,861,672	16,518,871,957	9,843,623,571
Sales of concrete	1,975,083,705	1,415,733,167	1,226,856,587	885,594,709
Sales of clinker	1,206,412,184	920,760,800	909,074,114	630,893,965
Sales of aggregate	1,470,117,522	514,921,633	793,545,847	284,099,378
Others	958,595,922	481,256,071	840,934,742	498,106,434
Total	22,304,465,731	14,199,533,343	20,289,283,247	12,142,318,057

(3) Significant performance obligation

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

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

(4) Explanations to allocation to residual performance obligation

As at 30 September 2021, the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied was RMB859,779,636, which will be recognized in its entirety as revenue during the next year.

(5) External revenue by geographical area of source

RMB

Item	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
China	20,573,877,787	19,202,610,175
Central Asia	1,280,746,612	778,593,742
Cambodia	422,069,241	430,471,013
Tanzania	177,169,376	–
Total	22,453,863,016	20,411,674,930

20. Taxes and levies

RMB

Item	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
City maintenance and construction tax	45,283,339	52,422,968
Educational surcharge	25,934,340	29,469,638
Resource tax	197,991,686	115,716,371
Property tax	28,614,403	19,053,236
Land use tax	43,148,006	27,564,555
Environmental protection tax	60,190,695	55,036,237
Others	37,628,120	34,545,032
Total	438,790,589	333,808,037

21. Selling and distribution expenses

RMB

Item	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Transportation, carriage and handling labor expenses	617,797,166	468,605,816
Material costs	366,888,965	394,738,294
Staff costs	318,298,153	251,339,985
Depreciation and amortization expenses	65,341,109	56,834,414
Utilities expenses	59,930,757	58,790,669
Entertainment expenses	30,471,346	23,434,588
Traveling expenses	25,151,923	21,273,209
Rental expenses	10,222,716	7,695,823
Repair expenses	21,872,602	23,534,780
Others	86,729,789	77,715,685
Total	1,602,704,526	1,383,963,263

22. General and administrative expenses

RMB

Item	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Staff costs	656,718,600	616,962,353
Depreciation and amortization expenses	137,012,084	134,392,366
Entertainment expenses	43,357,435	33,266,417
Traveling expenses	29,979,191	25,428,695
Office and meeting expenses	26,054,104	29,751,233
Outsourced labor expenses	30,384,955	29,729,347
Consulting and audit expenses	37,601,647	56,627,478
Utilities expenses	12,377,974	15,050,395
Property insurance expenses	11,785,650	8,612,207
Environmental protection costs	16,119,702	5,176,067
Communication expenses	8,162,099	8,713,276
Others	133,992,869	113,315,694
Total	1,143,546,310	1,077,025,528

23. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,894,413,344	4,430,554,054
Add: Provision for impairment losses of assets	23,699,983	12,464,424
Losses on credit impairment	23,908,265	26,214,188
Depreciation of fixed assets	1,318,616,754	1,242,325,904
Depreciation of right-of-use assets	24,094,222	–
Amortization of intangible assets	227,622,367	117,905,411
Amortization of long-term prepaid expenses	46,044,567	37,090,291
Amortization of deferred income	(20,258,446)	(25,175,225)
Losses (incomes) on disposal of fixed assets, intangible assets and other long-term assets	1,763,916	(10,114,587)
Losses on retirement of fixed assets	9,542,247	13,325,264
Losses on changes in fair value	21,981,729	6,359,274
Financial expenses	191,389,998	139,794,935
Investment income	(32,477,209)	(113,457,395)
Decrease in deferred tax assets	19,412,480	40,564,325
Decrease in deferred tax liabilities	(8,380,407)	(22,703,424)
Increase in inventories	(512,864,824)	(560,237,713)
Increase in operating receivables	(845,731,002)	(346,519,356)
(Decrease) Increase in operating payables	(815,727,668)	663,675,046
Net cash flow from operating activities	3,567,050,316	5,652,065,416
2. Net changes in cash and cash equivalents:		
Cash balance at 30 September 2021	7,587,298,656	5,482,770,098
Less: Cash balance at 31 December 2020	8,420,246,369	4,918,296,452
Net (decrease) increase in cash and cash equivalents	(832,947,713)	564,473,646

(2) Net cash payments for acquisition of subsidiaries and other business entities

RMB

	Amount
Cash and cash equivalents paid for business combinations in current period	333,936,090
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	5,393,204
Net cash paid for acquisition of subsidiaries	328,542,886

24. Assets with limited ownership or use right

RMB

Item	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Cash and bank balances *(Note IV, 1)*	246,616,836	221,366,478
Notes receivable *(Note IV, 3)*	38,000,000	7,000,000
Financing with receivables *(Note IV, 5)*	118,541,576	94,904,632
Fixed assets *(Note IV, 9)*	5,706,340	5,896,890
Intangible assets *(Note IV, 11)*	11,122,390	6,254,797
Right-of-use assets	163,124,435	–
Total	583,111,577	335,422,797

The equity of certain subsidiaries of the Group is pledged to the bank for acquisition of long-term borrowings (Note IV (16)). As at 30 September 2021, the net book value of such equity amounted to approximately RMB5,030,717,496 (31 December 2020: approximately RMB4,526,129,297).

V. CHANGES IN SCOPE OF CONSOLIDATION

1. Changes in scope of consolidation for other reasons

New companies established and purchased during the period mainly include: Fumin Park New Building Co., Ltd, Huaxin Concrete (Shishou) Co., Ltd., Huaxin Concrete (Suizhou) Co., Ltd, Huaxin New Material (Enshi) Co., Ltd., Huaxin Gangcheng Building Materials (Huangshi) Co., Ltd, Huaxin New Building Materials (Yidu) Co., Ltd, Hainan Baihuitong Supply Chain Technology Co., Ltd., and Huaxin Cambodia Trading Co., Ltd, Yangxin Fuhua Loading and Unloading Co., Ltd.

In August 2021, Huangshi Green Building Materials Industry Co., Ltd., a subsidiary of the Group, purchased the 65% equity of Yangxin Fuhua Loading and Unloading Co., Ltd.("Fuhua Loading and Unloading") held by Yangxin County Transportation Investment Co., Ltd. ("Yangxin Transportation Investment") with a consideration of RMB130 million, after which the Group held the 100% equity of Fuhua Loading and Unloading and included it in the scope of consolidation. The company was jointly established in January 2021 by Huaxin Aggregate Co., Ltd. ("Huaxin Aggregate"), a subsidiary of the Group, and the third party Yangxin Transportation Investment, the paid-in capital of which was RMB200 million including physical assets (Fuchi Comprehensive Port) of RMB130 million contributed by Yangxin Transportation Investment and cash and bank balances of RMB70 million contributed by Huaxin Aggregate. The Group holds the 35% equity of Fuhua Loading and Unloading and accounts for it as an associated company. At present, the Fuchi Comprehensive Port under construction is the main asset of Fuhua Loading and Unloading. The Group regards this acquisition as a purchase of assets.

2. Disposal of subsidiaries

As at 14 January 2021, the Group entered into an equity transfer agreement with Yidu Baishui Port Industry and Trade Co., Ltd. to sell the 100% equity of Huaxin Yidu Packaging Co., Ltd. totally held by the Group. Therefore, Huaxin Yidu Packaging Co., Ltd. will no longer be included in the scope of consolidation. The gains of RMB2,499,787 from the disposal are recognized in investment income.

3. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control

RMB

Name of acquiree	Acquisition Consideration	Proportion acquired of equity interest	Consideration	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the acquisition date to the period-end	Net loss of the acquiree from the acquisition date to the period-end
		(%)					
Yidu Honghua Xintong Logistics Co., Ltd.	58,800,000	100%	Cash	9 March 2021	Date of change in control	6,992,223	361,162
Hainan Xinhongda Building Materials Co., Ltd	186,696,200	100%	Cash	5 February 2020	Date of change in control	50,358,522	9,773,861

(2) Acquisition consideration and goodwill

RMB

Acquisition cost	**Yidu Honghua Xintong Logistics Co., Ltd.**
– Cash	56,574,700
– Fair value of liabilities assumed	2,225,300
Total combination cost	58,800,000
Less: Share of fair value of identifiable net asset acquired	58,800,000
Amount of acquisition consideration less than fair value of identifiable net assets	–

RMB

Acquisition cost	**Hainan Xinhongda Building Materials Co., Ltd**
– Cash	177,361,390
– Fair value of liabilities assumed	9,334,810
Total combination cost	186,696,200
Less: Share of fair value of identifiable net asset acquired	51,730,886
Amount of acquisition cost over the fair value of identifiable net assets	134,965,314

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

RMB

Item	**Yidu Honghua Xintong Logistics Co., Ltd.**	
	Fair value at the acquisition date	**Carrying amount at the acquisition date**
Assets:		
Cash and bank balances	239,549	239,549
Accounts receivable	6,960,110	6,960,110
Prepayments	1,132,550	1,132,550
Other receivables	1,208,144	1,208,144
Inventories	3,131,977	3,131,977
Fixed assets	44,617,394	30,955,579
Intangible assets	8,383,300	2,566,663
Liabilities:		
Taxes payable	242,935	242,935
Other payables	1,760,476	1,760,476
Deferred tax liabilities	4,869,613	–
Net Asset	58,800,000	44,191,161

RMB

Item	**Hainan Xinhongda Building Materials Co., Ltd.**	
	Fair value at the acquisition date	**Carrying amount at the acquisition date**
Assets:		
Cash and bank balances	2,433,934	2,433,934
Accounts receivable	48,879,096	48,879,096
Other receivables	100,745	100,745
Prepayments	1,338,893	1,338,893
Inventories	3,020,488	3,020,488
Fixed assets	69,320,053	44,994,124
Construction in progress	3,262,397	3,262,397
Intangible assets	23,150,092	10,883,635
Deferred tax assets	–	1,292,272
Liabilities:		
Short-term borrowings	2,000,000	2,000,000
Accounts payable	15,252,259	15,252,259
Contract liabilities	3,332,680	3,332,680
Employee benefits payable	339,863	339,863
Taxes payable	1,267,966	1,267,966
Other payables	64,929,505	64,929,505
Long-term borrowings	8,446,638	8,446,638
Deferred tax liabilities	4,205,901	–
Net Asset	51,730,886	20,636,673

The Group is in the process of evaluating the apportion of the acquisition consideration to determine the fair value of the assets and liabilities of the target company at the acquisition date, and the fair value at the acquisition date listed above is the Group's best estimate at present.

VI. DISCLOSURE OF FAIR VALUE

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

RMB

	Closing balance			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	26,114,948	300,000,000	–	326,114,948
1. Held-for-trading financial assets	–	300,000,000	–	300,000,000
(1) Money market fund	–	300,000,000	–	300,000,000
2. Other non-current financial assets	26,114,948	–	–	26,114,948
(1) Equity instrument investments	26,114,948	–	–	26,114,948
(II) Financing with receivables	–	–	526,398,348	526,398,348
(III) Other equity instrument investments	–	–	49,138,327	49,138,327
Total assets continuously measured at fair value	26,114,948	300,000,000	575,536,675	901,651,623
II. Continuous fair value measurement				
(I) Financial liabilities at fair value through profit or loss	–	3,587,852	–	3,587,852
1. Held-for-trading liabilities	–	3,587,852	–	3,587,852
(1) Interest rate swap	–	3,587,852	–	3,587,852
(II) Bonds payable – Preferred share	–	–	131,943,768	131,943,768
Total liabilities continuously measured at fair value	–	3,587,852	131,943,768	135,531,620

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

The market prices of the above items measured at Level 1 fair value are determined based on the closing price of stock on 30 September 2021.

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

The fair value of the market fund was determined based on the latest trading price.

The fair value of the interest rate swap product was determined based on the market value notice dated 30 September 2021.

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

For the fair value of the above equity investments, the Group refers to the price-to-book ratio of the listed controlling shareholder of the investee and considers a discount for lack of marketability for valuation.

Item	Fair value at the end of the period	Valuation method	Significant unobservable input	Interval (Weighted average)
Financial assets measured at fair value through other comprehensive income				
Other equity instrument investments	49,138,327	Listed companies comparison	Liquidity discount	0.8

For the fair value of the preferred shares mentioned above, the Group adopts the binary tree option model and takes relevant parameters into consideration.

Item	Fair value at the end of the period	Valuation method	Significant unobservable input	Interval (Weighted average)
Bonds payable				
Preferred shares	131,943,768	Binary tree option model	Risk-free rate/expected volatility/fair value of common stock on base date	0.965%/ 47.49%/ 1.0534

5. Reconciliation Level 3 fair value measurement items on a recurring basis, adjustment information between beginning and ending book value and sensitivity analysis of unobservable parameters.

RMB

Item	31 December 2020	Total losses for the period Included in other comprehensive income	30 September 2021	Changes in unrealized gains or losses included in profit or loss in respect of the assets held at the end of the reporting period
Financial assets measured at fair value through other comprehensive income				
– Other equity instrument investments	33,774,995	15,363,332	49,138,327	–

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

The Group's financial assets and liabilities not measured at fair value mainly include: cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, bank borrowings, accounts payable, bonds payable and other financial liabilities, etc. As at 30 September 2021, there is no significant difference between the carrying amount and the fair value of the Company's financial assets and financial liabilities.

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Information of major shareholders of the Company

Name	Place of registration	Nature of business	Registered capital	Proportion of shareholdings of the major shareholders of the Company	Proportion of voting rights of the major shareholders of the Company
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	100,000 Euros	39.85%	41.84%
Huaxin Group Co., Ltd.	Huangshi City, Hubei Province	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of service etc.	RMB340,000,000	16.12%	16.12%

Holchin B.V. is the Company's largest shareholder and its ultimate holding shareholder is Holcim Ltd. Holpac Limited, the person acting in concert of Holchin B.V., holds 1.99% equity of the Company. Therefore, Holchin B.V. maintains 41.84% voting rights of the company.

2. Information of other related parties

Other related parties	Relationship with the Company
Lafarge Holcim Construction Material (China) Co., Ltd.	Controlled by Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Holcim Ltd.
Holcim Technology Ltd	Controlled by Holcim Ltd.
LafargeHolcim distribution	Controlled by Holcim Ltd.
Hubei Huaxin Real Estate Co., Ltd.	Related parties of associated natural persons
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Joint venture of the Group
Chenfeng Intelligent Equipment Hubei Co., Ltd.	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

3. **Related party transactions**

(1) ***Sales and purchases of goods, provision and receipts of services***

Purchases of goods/receipts of services

RMB

Related parties	Related party transactions	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Holcim Technology Ltd.	Technical services	–	7,691,872
Huaxin Group Co., Ltd.	Receipts of integrated management services	4,669,811	4,669,811
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Purchase of materials	4,222,115	–
LafargeHolcim distribution	Purchase of materials	3,515,429	–
Lafarge Holcim Construction Material (China) Co., Ltd.	Labor dispatch service	188,679	424,528

Sales of goods/provision of services

RMB

Related parties	Related party transactions	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sale of spare parts	27,415,330	9,017,715
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Technical series	1,600,598	798,086
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Sales of goods	627,096	–
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Payments for spare parts on behalf of others	32,081	–
Huaxin Trading (Chibi) New Building Materials Co., Ltd.	Social security payments	711,890	–

(2) ***Leases with related parties***

Leases where the Company is the lessee

RMB

Lessor	Types of leased assets	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Hubei Huaxin Real Estate Co., Ltd.	Rent of office building	10,391,329	8,737,643

(3) ***Remuneration of key management personnel***

RMB

Item	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Remuneration of key management	70,963,349	87,832,815

4. Amounts due to/from related parties

(1) ***Amounts due from related parties***

RMB

Accounts	Related parties	Balance at 30 September 2021 (Unaudited) Book balance	Balance at 31 December 2020 Book balance
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	15,506,857	16,207,703
Accounts receivable	Shanghai Wan'an Huaxin Cement Co., Ltd.	1,009,216	1,009,216
Accounts receivable	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	76,960	–
Prepayments	Chenfeng Intelligent Equipment Hubei Co., Ltd.	–	4,480,000
Other receivables	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	694,870	–
Other receivables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	669,002	3,618,968
Other receivables	Shanghai Wan'an Huaxin Cement Co., Ltd.	–	22,365

(2) Amounts due to related parties

RMB

Accounts	Related parties	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Accounts payable	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	617,104	–
Accounts payable	LafargeHolcim distribution	2,502,858	–
Other payables	Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	4,246,859	15,224,013
Other payables	Huaxin Group Co. Ltd.	23,684	23,684
Other payables	LAFARGE ASIA SDN BHD	410,394	409,394
Other payables	Huaxin Trading (Chibi) New Building Materials Co., Ltd.	34,293	–

VIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

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

Capital commitments

RMB

	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
Capital commitments that have been entered into but have not been recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	1,730,174,444	1,177,743,687

2. Pending litigation

(1) In September 2020, Moncement Building Materials LLC ("Moncement Building Materials") applied for arbitration with ICC. Moncement Building Materials claimed that the Group contracted with it for the construction project of cement production line by entering into the EPC agreements and relevant supplementary agreements with it from 2013 to 2017, however, the Group failed to fulfill the quality assurance obligations and maintenance obligations, which has caused damages to it. Moncement Building Materials demanded the Group to compensate it for the damages of USD35,724,579.38 and all of the arbitration costs, and to pay the interest at the annual rate of 10% from the application date of the arbitration to the date of actual payment. As of the approving date of the financial statements, the management of the Company considered that the result was not yet predictable, so it made no provision.

(2) On 27 July 2020, the Group sued the Fengjie County Government to the court, claiming that the Fengjie County Government violated the Fengjie County Municipal Solid Waste Disposal Cooperation Agreement signed in August 2012, and requiring it to pay the waste disposal fee of RMB12,273,373 and the interest losses as well as all the litigation costs of the case. On 26 October 2020, Fengjie County Government filed a lawsuit to require the Group to pay RMB59,455,842 for the expenses incurred in transporting the domestic waste of Fengjie County to the surrounding counties for disposal. As of the approving date of the financial statements, the court has not yet announced the results, so the management of the Company considered that the result was not yet predictable and made no provision.

(3) In July 2021, the Group received a notice of arbitration from the Wuhan Arbitration Commission applied by the Qingshan State-owned Capital Investment Operation Holding Group Co., Ltd. ("Qingshan State-owned Capital Operation Company"). Qingshan State-owned Capital Operation Company claimed that it had entered into an agreement with the Group to pay the residency relocation expenses of RMB26,000,000 due to the construction of cement powder demolition and mixing station in Wuhan Qingshan in June 2007 on behalf of the Group and the Group agreed to repay RMB6,000,000 on 31 December 2008, RMB10,000,000 on 31 December 2009 and RMB10,000,000 on 31 December 2010. Qingshan State-owned Capital Operation Company required the Group to repay the principal of RMB26,000,000 and the liquidated damages at the rate of 0.021% on the base date from the expiration date to the date of actual payment. As of the approving date of the financial statements, the Arbitration Commission has not yet announced the results of the arbitration, and the management of the Company considered that it was unlikely to repay the amount, so it made no provision.

IX. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) Report division determination basis and accounting policy

As the Group's operating income, expenses, assets and liabilities are mainly related to the production and sale of cement and its related products, the Group considers that the businesses of various companies in the Group have obvious similarities after considering factors such as internal organizational structure, management requirements and internal reporting system. Therefore, the segment information is not prepared.

(2) Financial information of reporting segments

Non-current assets by geographical location (Note)

RMB

	Balance at 30 September 2021 (Unaudited)	Balance at 31 December 2020
China	27,874,393,277	24,408,221,749
Central Asia	1,707,115,908	1,828,399,859
Cambodia	752,113,914	682,081,096
Nepal	938,812,174	689,076,875
Tanzania	821,956,744	645,073,560
Total	32,094,392,017	28,252,853,139

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

Dependence on key customers

No single customer accounts for more than 10% of the Group's operating revenue in 2021.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (《中華人民共和國立法法(2015年修訂)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常委委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國法院組織法(2018年修訂（2018年修訂）》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2021 revision) (《中華人民共和國民事訴訟法（2017年修訂）》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "**Special Regulations**") which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies; and

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix VII — Summary of the Articles of Association" in this document.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "**CSRC**"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council. to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration center ("**HKIAC**") in accordance with its Securities Arbitration Rules (the "**Securities Arbitration Rules**"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned.

Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission ("**HKSFC**") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission — Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong ("**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange ("**SSE**"), the Stock Exchange, China Securities Depository and Clearing Co., Ltd. ("**CSDC**") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;

(ii) If there are not relevant provisions in the articles of associations, then (1) with the consent in writing of at least three fourths of the total voting rights of holders of the shares in the class in question, or (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years now and would be extended to three years according to PRC Civil Code (《中華人民共和國民法典》), promulgated on 28 May, 2020 and to become effective on 1 January 2021. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from 1 January, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND SHANGHAI STOCK EXCHANGE LISTING RULES

As our A Shares are listed on the Shanghai Stock Exchange, we are also subject to the Shanghai Stock Exchange Listing Rules. Set out is below is a summary of certain differences between the Hong Kong Listing Rules and Shanghai Stock Exchange Listing Rules:

Periodic financial reporting

There are material differences in financial reporting standards and practices regarding, for example, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

Classification and disclosure requirements for notifiable transactions

The method of classification of notifiable transactions under the Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the Shanghai Stock Exchange Listing Rules.

Connected transactions

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the Shanghai Stock Exchange Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the Shanghai Stock Exchange, as well as the respective exemptions, are different.

Disclosure of inside information

The scope, timing and method of disclosure of inside information are different between the Hong Kong Listing Rules and Shanghai Stock Exchange Listing Rules.

The Articles of Association was approved by special resolutions at a general meeting of the Company on 13 September 2021, and shall take effect on the day when the oversea listed foreign shares of the Company are listed for trading on the Hong Kong Stock Exchange. The Articles of Association complies with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies, the Necessary Provisions for the Articles of Association of Overseas Listed Companies, Letter on Opinions on Supplementary Amendments to the Articles of Association of the Hong Kong Listed Company.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be in the form of stocks. There shall, at all times, be ordinary shares in the Company. Subject to the approval by the company approval departments authorized by the State Council, the Company may create other classes of shares as and when necessary.

The issuance of shares of the Company shall observe the principles of fairness and equity. The shares of the same kind shall bear the same rights.

Shares of the same category in the one placement shall be issued under the same conditions and with the same issuing price. Any entities or individuals shall pay the same price for any of the shares they subscribe to.

The shares issued by the Company are denominated in RMB with a par value of RMB1 each.

Subject to the approval from securities competent authorities under the State Council, the Company may issue shares to both domestic investors and foreign investors.

Shares issued by the Company to the domestic investors for subscription in RMB shall be referred to as ordinary RMB shares, "domestic shares" (A Shares). Shares issued by the Company to foreign investors and domestic natural persons who meet particular conditions for subscription in foreign currencies shall be referred to as "foreign-invested shares". Foreign-invested shares listed domestically shall be referred to as "domestic-listed foreign-invested shares" (B Shares). Foreign-invested shares listed overseas shall be referred to as "overseas-listed foreign-invested shares". Overseas-listed foreign – invested shares of the Company listed on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") shall be referred to as "H Shares".

Holders of domestic-invested shares and holders of foreign-invested shares are both holders of ordinary shares, and shall enjoy equal rights and assume equal obligations.

INCREASE OR REDUCTION OF SHARES AND REPURCHASE OF SHARES

Increase in Capital

According to the needs of business and development and in line with laws and regulations, the Company may, upon respective resolutions passed at the Shareholders' General Meetings, increase its share capital with any of the following methods:

(1) by public offerings;

(2) by private placement of new shares;

(3) by issuing bonus shares to existing shareholders;

(4) by converting the reserve fund into share capital; or

(5) other methods approved by the laws and published administrative regulations, as well as by the CSRC.

If the registered capital of the Company increases because issued convertible corporate bonds are converted into stocks, the conversion shall be transacted according to laws, published administrative regulations, department rules and prospectus on convertible corporate bonds.

Reduction of Capital

The Company may reduce its registered capital. When reducing its registered capital, the Company shall comply with the Company Law and other relevant regulations as well as the procedures provided by these Articles.

Repurchase of Shares

Under any of following circumstances, the Company could repurchase its own shares in accordance with laws, published administrative regulations, published administrative rules and these Articles:

(1) to reduce the Company's registered capital;

(2) to merge with another company which holds the Company's shares;

(3) to apply shares into Employee Stock Ownership Plan or Stock Option Incentive;

(4) if requested by the shareholders objecting to the resolution of the Shareholders' General Meeting with regard to the merger or division of the Company;

(5) to apply shares into converting convertible corporation bonds issued by listed companies;

(6) for the necessary purpose of maintaining company value and shareholders' equity.

The Company is not allowed to purchase or sell its shares other than according to the above stipulations.

The Company may repurchase its shares by open centralized trading or other method approved by laws, regulations and the China Securities Regulatory Commission (CSRC).

In the event of repurchase by the Company pursuant to the stipulated circumstances under (3), (5), (6) above, the repurchase shall be conducted in an open manner through concentrated trading.

In the event of repurchase by the Company pursuant to the stipulated circumstances under (1) or (2) above, the repurchase shall be passed by a Shareholders' General Meeting.

In the event of repurchase by the Company pursuant to the stipulated circumstances under (3), (5) or (6) above, the repurchase shall be approved by the Board Meeting attended by over two thirds of Directors.

In the event of repurchase by the Company pursuant to the stipulated circumstance under (1) above, the involved shares shall be written off within ten (10) days after the repurchase. In the event of repurchase by the Company pursuant to the circumstances stipulated under (2) or (4) above, the involved shares shall be transferred or written off within six (6) months after the repurchase. In the event of repurchase by the Company pursuant to the circumstance stipulated under (3), (5) or (6) above, the total involved shares held by the Company shall not exceed 10% of the total shares issued by the Company and those shares shall be transferred or written off within three (3) years.

Save as otherwise specified in laws, regulations and listing rules of the place where the Company's shares are listed.

When the Company is to buy back shares by an agreement outside a securities exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the procedures provided for in the Company's Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

For the purposes of the above paragraph, contracts for the buy-back of shares shall include (but not limited to) agreements whereby buy-back obligations are undertaken and buy-back rights are acquired.

The Company may not assign contracts for the buy-back of its own shares or any of its rights thereunder.

Where the Company has the right to repurchase redeemable shares, the repurchase price shall be limited to a maximum price if the repurchase is not made through the market or by tender; if the repurchase is made by tender, a proposal of tender shall be made available to all Shareholders in the same manner.

After the Company has bought back its shares according to law and it shall cancel the portion of shares concerned within the period prescribed by laws, administrative regulations and the listing rules of the place where the Company's shares are listed and shall apply to the original company registry for registration of the change in registered capital.

Unless the Company has already entered into the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

1. where the Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares;

2. where the Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; and the portion in excess of the par value shall be handled according to the following methods:

   (1) where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;

   (2) where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and/or from the proceeds of a fresh share issue made to buy back the old shares; however, the amount deducted from the proceeds of the fresh share issue may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in the Company's premium account or capital common reserve amount (including the premiums from the fresh share issue) at the time of buy-back;

3. the sums paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:

   (1) acquisition of the right to buy back its own shares;

   (2) modification of any contract for buy-back of its own shares;

   (3) release from any of its obligations under any buy-back contract.

4. After the par value of the annulled shares has been deducted from the registered capital of the Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value of the bought back shares shall be included in the Company's premium account or capital common reserve amount.

Financial Assistance for the Purchase of Company Shares

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the Company. Purchasers of shares in the Company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the Company.

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

The term "financial assistance" referred to in the Articles of Associations shall include (but not limited to) the financial assistance in the forms set out below:

(1). gift;

(2). guarantee (including the undertaking of liability or provisions of property by the guarantor in order to secure the performance of the obligation by the obligator), indemnity (not including, however, indemnity arising from the Company's own fault) and release or waiver of rights;

(3). provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligations of the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and

(4). financial assistance in any other form when the Company is insolvent or has no net assets or when such assistance would lead to a major reduction in the Company's net assets.

"Undertake obligations" referred to in the Articles of Associations shall include the undertaking of an obligation by the obligator by concluding a contract or making an arrangement (whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person) or by changing its financial position in any other way.

The acts listed below shall not be regarded as acts prohibited referred to in the Articles of Associations:

(1) where the Company provides the relevant financial assistance truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(2) lawful distribution of the Company's property in the form of dividends;

(3) distribution of dividends in the form of shares;

(4) reduction of registered capital, but-back of shares, shareholding structuring, etc., in accordance with the Articles of Association of the Company;

(5) provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits); and

(6) the provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

Shares Transfer

Except otherwise provided by laws and administrative regulations, shares in the Company may be transferred freely with no lien attached.

Any director, supervisor and senior managerial personnel of the Company shall declare their holdings of the Company's shares and any alteration of such holdings. During the term of office, they can transfer the Company's shares held by them in each calendar year amounting to no more than 25% of their respective holdings. And within six (6) months after leaving such office, they shall not transfer any of the Company's shares held by them. In addition, any director, supervisor and senior managerial personnel of the Company shall comply with the laws, published administrative regulations, department rules, regulatory documents and other business rules on shareholdings transfer stipulated by the Security Regulatory Authority where the Company shares are listed.

Register of Shareholders

The Company shall keep a register of shareholders, in which the following particulars shall be recorded:

(1) the name, address (domicile), profession or nature of each shareholder;

(2) the category and number of shares held by each shareholder;

(3) the amount paid or payable for the shares held by each shareholder;

(4) the serial number of the shares held by each shareholder;

(5) the date on which each shareholder is registered as a shareholder; and

(6) the date on which each shareholder ceases to be a shareholder.

The register of shareholders is the sufficient evidence to prove that shareholders hold the company's shares; except for evidence to the contrary.

The Company may, pursuant to an understanding or agreement reached between the security regulatory authority of the State Council and a securities regulatory organization outside the People's Republic of China, keep outside the People's Republic of China its register of holders of foreign investment shares listed outside the People's Republic of China, and entrust the administration thereof to an agent outside the People's Republic of China. The original H-share register of shareholders shall be kept in Hong Kong.

When the original and duplicate of the register of holders of foreign investment shares listed outside the People's Republic of China are inconsistent, the original version shall prevail.

The Company shall keep a complete register of shareholders.

The register of shareholders shall include the following parts:

(1) a register kept at the Company's domicile other than those provided for under Items (2) and (3) of this paragraph;

(2) the register(s) of holders of foreign investment shares listed outside the People's Republic of China kept in the place(s) of the stock exchange(s) outside the People's Republic of China on where the shares are listed; and

(3) registers of shareholders kept in such other places as the board of directors may decide necessary for listing purposes.

The various parts of the register of shareholders shall not overlap one another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Any person that challenges the register of shareholders and requires his name to be entered into or removed from the register may apply to a competent people's court for correction of the register.

For any shareholder who is registered in the register of members or any person who asks for registering his/her name in the register of members, if his/her share certificates (i.e. "**original share certificates**") are lost, he/she may apply to the Company for issuing duplicate share certificates in respect of those shares (the "**underlying shares**").

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders

Shareholder is the person who holds shares of the company in accordance with the law and whose name (name) is registered on the register of shareholders.

The rights enjoyed by and the obligations borne by the shareholders shall be decided according to the kinds of shares they hold. Shareholders holding the same kind of shares shall enjoy the same rights and bear the same obligations.

Where the Company is to convene a Shareholders' General Meeting, to distribute dividends, to decide on its liquidation or to be engaged in any other activities requiring the identification of its shareholders, the Board of Directors or the conveners of the Shareholders' General Meeting shall determine the date for the shares record date. The shareholders whose names appear in the shareholders' register after the closing of the stock exchange on the shares record date shall be deemed as the shareholders of the Company deserving relevant rights and interests.

Rights and Obligations of Shareholders

The shareholders of the Company shall have the following rights:

1. to receive dividends and other forms of profit distribution in proportion to their respective shareholdings;

2. to request, convene, preside, attend or assign an agent to attend the Shareholders' General Meetings according to laws, and to exercise relevant voting rights;

3. to supervise and make suggestions or enquiries concerning the Company's operations;

4. to transfer, donate or pledge their shares in accordance with the requirements of laws, published administrative regulations and these Articles;

5. relevant information obtained in accordance with these Articles of Association hereof, including:

   (1). obtaining these Articles of Association upon payment of cost expenses;

   (2). upon payment of a reasonable fee, having the right to gain access to and make copies of:

      a. all parts of the register of members;

b. the personal information of the Directors, Supervisors, President and other senior management personnel of the Company, including:

(a) current and former name and alias;

(b) principal address (place of residence);

(c) nationality;

(d) full-time jobs and all other part-time jobs and positions;

(e) identification documents and the numbers thereof.

c. details of the issued share capital of the Company;

d. reports of the aggregate par value, number of shares, and highest and lowest prices of each category of shares bought back by the Company since the last fiscal year as well as all the expenses paid by the Company therefor;

e. Corporate bond stub, Resolutions of the board of directors and resolutions of the meetings of the Supervisory Committee;

f. the financial reports that should be disclosed according to the requirements of CSRC;

g. special resolutions of the Company;

h. copy of the latest annual return filed with Chinese Administration for Industry and Commerce or other competent authorities;

i. minutes of Shareholders' general meetings. (For shareholder inspection only)

Except for the documents under ii above, the Company shall place the above-mentioned documents at the Company's address in Hong Kong as required by the Listing Rules for inspection by the public and holders of H Shares free of charge.

6. to participate in the distribution of the Company's residual property upon its termination or liquidation according to their respective shareholdings;

7. to request the Company to repurchase the shares they hold, in case they object to the resolutions of the Shareholders' General Meeting regarding the merger or division; and

8. other rights stipulated by laws, published administrative regulations, published administrative rules and these Articles.

The shareholders of the Company shall bear the following obligations:

(1) To abide by laws, published administrative regulations and these Articles;

(2) To pay for the shares subscription in accordance with the shares they subscribe and the terms of subscription;

(3) To refrain from returning the shares to the Company, other than under the circumstances stipulated by laws, regulations and these Articles;

(4) Not to infringe upon the lawful rights of the Company and of any other shareholders by abusing the shareholder's right, and not to infringe upon the lawful rights of the creditors of the Company by abusing the independent legal person status of the Company or the limited liabilities of shareholders;

Any shareholder who causes losses to the Company or other shareholders by abusing the shareholder's right shall compensate for such losses accordingly to laws;

Any shareholder who escapes obligations or severely infringes upon the lawful rights of creditors of the Company by abusing the independent legal person status of the Company or the limited liabilities of shareholders shall be held jointly and severally liable for the liabilities of the Company; and

(5) to bear other obligations stipulated by laws, published administrative regulations and these Articles.

Save for the conditions agreed by a subscriber for shares during the subscription, shareholders shall not be liable for any subsequent contribution of additional share capital.

Restrictions on the Rights of Controlling Shareholders

The controlling shareholder or the actual controlling person is obligated to act in good faith for the Company and other shareholders. The controlling shareholder or the actual controlling person shall not undermine the lawful rights of the Company or other shareholders by taking advantage of his capacity as a related party to the Company or by way of or by taking the chance of the profit distribution, assets restructuring, external investments, funds occupation, or surety for loans, neither shall he undermine the lawful rights of the Company or other shareholders by taking advantage of his controlling position.

In addition to the obligations required under laws, administrative regulations or the listing rules of the stock exchange on which the shares of the Company are listed, the controlling shareholders, in the exercise of their powers, may not make any decision on the following issues to jeopardize the interests of all or some of shareholders as a result of exercising their rights to vote:

(1.) removing a Director or Supervisor to reflect, in good faith, the responsibility of doing so in the best interests of the Company as a starting point;

(2.) approving a Director or Supervisor (for his/her own or others' benefits) of depriving the property of the Company in any way, including (but not limited to) any opportunity beneficial to the Company;

(3.) approving a Director or Supervisor (for his/her own or others' benefits) of depriving the personal rights and interests of other shareholders, including (but not limited to) any distribution rights and voting rights, but excluding corporate restructuring submitted to a shareholders' general meeting for approval in accordance herewith.

SHAREHOLDERS' GENERAL MEETING

Functions and Power of the Shareholders' General Meeting

The Shareholders' General Meeting is the organ of power of the Company and shall exercise the following functions and powers:

(1) to decide the business policy and investment plans of the Company;

(2) to elect and replace non-employee directors, non-employee supervisors, and to decide on matters concerning the remuneration of directors and supervisors;

(3) to consider and approve reports of the Board of Directors;

(4) to consider and approve reports of the Supervisory Committee;

(5) to consider and approve the Company's proposed annual financial budget and final accounts;

(6) to consider and approve the profits distribution plans and the plans for making up losses of the Company;

(7) to resolve on the increase or decrease of the registered capital of the Company;

(8) to resolve on the issue of Company bonds;

(9) to resolve on matters concerning merger, division, dissolution or liquidation of the Company;

(10) to amend the Articles of Association of the Company;

(11) to resolve on the appointment and dismissal of the Company's auditors;

(12) to consider and approve external guarantees subject to the approval of the general meeting;

(13) to decide any purchase or sale of major assets of the Company exceeding 30% of the recent audited total assets value of the Company;

(14) to consider and approve the change of use of the funds raised from the capital market;

(15) to consider stock option motivation plans;

(16) to deliberate matters of repurchasing the Company's shares;

(17) to consider any other matters that are vested with the authority of the Shareholders' General Meeting as per laws, published administrative regulations, ordinances, or these Articles of Association.

Any of the following security undertakings by the Company shall be subject to the approval by the Shareholders' General Meeting:

(1) Any further security undertaking when the accumulated security undertakings by the Company and the subsidiaries companies controlled by the Company have amounted to no less than 50% of the recent audited net assets value of the Company;

(2) Any further security undertaking when the accumulated security undertakings by the Company have amounted to no less than 30% of the recent audited net assets value of the Company;

(3) Any security undertaking where the guaranteed person's debt/asset ratio exceeds 70%;

(4) Any security undertaking amounting to more than 10% of the recent audited net assets value of the Company;

(5) Any security undertaking in favor of any of the shareholders, actual controlling person or related parties of the Company;

(6) Other guarantees required by the shareholders' meeting according to the regulations of the stock exchange where the company's shares are listed and these Articles of Association.

When a proposal on security undertaking by the Company in favor of any of the shareholders, actual controlling person or related parties of the Company is being discussed by a Shareholders' General Meeting, such shareholders or shareholders controlled by such actual controlling person shall refrain from voting on such proposal. Such proposal shall be subject to the majority approval by the other shareholders present at the meeting.

Shareholders' General Meetings shall be divided into annual general meetings of shareholders and extraordinary general meetings of shareholders.

An annual general meeting of shareholders shall be convened at least once every year within six months after the end of each fiscal year.

An extraordinary general meeting of shareholders shall be convened within two months upon occurrence of any one of the following events:

(1) when the number of directors becomes less than the minimum amount as required by the Company Law, or becomes less than two thirds of the number prescribed by these Articles of Association;

(2) when the Company's accumulated losses which have not been made up have reached one third of the total capital;

(3) upon written request by a shareholder solely or shareholders collectively representing no less than 10% of total shares of the Company;

(4) whenever the Board of Directors deems necessary;

(5) upon request by the Supervisory Committee;

(6) any other occasions as provided by laws, published administrative regulations, or these Articles of Association.

Notice for the Shareholders' General Meeting

The convener shall notify all the shareholders with a public announcement no later than 20 days before the date of the annual general meeting and 15 days before the date of the extraordinary general meeting.

The notice for a Shareholders' General Meeting shall consist of the following:

(1) be in written form;

(2) the date, venue and time of the meeting;

(3) proposals to be discussed and the agenda of the meeting;

(4) provide shareholders with required information and explanations to enable the shareholders to make sensible decisions on the matters discussed. This policy shall include (but not limited to) the provision of specific conditions and contracts (if any) for a contemplated transaction at the time when the Company proposes a merger, repurchase of shares, reorganization of share capital or other reorganization, as well as the giving of serious explanations as a result of the causes and consequences thereof;

(5) in the event any directors, supervisors, president or other senior management personnel have a significant interest in the matters to be discussed, they shall disclose the nature and extent of such interest; in the event that the impact of the matters to be discussed on the directors, supervisors, president and other senior management personnel as shareholders is different from that on the other shareholders of the same class, the notice shall explain the difference;

(6) contain the full text of any special resolution to be passed at the meeting;

(7) contain an express statement that each shareholder is entitled to attend and vote at the shareholders' general meeting, and to appoint one or more proxies to attend and vote on his behalf, and that a proxy need not be a shareholder;

(8) contain the time and place of serving a power of attorney of the voting proxy at the meeting;

(9) the shareholding record date for the shareholders who are entitled to attend the Shareholders' General Meeting;

(10) the name and telephone number of the permanent contact person for the meeting affairs;

(11) in case the on-line voting or circular voting is introduced to the Shareholders' General Meeting, the meeting notice shall additionally indicate the time, voting procedures and agenda for the on-line or circular voting;

Unless otherwise stipulated by the relevant laws and regulations and the listing rules of the stock exchange on which the company's shares are listed and the company's articles of association, the notice of a shareholders' general meeting shall be sent to shareholders (regardless of whether they are entitled to vote at the shareholders' general meeting) by personal delivery or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of members. For holders of domestic shares, such notice of the shareholders' general meeting may also be given by way of announcement.

The Proceeding of the Shareholders' General Meeting

Any shareholder who has the right to attend and vote at a shareholders' general meeting shall have the right to entrust one or more persons (not necessarily shareholder(s)) as his/her proxy(ies) to attend the meeting and vote on his/her behalf. Such proxy may exercise the following rights in accordance with the shareholder's entrustment:

(1) the shareholder's right to speak at the shareholders' general meeting;

(2) the right to require by himself/herself or jointly with others to make a resolution by voting;

(3) the right to vote by raising hands or ballot, except in circumstances where a shareholder has appointed more than one proxy, such proxies can only exercise the voting right by ballot.

The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument shall be executed either under its seal or under the hand of its Chairman or other attorney duly authorised to sign the same.

The format of any letter of authority given by the Board of Directors of the Company to shareholders using for appointing proxies shall allow shareholders to choose freely to instruct proxies to vote in favor of or against a matter, and give respective instructions in respect of resolutions made on each of the matters at a meeting. The letter of authority shall indicate that in case the shareholders do not give any instructions, the proxies may vote as they think fit.

Proxy forms shall be made available at least 24 hours prior to a meeting at which voting is appointed in such proxy forms or 24 hours prior to the designated voting time at the Company's domicile or elsewhere specified in the notice convening the meeting.

In the event that the proxy forms are signed by other persons authorized by the principals, the letter of authority authorizing the signatures or other authority shall be notarized. Notarized letter of authority or other authority together with the proxy forms shall be made available at the Company's domicile or elsewhere specified in the notice convening the meeting.

In case the principal is a legal entity, its legal representative or board of directors, or other person authorized by the resolution of decision-making bodies shall be represented at the shareholders' general meeting of the Company.

In the event that a principal has died, lost the capacity for acts, withdrawn the appointment or withdrawn the authorization signed for the appointment, or the shares have been transferred prior to voting, as long as the Company has not received a written notice of such matters prior to a meeting, the votes cast by a proxy according to the letter of authority shall remain valid.

Voting and Resolution by Shareholders' General Meeting

A resolution of Shareholders' General Meetings shall either be an ordinary resolution or a special resolution.

Ordinary resolutions shall only be adopted by a Shareholders' General Meeting if more than one half of the voting rights held by the shareholders present at the meeting (including shareholders' proxies) vote in favour of the resolution.

Special resolutions shall only be adopted by a Shareholders' General Meeting if more than two thirds of the voting rights held by the shareholders present at the meeting (including shareholders' proxies) vote in favour of the resolution.

The following matters shall be subject to the approval of the Shareholders' General Meeting with an ordinary resolution:

(1) the work reports of Board of Directors and Supervisory Committee;

(2) the plans of distributing profits and making up losses made by Board of Directors;

(3) the appointment or removal of members of Board of Directors and Supervisory Committee, their remuneration and the method of payment;

(4) annual financial budget and final accounts of the Company;

(5) the Company's annual budget and final accounts report, balance sheet, income statement and other financial statements;

(6) the Rules of Procedures of the Shareholders' General Meeting, the Rules of Procedures of the Board of Directors and the Rules of Procedures of the Supervisory Committee;

(7) any matters other than those which require a special resolution of a Shareholders' General Meeting as provided by laws, published administrative regulations or Articles of Association.

The following matters shall be subject to the approval of the Shareholders' General Meeting with a special resolution:

(1) the Company's increase or decrease of registered capital and issuance of any class of shares, warrants and other similar securities;

(2) the Company's issuance of corporate bonds;

(3) Any division, merger, dissolution or liquidation of the Company;

(4) Any amendment of the Articles of Association of the Company;

(5) Any significant purchase or sale of assets or provision of guarantee by the Company amounting to more than 30% of the Company's latest audited total assets value;

(6) Stock option incentive plan;

(7) Repurchase of the Company's shares;

(8) Any other matters items which are qualified by laws, administrative regulations, these Articles of Association or Hong Kong Stock Exchange Listing Rules, which are qualified by the shareholders with an ordinary resolution as having substantial impact on the Company and calling for a special resolution.

Special Procedures for Voting by Class Shareholders

Shareholders holding shares that are a different class of shares shall be class shareholders holding that class of shares. Class shareholders shall enjoy rights and undertake obligations in accordance with laws, administrative regulations and these Articles of Association.

The following scenarios shall be deemed as alteration or abolition of the rights of a class shareholder:

(1) increase or decrease the number of shares of that class, or increase or decrease the number of shares of a class entitled to equal or more voting rights, distribution rights and other privileges as the shares of that class;

(2) change all or part of the shares of that class to the shares of another class, or change all or part of the shares of another class to the shares of that class or grant the conversion rights thereto;

(3) cancel or reduce the rights owned by the shares of that class to acquire the accrued dividends or cumulative dividends;

(4) reduce or cancel the rights owned by the shares of that class to the priority to obtain dividends or the distribution of property during the liquidation of the Company;

(5) increase, cancel or reduce the share conversion rights, options, voting rights, transfer rights, priority placement rights and the rights to obtain securities of the Company owned by the shares of that class;

(6) cancel or reduce the rights owned by the shares of that class to receive payables from the Company in a particular currency;

(7) establish a new class entitled to equal or more voting rights, distribution rights or other privileges as the shares of that class;

(8) impose restrictions on or increase such restrictions on the transfer or ownership of the shares of that class;

(9) issue share options or share conversion rights in respect of the shares of that or another class;

(10) increase the rights and privileges of the shares of other classes;

(11) a corporate restructuring program constitutes the unproportionate distribution of responsibilities undertaken by the shareholders of different classes in the restructuring; and

(12) modify or repeal the clauses hereof.

Affected class shareholders, regardless of formerly having the voting rights at shareholders' general meetings or not, shall have voting rights at class meetings in relation to matters in item (2) to (8) and (11) to (12) above. However, interested shareholders shall not have any voting rights at class meetings.

Resolutions may only be made at a class meeting after they are passed by votes representing more than two-thirds of the shareholders with voting rights present.

To convene a class meeting, the Company shall issue a written notice in accordance with the notice period requirements as set out in the Articles of Association, notifying all the shareholders of that class of shares on the register of the matters to be considered thereat as well as the date and venue of the meeting.

The notice of a class meeting shall only be given to the shareholders with the rights to vote thereat. The procedures for convening a class meeting shall be as similar as possible to those for convening a shareholders' general meeting. The clauses herein regarding the procedures for convening a shareholders' general meeting shall apply to class meetings.

Other than the shareholders of other classes of shares, holders of domestic shares and overseas-listed foreign shares shall be deemed as shareholders of different classes.

The following scenarios shall not apply to the special procedures for voting by class shareholders: (1) with the approval by special resolution at a shareholders' general meeting, the Company issues either domestic shares or overseas-listed foreign shares and both of them at an interval of 12 months, and the respective number of the proposed domestic shares and overseas-listed foreign shares does not exceed 20% of the outstanding shares of that class; (2) the Company's plan to issue domestic shares and overseas-listed foreign shares during its establishment is completed within 15 months since the date of the approval by the Securities Regulatory Authority.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be natural persons. None of the following persons may hold the position of director:

(1) a person without capacity or with restricted capacity for civil acts;

(2) a person who was sentenced to criminal punishment for the crime of embezzlement, bribery, seizure of property or misappropriation of property or for undermining the social economic order, where not more than five years have elapsed since the expiration of the enforcement period; or a person who was deprived of his political rights for committing a crime, where not more than five years have elapsed since the expiration of the enforcement period;

(3) a director, or factory head or manager who was personally responsible for the bankruptcy liquidation of the company or enterprise due to mismanagement, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation;

(4) a legal representative of the company or enterprise that had the business license revoked for violating the law, where such representative bears individual liability therefore and not more than three years have elapsed since the date of revocation of the business license;

(5) a person with relatively large amount of personal debts that have fallen due but haven't been settled;

(6) the person is under investigation by the judicial authorities after a claim has been brought for breaking criminal law, pending conclusion of the case;

(7) the person is not eligible for enterprise leadership under the laws and administrative regulations;

(8) no more than five (5) years have lapsed since the person was found guilty of violating relevant securities regulations and involved in fraud or dishonesty as adjudged by relevant regulatory authorities;

(9) a person who has been forbidden by CSRC with a penalty to access the securities market and who is still in the period of penalty;

(10) Any other situations provided by laws and regulations.

Non-employee directors shall be elected or replaced by the Shareholders' General Meeting and can be removed by the Shareholders' General Meeting before the expiration of the term of office. Directors shall serve a term of three years and may serve a consecutive term if re-elected upon expiration of their term of office.

The term of office of a director shall commence from the closing day of the appointing Shareholders' General Meeting and shall expire upon the expiration of the term of office of the current Board of Directors. If new directors are not elected in time after the expiration of the term of office of the former director, the former director shall still, according to provisions of relevant laws and regulations and the Articles of Association of the company, exercise his/her responsibilities of being a director before the newly-elected director takes office.

The general meeting may by ordinary resolution remove any director before the expiry of his term of office (but without prejudice to such director's right to claim damages under any contract), subject to full compliance with the relevant laws and administrative regulations.

The position of director can be assumed by managers or other senior managerial personnel, but the number of directors that are concurrently assumed by managers or other senior managerial personnel shall not exceed half of all the directors of the company.

Board of Directors

The Company shall set up a Board of Directors, which shall be responsible to the Shareholders' General Meeting.

The Board of Directors shall be composed of not less than nine directors. One director shall act as Chairman of the Board of Directors and one director shall act as Deputy Chairman of the Board of Directors. At least one third of the directors shall be independent directors. At least one independent director shall have expertise in accountancy.

The Board of Directors shall exercise the following authorities:

(1) convening shareholders' meetings and reporting the status on work thereto;

(2) carrying out the resolutions made at the shareholders' meetings;

(3) determining the operation plans and investment plans;

(4) working out the company's annual budget plans and final account plans;

(5) working out the company's profit distribution plans and loss recovery plans;

(6) working out the plans on the increase or decrease of registered capital, on the issuance of corporate bonds or other bonds, and on listing;

(7) drafting plans on company's major acquisition, purchase of the company's shares, merger, division, dissolution, or change of the company's form;

(8) within the scope of authorization by shareholders' meetings, making decisions on external investments, assets sales, assets purchases, assets pledges, security undertakings, entrusted wealth management, related party transactions, etc.;

(9) making decisions on the establishment of the company's internal management structures;

(10) making decisions on hiring or dismissing the company's manager and the secretary of the board; and pursuant to the manager's nominations, to appoint or dismiss senior officers including vice managers and chief financial officer of the company and to decide on their remuneration, rewards and penalties;

(11) working out the fundamental managing regulations;

(12) working out the plans on amending these articles of association;

(13) handling information disclosure affairs;

(14) bringing proposals to the shareholders' meetings to engage or change the accounting firm serving the company with auditing services;

(15) debriefing the manager's work reports, and inspecting the manager's work;

(16) other authorities conferred by laws, published administrative regulations, rules of regulatory authorities, listing rules of the place where the company's shares are listed, shareholders' general meeting or these articles of association.

The Board's resolutions on the matters set out in the preceding paragraph, save for items (6), (7) and (12) which shall require the consent of more than two-thirds of the directors, shall be passed by a simple majority of all directors.

In the case of a tie, the chairman of the Board of Directors is entitled to one additional vote.

Secretary to the Board

The Company shall have a secretary of the Board of Directors, the secretary of the Board of directors shall be a natural person with the necessary professional knowledge and experience and shall be entrusted by the board of directors.

A director or other senior management personnel of the Company may concurrently serve as the secretary to the Board. No accountant of the accounting firm or attorney of law firm engaged by the Company shall concurrently serve as the secretary to the Board.

Where a director concurrently serves as the secretary to the Board and a certain act needs to be done by directors and the secretary to the Board respectively, he shall not do the act in his double capacities.

The secretary of the Board of Directors shall observe the relevant provisions of laws, published administrative regulations, and these Articles of Association.

Manager

The Company shall have a manager, who shall be hired and dismissed by the Board of Directors.

The manager shall be responsible to the Board of Directors, and shall exercise the following authorities:

(1) taking charge of the management of all and business operations of the Company, organizing to implement the resolutions of the Board of Directors, and reporting his work to the Board of Directors;

(2) organizing the execution of the Company's annual operational plans and investment plans;

(3) drafting plans on the establishment of the Company's internal administration departments;

(4) drafting the Company's basic management system;

(5) formulating the Company's by laws;

(6) bringing proposal to the Board of Directors to hire or dismiss the Company's deputy manager(s) and financial chief;

(7) deciding on the hiring or dismissing of the persons-in-charge other than those who shall be decided by the Board of Directors; and

(8) other authorities conferred by these Articles of Association and by the Board of Directors.

The manager may attend the meetings of the Board of Directors as non-voting delegates, but a non-director manager shall not have the voting rights at such meetings.

Supervisory Committee

The Company shall set up a Supervisory Committee which shall comprise of 5 supervisors. The Committee shall have one chairman.

The chairman shall be elected by a majority approval of all the supervisors. The meetings of the Supervisory Committee shall be convened and presided over by the chairman. In case the chairman cannot or will not perform his duties, a supervisor jointly appointed by a majority of all the supervisors shall convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall consist of shareholders' representatives and certain percentage of representatives of employees of the Company which shall not be lower than 1/3 of the total members. The representatives of the employees shall be elected on the employees' representative general meeting, employees' general meeting or other democratic manners.

The Supervisory Committee shall exercise the following authorities:

(1) examining the Company's regular reports drafted by the Board of Directors, and presenting opinions in written form thereon;

(2) inspecting the financial affairs of the Company;

(3) supervising the performance of duties of the directors and senior managerial personnel, and bringing forward proposals on the removal of any director or senior managerial personnel who violates laws, published administrative regulations, these Articles of Association or any resolution of the Shareholders' General Meeting;

(4) requesting rectification by the director or senior managerial personnel whose behavior has infringed upon the lawful rights of the Company;

(5) proposing to convening extraordinary general meetings, and convening and presiding over shareholders' meetings when the Board of Directors does not exercise the duties of convening and presiding over the extraordinary general meetings as prescribed in the Company Law;

(6) to examine financial information such as the financial report, business report and profit distribution plan to be submitted by the Board to the shareholders' general meetings and, in case of doubt, to engage certified public accountants and practising auditors in the name of the Company to assist in the re-audit;

(7) bringing forward proposals at Shareholders' General Meetings;

(8) initiating actions against directors or senior managerial personnel according to Article 152 of the Company Law;

(9) making investigations in case of abnormity of the operation of the Company, and hiring accounting firm, law firm or other professional institutions for assistance at the expenses of Company; and

(10) other duties and powers specified by these Articles of Association.

The meetings of the Supervisory Committee shall be held at least once every 6 months. Any of the supervisors may propose to hold extraordinary meetings of the Supervisory Committee.

Resolutions of the Supervisory Committee. shall be passed by more than two-thirds of the supervisors.

Directors, Supervisors and Senior Management Members

In the conditions as set out below, the following persons shall not serve as Directors, Supervisors, manager or other senior management members of the Company:

(1) a person without capacity or with restricted capacity for civil acts;

(2) a person who was sentenced to criminal punishment for the crime of embezzlement, bribery, seizure of property or misappropriation of property or for undermining the social economic order, where not more than five years have elapsed since the expiration of the enforcement period; or a person who was deprived of his political rights for committing a crime, where not more than five years have elapsed since the expiration of the enforcement period;

(3) a director, or factory head or manager who was personally responsible for the bankruptcy liquidation of the company or enterprise due to mismanagement, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation;

(4) a legal representative of the company or enterprise that had the business license revoked for violating the law, where such representative bears individual liability therefore and not more than three years have elapsed since the date of revocation of the business license;

(5) a person with relatively large amount of personal debts that have fallen due but haven't been settled;

(6) the person is under investigation by the judicial authorities after a claim has been brought for breaking criminal law, pending conclusion of the case;

(7) the person is not eligible for enterprise leadership under the laws and administrative regulations;

(8) no more than five (5) years have lapsed since the person was found guilty of violating relevant securities regulations and involved in fraud or dishonesty as adjudged by relevant regulatory authorities;

(9) a person who has been forbidden by CSRC with a penalty to access the securities market and who is still in the period of penalty;

(10) Any other situations provided by laws and regulations.

Remuneration and Compensation for Loss of Office

The company shall conclude a written contract with the company's directors and supervisors on remuneration matters, and obtain the prior approval of the general meeting of shareholders. The aforementioned remuneration matters include:

(1) Remuneration for being a director, supervisor or senior manager of the company;

(2) Remuneration of directors, supervisors or senior management personnel of the company's subsidiaries;

(3) Remuneration for other services provided for the management of the company and its subsidiaries;

(4) The amount of compensation received by the director or supervisor due to loss of position or retirement.

Except in accordance with the foregoing contract, directors and supervisors shall not file a lawsuit against the company for the benefits they should obtain due to the foregoing matters.

The company's contract on remuneration matters with the company's directors and supervisors shall stipulate that when the company is about to be acquired, the company's directors and supervisors shall, subject to the conditions of prior approval by the general meeting of shareholders, have the right to obtain compensation due to loss of position or retirement Compensation or other payments received. The acquisition of the company mentioned in the preceding paragraph refers to one of the following situations:

(1) Anyone makes a tender offer to all shareholders;

(2) Anyone who makes a takeover offer aims to make the offeror a controlling shareholder.

If the relevant directors and supervisors do not comply with the provisions of this article, any funds they receive shall belong to those who have sold their shares as a result of accepting the aforementioned offer, and the directors and supervisors shall bear the expenses incurred in distributing the funds in proportion, and such expenses shall not be deducted from such money.

Providing Loan for Directors, Supervisors and Senior Management Members

The company shall not directly or indirectly provide loans or loan guarantees to the directors, supervisors, managers and other senior management personnel of the company and its parent company; nor shall it provide loans or loan guarantees to the related persons of the aforementioned personnel.

The provisions of the preceding paragraph do not apply to the following situations:

(1) The company provides loans to its subsidiaries or provides loan guarantees for its subsidiaries;

(2) The company provides loans, loan guarantees or other payments to the company's directors, supervisors, managers, and other senior management personnel in accordance with the employment contract approved by the shareholders' meeting to make payment for the company's purpose or performance of its company's duties cost.

(3) If the company's normal business scope includes providing loans and loan guarantees, the company may provide loans and loan guarantees to relevant directors, supervisors, managers, and other senior management personnel and their related persons, but the conditions for providing loans and loan guarantees shall be Normal business conditions.

Financial and accounting system

The Company shall establish the financial and accounting bylaws according to laws, published administrative regulations and rules issued by competent authorities.

The company shall prepare a financial report at the end of each fiscal year, which shall be reviewed and verified in accordance with the law.

The company publishes two financial reports in each fiscal year, that is, an interim financial report is published within 60 days after the end of the first six months of a fiscal year, and the annual financial report is published within 120 days after the end of the fiscal year.

The financial report of the company shall be prepared at the company for shareholders' inspection 20 days before the annual meeting of the shareholders' general meeting is held. Every shareholder of the company is entitled to the financial report mentioned in this chapter.

In addition to preparing the financial statements of the Company in accordance with Chinese accounting standards and regulations, it shall also be prepared in accordance with the accounting standards of the international or overseas listing place. If there are important discrepancies in the financial statements prepared in accordance with the two accounting standards, they should be noted in the notes to the financial statements. When the company distributes the after-tax profits for the relevant fiscal year, it shall be based on the lesser after-tax profits of the aforementioned two financial statements.

The interim results or financial materials announced or disclosed by the Company shall be prepared in accordance with Chinese accounting standards and regulations, and in accordance with the international accounting standards or that of overseas listing place.

Dissolution and Liquidation

The Company may be dissolved where:

(1) The term, if any, of business operation as prescribed by these Articles of Association expires or any of the matters for dissolution as prescribed in these Articles of Association of the Company appears;

(2) The Shareholders' General Meeting decides to dissolve;

(3) It is necessary to be dissolved due to merger or division of the Company;

(4) The Company was declared bankrupt in accordance with the law because it could not pay off its due debts;

(5) The business license has been revoked, ordered to close down or revoked according to law;

(6) Where the Company meets serious difficulty in its operation or management so that the interests of the shareholders will face substantial loss if the Company continues to survive and the difficulty cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of all the shareholders of the Company may plead the People's Court to dissolve the Company.

Where the Company is dissolved according to the provisions of item (1), (2), (5), or (6) above, a liquidation committee shall be formed within 15 days as of the occurrence of the causes of dissolution so as to carry out the liquidation. The liquidation committee shall be composed of the directors or any other people as determined by the Shareholders' General Meeting. Where no liquidation committee is formed within the time limit, the creditors may plead the People's Court to designate relevant persons to form a liquidation committee.

Where the Company is dissolved according to the provisions of item (4) above, the bankruptcy liquidation shall be implemented in accordance with the laws on corporate bankruptcy.

If the board of directors decides to liquidate the company (except for liquidation due to the company's declaration of bankruptcy), it shall declare in the notice of the general meeting of shareholders convened for this that the board of directors has conducted a comprehensive investigation of the company's situation and believes that the Company can fully pay off its debts within twelve months after the start of liquidation.

After the resolution of the general meeting of shareholders for liquidation is passed, the Company's board of directors authority will be immediately terminated.

The liquidation group shall follow the instructions of the general meeting of shareholders, report to the general meeting of shareholders at least once a year on the income and expenditure of the liquidation group, the company's business and the progress of liquidation, and make a final report to the general meeting of shareholders at the end of the liquidation.

The liquidation committee shall, within 10 days as of its formation, notify the creditors, and make at least three public announcements within 60 days on newspapers. Creditors shall, within 30 days as of receipt of the notice or within 45 days as of the issuance of the public announcement where such creditors fail to receive such notices, declare credits against the liquidation committee.

The liquidation committee shall file an application to the People's Court for bankruptcy where the liquidation committee, after liquidating the properties of the Company, working out the balance sheets and checklists of properties, finds that the properties of the Company is not sufficient for paying off the debts.

Once the People's Court makes a ruling which declaring the Company's bankruptcy, the liquidation committee shall hand over the liquidation matters to the People's Court.

After the liquidation of the Company is completed, the liquidation committee shall formulate a liquidation report, and the income and expenditure statements as well as financial account books during the liquidation period to be verified by a Chinese registered accountant, which shall be submitted to the Shareholders' General Meeting or the People's Court for confirmation, and

The aforesaid documents should be submitted to the company registration authority for cancelling its registration before thirty days after the confirmation of the Shareholders' General Meeting or the People's Court. A public announcement stating the Company's termination shall also be made.

Amendments to the Articles of Association

These Articles of Association of the Company should be amended should any of following situation occurs:

(1) The provisions of these Articles of Association are in contradiction to the amended Company Law or other relevant amended laws and published administrative regulations;

(2) In case the Company's situation is changed and not any longer in conformity to the provisions of these Articles of Association;

(3) The Shareholders' General Meeting determines to amend these Articles of Association.

Dispute Resolution

The Company complies with the following dispute resolution rules:

(1) Whenever there is a dispute or claim of rights, (amongst Company domestic and foreign shareholders; among foreign shareholders and Company directors, supervisors, managers or other senior management, or between foreign shareholders and the Company), which is related to company matters in the Company's Articles of Association, "Company Law" and other relevant laws and administrative regulations, the relevant parties shall submit such disputes or claims to arbitration for settlement.

When the aforementioned dispute or claim is submitted for arbitration, such dispute or claim shall be in its entirety; and for all persons/entities who to participate in the settlement of the dispute or claim due to the same cause, if their identity is the Company or Company shareholder, Directors, supervisors, managers or other senior management personnel, they shall submit to the arbitration.

Disputes concerning the definition of shareholders and the register of shareholders may be resolved without arbitration.

(2) The applicant for arbitration can choose the China International Economic and Trade Arbitration Commission to conduct arbitration in accordance with its arbitration rules, or the Hong Kong International Arbitration Center to conduct arbitration in accordance with its securities arbitration rules. After the applicant for arbitration submits the dispute or claim for arbitration, the other party must conduct arbitration at the arbitration institution selected by the applicant.

If the applicant for arbitration chooses the Hong Kong International Arbitration Center for arbitration, either party can request that the arbitration be conducted in Shenzhen in accordance with the Hong Kong International Arbitration Center's Securities Arbitration Rules.

(3) The law of the People's Republic of China shall apply to the settlement of disputes or claims of rights mentioned in (1) by arbitration, except as otherwise provided by laws and administrative regulations.

(4) The award made by the arbitration institution is final and binding on all parties.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by SCNPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "**CIT Law**"), the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》, which was issued and implemented by the State Administration of Taxation (hereinafter referred to as "**SAT**") on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the "**the Arrangement**"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company unless a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (hereinafter referred to as "**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "**Local Additional Tax**"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the State Administration of Tax on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the Ministry of Finance, SAT and China Securities Regulatory Commission jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the CIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was issued on August 6, 1988 and latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on September 29, 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

HONG KONG TAXATION

Taxation on Dividends

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisors as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.26% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law which was promulgated by the National People's Congress of the PRC on March 16, 2007 and amended by the SCNPC on December 29, 2018, and its Implementing Regulations (《中華人民共和國企業所得税法實施條例》) which were promulgated by the State Council on December 6, 2007 and amended on April 23, 2019, enterprises are classified into resident enterprises and nonresident enterprises. According to the Enterprise Income Tax law and its Implementing Regulations, resident enterprises are eligible for a unified EIT rate of 25%. Non-resident enterprises which have establishments or premises of business in China are subject to EIT on their income sourced from China by the aforesaid establishments or premises and on their income sourced from outside China which is effectively connected with those. For those non-resident enterprises that do not have establishments or premises of business in China, or have establishments or premises of business in China but related income is not connected with such establishments or premises of business, the tax rate of 20% is applicable to them. High-tech Enterprises given priority support by the state are subject to a reduced 15% enterprise income tax rate.

Value-added Tax

Pursuant to the Interim Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which were promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017, and its implementing rules (《中華人民共和國增值稅暫行條例實施細則》) which were promulgated by the MOF on December 25, 1993 and most recently amended on October 28, 2011, entities and individuals selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in PRC, or importing goods to PRC, shall be identified as taxpayers of value-added tax, and shall be subject to a 17% tax rate unless otherwise provided in such Regulation.

The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which was promulgated on April 4, 2018 and became effective on May 1, 2018, provides that tax rates of 17%/11% applicable to any taxpayer's VAT-taxable sale or import of goods shall be adjusted to 16%/10%, respectively.

According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) which became effective on April 1, 2019, the then applicable rate of 16%/10% for general VAT payers' sales activities or imports is adjusted to 13%/9%, respectively.

TAXATION OF OUR COMPANY IN HONG KONG

Profits Tax

Our Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by our Company from its subsidiaries will be excluded from Hong Kong profits tax.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (hereinafter referred to as "**SAFE**"), with the authorization of the People's Bank of China (hereinafter referred to as "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 30 December, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established as a joint stock company through equity fundraising on November 30, 1993 in the PRC. Our registered address is at No. 600, Daqi Avenue East, Huangshi City, Hubei Province, the PRC. We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong on September 21, 2020. Mr. Li Yeqing and Ms. Mak Sze Man have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As we are incorporated in the PRC, our Company's corporate structure and Articles of Association are subject to the relevant laws of the PRC. A summary of our Articles of Association is set out in the section headed "Summary of the Articles of Association" in Appendix VII to this listing document.

2. Changes in Share Capital

On 30 November 1993, our Company was incorporated with an initial registered capital of RMB137,000,000 divided into 137,000,000 domestic shares with a nominal value of RMB1.00 each, all of which were fully paid up.

As of the Latest Practicable Date, the issued share capital of our Company was 2,096,599,855 Shares, comprising 1,361,879,855 A Shares and 734,720,000 B Shares.

There has been no alteration in the share capital of our Company within the two years immediately preceding the date of this listing document.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountants' Report, the text of which is set out from Appendix II to Appendix V in this listing document.

The following alterations in the share capital (or registered share capital, as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this listing document:

On December 2, 2019, the registered capital of Huaxin Environmental Engineering (Huangshi) Co., Ltd. (華新環境工程(黃石)有限公司) increased from RMB5 million to RMB7.2 million.

On April 21, 2020, the registered capital of Huaxin New Building Materials (Luonan) Co., Ltd. (華新新型建築材料(洛南)有限公司) increased from RMB20 million to RMB50 million.

On July 23, 2020, the registered capital of Huaxin Cement (Jingzhou) Co., Ltd. (華新水泥(荊州)有限公司) increased from RMB70.8 million to RMB80.8 million.

On October 16, 2020, the registered capital of Huaxin Concrete (Chongyang) Co., Ltd. (華新混凝土(崇陽)有限公司) increased from approximately RMB15.9 million to approximately RMB25.9 million.

On October 19, 2020, the registered capital of Huaxin (Lijiang) New Materials Environmental Protection Co., Ltd. (華新(麗江)環保新材有限責任公司) decreased from RMB100 million to RMB60 million.

On January 14, 2021, the registered capital of Huaxin Cement (Huangshi) Co., Ltd (華新水泥(黃石)有限公司) increased from RMB500 million to RMB650 million.

On January 20, 2021, the registered capital of Yidu Hong Hua Xin Tong Logistics Co., LTD. (宜都市紅花鑫通物流有限公司) increased from RMB12 million to RMB45 million.

On March 3, 2021, the registered capital of Huaxin Cement (Wanyuan) Co., Ltd. (華新水泥(萬源)有限公司) increased from RMB190 million to RMB202 million.

On March 25, 2021, the registered capital of Huaxin Concrete (Wuhan) Co., Ltd (華新混凝土(武漢)有限公司) increased from RMB80 million to RMB123.3 million.

On April 29, 2021, the registered capital of Hubei Zhushen Building Materials Co., Ltd. (湖北築神建築材料有限公司) increased from RMB10 million to RMB25 million.

On April 29, 2021, the registered capital of Huaxin Concrete (Jianli) Co., Ltd (華新混凝土(監利)有限公司) increased from RMB10 million to RMB25 million.

On May 12, 2021, the registered capital of Huaxin Concrete (Jingmen) Co., Ltd. (華新混凝土荊門有限公司) increased from RMB12 million to RMB25 million.

On May 18, 2021, the registered capital of Huaxin Cement (Huangshi) Co., Ltd (華新水泥(黃石)有限公司) increased from RMB650 million to RMB850 million.

On May 18, 2021, the registered capital of Huaxin Concrete Xiangyang Fancheng District Co., Ltd. (華新混凝土襄陽樊城區有限公司) increased from RMB20.5 million to RMB25.5 million.

On May 19, 2021, the registered capital of Zaoyang Huaxin Concrete Co., Ltd. (棗陽市華新混凝土有限公司) increased from RMB10 million to RMB25 million.

On June 15, 2021, the share capital of Huaxin Hong Kong (Tanzania) Investment Limited increased from US$15,000,000 to US$30,250,000.

On June 16, 2021, the registered capital of Xinyang Huaxin Concrete Co., Ltd. (信陽華新混凝土有限公司) increased from RMB12 million to RMB25 million.

On June 17, 2021, the registered capital of Huaxin Concrete (Huangshi) Co., Ltd. (華新混凝土(黃石)有限公司) increased from RMB10 million to RMB25 million.

On July 5, 2021, the registered capital of Huaxin Concrete (Xiaogan) Co., Ltd. (華新混凝土(孝感)有限公司) increased from RMB10 million to RMB25 million.

On August 16, 2021, the registered capital of Huaxin Concrete Co., Ltd. (華新混凝土有限公司) increased from RMB50 million to RMB105 million.

On September 6, 2021, the registered capital of Huaxin New Building Materials (Changyang) Co., Ltd. (華新新材(長陽)有限公司) increased from RMB80 million to RMB213 million.

On September 7, 2021, the registered capital of Huaxin Aggregate (Changyang) Co., Ltd. (華新輕質建築骨料(長陽)有限公司) increased from RMB15 million to RMB16 million.

On September 7, 2021, the registered capital of Huaxin Cement (Changyang) Co., Ltd. (華新水泥(長陽)有限公司) decreased from RMB250 million to RMB249 million.

On September 22, 2021, the registered capital of Huangshi Huaxin Green Building Materials Industry Co., Ltd. (黃石華新綠色建材產業有限公司) increased from RMB2,000 million to RMB4,300 million.

On October 28, 2021, the registered capital of Huaxin Cement (Fumin) Co., Ltd. (華新水泥(富民)有限公司) increased from RMB90 million to RMB390 million.

On November 15, 2021, the registered capital of Huaxin Concrete (Ezhou) Co., Ltd. (華新混凝土(鄂州)有限公司) increased from RMB10 million to RMB25 million.

On December 15, 2021, the registered capital of Huaxin Cement (Yueyang) Co., Ltd. (華新水泥(岳陽)有限公司) increased from RMB25 million to RMB50 million.

On December 21, 2021, the registered capital of Huaxin Concrete (Wuhan) Co., Ltd. (華新混凝土(武漢)有限公司) increased from RMB123.3 million to RMB198.3 million.

On December 21, 2021, the registered capital of Huaxin Concrete Co., Ltd. (華新混凝土有限公司) increased from RMB105 million to RMB135 million.

On January 10, 2022, the registered capital of Huaxin Cement (Zhaotong) Co., Ltd. (華新水泥(昭通)有限公司) increased from RMB75 million to RMB100 million.

On January 29, 2022, the registered capital of Changzhou Huaxin Concrete Co., Ltd. (常州市華新混凝土有限公司) increased from RMB30 million to RMB60 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this listing document.

4. Resolutions of the Shareholders of Our Company dated September 13, 2021

At the extraordinary general meeting of our Company held on September 13, 2021, the following resolutions were passed by the Shareholders of our Company, among others:

(a) the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, subject to the approval of competent authorities;

(b) a detailed implementation plan in relation to relevant details of the proposed conversion of all 734,720,000 B Shares into H Shares and the proposed listing of H Shares on the main board of the Hong Kong Stock Exchange by way of introduction, has been approved and adopted, subject to the approval of competent authorities;

(c) the Board of Directors and its authorised representatives were authorised to deal with all relevant matters relating to the proposed conversion of all 734,720,000 B Shares into H Shares and the proposed listing of H Shares on the main board of the Hong Kong Stock Exchange by way of introduction;

(d) the appointment of the Authorised Representatives of the Board of Directors;

(e) the Conversion of the Company into an Overseas Subscription Company; and

(f) the validity period of all relevant resolutions passed at this extraordinary general meeting of our Company in relation to the proposed conversion of all 734,720,000 B Shares into H Shares and the proposed listing of H Shares on the main board of the Hong Kong Stock Exchange by way of introduction shall be 18 months from the date of approval and adoption of all such relevant resolutions.

5. Restriction on Share Repurchase

See "Appendix VI — Summary of PRC and Hong Kong Principal Legal and Regulatory Provisions" and "Appendix VII — Summary of the Articles of Association" for details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

There were no material contracts entered into by members of our Group within the two years preceding the date of this listing document other than contracts entered into in the ordinary course of business.

2. Intellectual Property Rights

(a) Patent

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
1	High performance gelling materials (高性能膠凝材料)	Patent invention	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	031189938	PRC	April 25, 2003
2	Solid Portland Cement (固基矽酸鹽水泥)	Patent invention	Huaxin Cement (Wuxue) Co., Ltd.	031189946	PRC	April 25, 2003
3	High performance clinker powder (高性能熟料粉)	Patent invention	Huaxin Cement (Wuxue) Co., Ltd.	031189954	PRC	April 25, 2003
4	Process method for manufacturing large welded gear (大型焊接齒輪的加工工藝方法)	Patent invention	Huaxin Equipment Manufacturing Co., Ltd.	2009100622668	PRC	May 27, 2009
5	High performance environmental friendly precalciner (高效環保型預分解爐)	Patent invention	Huaxin Cement (Wuxue) Co., Ltd.	2009102730309	PRC	November 30, 2009
6	Floater pretreatment and cement kiln comprehensive utilization system (一種漂浮物預處理與水泥窯綜合利用系統)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011100712411	PRC	March 24, 2011
7	Sludge pretreatment and cement kiln comprehensive utilization system (一種污泥預處理與水泥窯綜合利用的方法及其系統)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011100713274	PRC	March 24, 2011
8	System for extracting rubbish derived fuel (RDF) from municipal rubbish (一種從市政垃圾中提取垃圾衍生燃料的系統)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011100713522	PRC	March 24, 2011
9	System for comprehensively utilizing rubbish derived fuel (RDF) in cement kiln (一種水泥窯綜合利用垃圾衍生燃料的系統)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011100720070	PRC	March 24, 2011
10	Trumpet-shaped grinding dryer (喇叭狀粉磨烘乾機)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011101087831	PRC	April 28, 2011
11	A vertical sewage sludge dryer (一種立式污泥烘乾機)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011101107623	PRC	April 29, 2011

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
12	Rubbish derived fuel (RDF) rotary wind-locking loading and unloading device and method (垃圾衍生燃料回轉鎖風裝卸裝置及方法)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011101720364	PRC	June 24, 2011
13	Municipal waste pre-treatment and cement kiln resource comprehensive utilization and system (市政垃圾預處理與水泥窯資源綜合利用的聯合工藝及其系統)	Patent invention	Huaxin Environment Engineering Co., Ltd.	2011102210104	PRC	August 3, 2011
14	Cylinder of rotary kiln center line hot state measurement (回轉窯筒體中心線熱態測量方法)	Patent invention	Huaxin Cement (Henan Xinyang) Co., Ltd.	2013101542169	PRC	April 28, 2013
15	A rotary screening device for material screening and crushing (一種用於物料篩分破碎的旋轉篩分設備)	Patent invention	Huaxin Equipment Manufacturing Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd.	2013103579153	PRC	August 16, 2013
16	RDF winnowing system (RDF風選系統)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2013103593305	PRC	August 16, 2013
17	Drying system of independent wind chamber (獨立風室幹化系統)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2013103608495	PRC	August 16, 2013
18	Anti-clogging device for sludge cake transport (污泥泥餅輸送防堵塞裝置)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2013107190939	PRC	December 24, 2013
19	Cement kiln comprehensive utilization for deep dehydration of sludge (一種污泥深度脫水與水泥窯綜合利用方法)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd.	2013107191823	PRC	December 24, 2013
20	Method and system for deep dehydration of sludge (一種污泥深度脫水的方法與系統)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd.	2013107196189	PRC	December 24, 2013

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
21	Inorganic additive of adjusting strength and viscosity of super-high-strength concrete (一種調節超高強混凝土強度與粘度的無機外加劑)	Patent invention	Huaxin Concrete Co., Ltd., Wuhan University of Technology	2014100715856	PRC	February 28, 2014
22	Pushing system and technology of dried rubbish (一種幹化垃圾的推動系統及工藝)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014101879355	PRC	May 6, 2014
23	A kind of cement kiln associated treatment RDF enters kiln system and technique (一種水泥窯協同處理RDF的入窯系統及工藝)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014101879482	PRC	May 6, 2014
24	Cylinder type waste storage barrel tapper (氣缸式廢物儲存桶開孔器)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014101879497	PRC	May 6, 2014
25	Posterior longitudinal cutting of bag making machine (制袋機的後置縱切機構)	Patent invention	Huaxin Ezhou Package Co,. Ltd.	2014104390285	PRC	August 29, 2014
26	Domestic refuse treatment method (一種垃圾處理系統及方法)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014105619766	PRC	October 21, 2014
27	A waste leachate treatment system and method (一種垃圾滲濾液的處置系統及方法)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014105619770	PRC	October 21, 2014
28	Ultra-large deodorization device of biological filter of continuous cultivation (可連續培養的超大規模生物濾池除臭裝置及方法)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014105619785	PRC	October 21, 2014
29	Disposal system and method of liquid extruded from rubbish (一種垃圾擠出液的處置系統及方法)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014105624266	PRC	October 21, 2014

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
30	Garbage-drying and deodorization and percolate-disposing system and method (垃圾乾化，除臭及滲濾液的處置系統及方法)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014105642531	PRC	October 21, 2014
31	Outer circulation anaerobic reaction system and method for landfill leachate (一種垃圾滲濾液外循環厭氧反應系統及方法)	Patent invention	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd., Huaxin Equipment Manufacturing Co., Ltd.	2014105642673	PRC	October 21, 2014
32	High efficiency comb formula pusher at the bottom for solid material (一種高效固態物料庫底篦式推料器)	Patent invention	Huaxin Equipment Manufacturing Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd.	2014108169200	PRC	December 24, 2014
33	Modular roller drive guide column cooling equipment (一種模塊化托輥傳動導向列動式冷卻設備)	Patent invention	Huaxin Equipment Manufacturing Co., Ltd., Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd.	2014108170104	PRC	December 24, 2014
34	Method for machining high-precision hexagonal shaft through ordinary digital control boring machine (普通數控鏜床加工高精度六方軸的方法)	Patent invention	Huaxin Equipment Manufacturing Co., Ltd.	2016101900590	PRC	March 30, 2016
35	Method for machining 90-degree V-shaped grooves spirally distributed in large shaft through ordinary digital controlled boring machine tool (普通數控鏜床加工大型軸上螺旋分佈的90度V型槽的方法)	Patent invention	Huaxin Equipment Manufacturing Co., Ltd.	2016101920787	PRC	March 30, 2016
36	A valve bag containing paper liner and its production method (一種含內襯紙的閥口袋及其製作方法)	Patent invention	Huaxin Ezhou Package Co,. Ltd.	2016106878767	PRC	August 19, 2016
37	A valve bag with paper liner (一種含內襯紙的閥口袋)	Utility Model	Huaxin Ezhou Package Co,. Ltd.	2016209026020	PRC	August 19, 2016
38	Valve Pockets (閥口袋)	Design	Huaxin Ezhou Package Co,. Ltd.	2016304033108	PRC	August 19, 2016
39	Potassium salt extraction system from cement kiln ash/fly ash (從水泥窯灰/飛灰中提取鉀鹽的系統)	Utility Model	Huaxin Cement Co., Ltd., Huaxin Environment Engineering Co., Ltd.	2017208572898	PRC	July 14, 2017

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
40	Valve bag trimming and winding machine (一種閥口袋裁邊繞絲機)	Utility Model	Huaxin Ezhou Package Co,. Ltd.	2017212421443	PRC	September 26, 2017
41	Composite valve pockets (複合型閥口袋)	Utility Model	Huaxin Ezhou Package Co,. Ltd.	2017213288001	PRC	October 10, 2017
42	A kind of leak-proof environmental protection valve bag (一種防漏環保閥口袋)	Utility Model	Huaxin Ezhou Package Co,. Ltd.	2017216390942	PRC	November 30, 2017
43	A kind of packaging bag valve mouth patch folding device (一種包裝袋閥口貼片折疊裝置)	Utility Model	Huaxin Ezhou Package Co,. Ltd.	2017216485726	PRC	November 30, 2017
44	Packing bag (powder packing bag) (包裝袋(粉料包裝袋))	Design	Huaxin Ezhou Package Co,. Ltd.	2017304809043	PRC	September 30, 2017
45	An open-sand concrete and its preparation method (一種露砂混凝土及其製備方法)	Patent invention	Huaxin Cement Co., Ltd.	2018113197815	PRC	November 7, 2018
46	Multi-point feeding system for cement kiln co-disposal of RDF (水泥窯協同處置RDF的多點餵料系統)	Patent invention	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd.	2018115994662	PRC	December 26, 2018
47	A kind of composite non-woven valve bag (一種複合無紡布閥口袋)	Utility Model	Huaxin Ezhou Package Co,. Ltd.	2018210056539	PRC	June 26, 2018
48	Ultra High Performance Concrete Wear Flooring (超高性能混凝土耐磨地坪)	Utility Model	Huaxin New Building Materials (Wuhan) Co,. Ltd., Huaxin Cement Co., Ltd.	2018216676200	PRC	October 15, 2018
49	Pavement structure at expansion joints of highway bridge decks (公路橋樑橋面伸縮縫處鋪裝結構)	Utility Model	Huaxin New Building Materials (Wuhan) Co,. Ltd., Huaxin Cement Co., Ltd.	2018221990255	PRC	December 26, 2018
50	Preheaters for co-disposal of municipal waste power generation in cement kilns (用於水泥窯協同處置市政垃圾發電的預熱器放風裝置)	Utility Model	Huaxin Environment Engineering Co., Ltd., Huaxin Cement Co., Ltd.	2018222072388	PRC	December 26, 2018
51	Connected structure of bridge pier cover beam and main beam (嵌入式橋墩蓋梁與主樑連接結構)	Utility Model	Huaxin New Building Materials (Wuhan) Co,. Ltd., Huaxin Cement Co., Ltd.	2019202775309	PRC	March 4, 2019
52	Connecting structure of prefabricated bridge pier stud and capping beam (預製橋樑墩柱與蓋梁的連接結構)	Utility Model	Huaxin New Building Materials (Wuhan) Co,. Ltd., Huaxin Cement Co., Ltd.	2019208887933	PRC	June 13, 2019
53	An expansion jig (一種脹緊夾具)	Utility Model	Huaxin Cement Co., Ltd.	2019211795551	PRC	July 25, 2019
54	Novel heat-insulation decorative sheet (一種新型保溫裝飾板)	Utility Model	Huaxin Cement Co., Ltd.	2019216074179	PRC	September 25, 2019

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
55	Precast ultra-high performance concrete crane beam (預製超高性能混凝土吊車樑)	Utility Model	Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd., Huaxin Cement Co., Ltd.	2019221466531	PRC	December 4, 2019
56	A rotary kiln wheel belt and sliding track grinding sliding track online grinding device (一種回轉窯輪帶和滑履磨滑履在線修磨裝置)	Utility Model	Huaxin Equipment Manufacturing Co., Ltd., Huaxin Cement Co., Ltd.	2020201174177	PRC	January 19, 2020
57	A tapping tool for floor boring machines (一種用於落地鏜床的攻絲工具)	Utility Model	Huaxin Equipment Manufacturing Co., Ltd., Huaxin Cement Co., Ltd	2020201174209	PRC	January 19, 2020
58	A water barrier structure for window and door frame caulking (一種用於門窗框填縫的阻水結構)	Utility Model	Huaxin Cement Co., Ltd.	2020206895425	PRC	April 29, 2020
59	An ultra-high performance concrete wall panel (一種超高性能混凝土牆面板)	Utility Model	Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd., Huaxin Cement Co., Ltd.	2020206952381	PRC	April 29, 2020
60	A smart pallet shipping system for cement plants (一種水泥工廠智慧托盤發運系統)	Utility Model	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	2020209674265	PRC	June 1, 2020
61	A cement production line inspection system based on LORA wireless transmission (一種基於LORA無線傳輸的水泥生產線巡檢系統)	Utility Model	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	2020209676203	PRC	June 1, 2020
62	A smart shipping system for cement plants (一種水泥工廠智慧發運系統)	Utility Model	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	2020214818365	PRC	July 24, 2020
63	Cement kiln cooperative treatment method of contaminated soil (一種污染土的水泥窯協同處理方法)	Patent invention	Huaxin Environment Engineering Co., Ltd.	201110071245X	PRC	March 24, 2011
64	Municipal waste sorting system (一種市政垃圾分選系統)	Patent invention	Huaxin Environment Engineering Co., Ltd.	201110071291X	PRC	March 24, 2011
65	Cement kiln cooperative treatment method of contaminated soil (一種污染土水泥窯協同處理的方法)	Patent invention	Huaxin Environment Engineering Co., Ltd.	201110071340X	PRC	March 24, 2011
66	Concrete pore structure design and control method based on internal form (一種基於內模的混凝土孔結構設計與調控方法)	Patent invention	Huaxin Cement Co., Ltd.	201310276868X	PRC	July 3, 2013

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
67	Cement grinding mill feeding capacity fuzzy control method and system (水泥磨餵料量模糊控制方法及系統)	Patent invention	Huaxin Cement Co., Ltd.	201710261041X	PRC	April 20,2017
68	Crusher blade inspection device (一種破碎機刀片的檢驗裝置)	Utility Model	Huaxin Equipment Manufacturing Co., Ltd., Huaxin Cement Co., Ltd.	202020740966X	PRC	May 8, 2020
69	A tool of processing for support of tube grinding sliding track (一種用於管磨滑履支撐加工的工裝)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202022928371.X	PRC	December 10, 2021
70	A control device for automatic adjustment of air volume (一種風量自動調節控制裝置)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120346426.8	PRC	October 8, 2021
71	Precast ultra-high-performance concrete gutter (預製超高性能混凝天溝)	Utility Model	Huaxin Super-kolon New Building Materials Technology (Huangshi) Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120290694.2	PRC	January 11, 2022
72	A movable combined quick-change working surface (一種可移動式的組合快換工作台面)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202023245192.2	PRC	November 26, 2021
73	A device to prevent structural deformation of door and window openings (防止門窗洞口結構變形的裝置)	Utility Model	Huaxin Cement Co.,Ltd., Dongguan Vanke Building Technique Research Co, Ltd.	ZL202120721061.2	PRC	November 9, 2021
74	A device to ensure the synchronisation of non-rigid transmission on both sides of rotary drum screen (一種保證回轉滾筒篩兩側非剛性傳動同步性的裝置)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120450973.0	PRC	November 9, 2021
75	A multiple seal structure for rotary shaft (一種用於旋轉軸的多重密封結構)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120359428.0	PRC	November 16, 2021
76	A combined quick-change dimple hole stamping moulds (一種組合快換窩孔沖壓模具)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120347326.7	PRC	November 9 2021
77	A linear motion self-adjusting sealing device (一種線性運動自調密封裝置)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120373300.X	PRC	November 26. 2021

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Announcement/ Issue Date
78	A spray device for tile adhesive construction (一種瓷磚膠施工用噴塗裝置)	Utility Model	Huaxin Cement Co.,Ltd.	ZL202121838929.3	PRC	February 1, 2022
79	An automatic excavator for barreled viscous materials (一種桶裝黏性物料自動挖料機)	Utility Model	Huaxin Environment Engineering Co., Ltd.	ZL202121305613.8	PRC	December 10, 2021
80	A double-layer composite sorting device of ball mills (球磨機雙層複合分選裝置)	Utility Model	Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd., Huaxin Cement Co.,Ltd.	ZL202120474756.5	PRC	February 1, 2022

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Category	Patentee	Patent Number	Place of Registration	Application Date
1	High performance gelling materials (高性能膠凝材料固基砂)	Patent invention	Huaxin Cement Co., Ltd.	ZL03118993.8	PRC	April 25, 2003
2	Solid Portland Cement (酸鹽水泥)	Patent invention	Huaxin Cement Co., Ltd.	ZL03118994.6	PRC	April 25, 2003
3	High performance clinker powder (高性能熟料粉)	Patent invention	Huaxin Cement Co., Ltd.	ZL03118995.4	PRC	April 25, 2003
4	High performance environmental friendly precalciner (高效環保型預分解爐)	Patent invention	Huaxin Cement (Wuxue) Co., Ltd.	ZL200910273030.9	PRC	November 30, 2009
5	Cylinder of rotary kiln center line hot state measurement (回轉窯筒體中心線熱態測量方法)	Patent invention	Huaxin Environment Engineering Co., Ltd.	ZL201310154216.9	PRC	April 28, 2013

(b) Trademarks

(i) Registered trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
1.		PRC	Huaxin Cement	19	572482	November 20, 2011	November 19, 2031
2.	華新	PRC	Huaxin Cement	2	1032159	June 21, 2017	June 20, 2027
3.		PRC	Huaxin Cement	6	1043318	June 28, 2017	June 27, 2027
4.		PRC	Huaxin Cement	2	1044214	July 7, 2017	July 6, 2027
5.		PRC	Huaxin Cement	4	1044482	July 7, 2017	July 6, 2027
6.		PRC	Huaxin Cement	19	1051314	July 14, 2017	July 13, 2027
7.		PRC	Huaxin Cement	42	1061652	July 21, 2017	July 20, 2027
8.		PRC	Huaxin Cement	36	1061907	July 21, 2017	July 20, 2027
9.	華新 HUAXIN	PRC	Huaxin Cement	19	1069307	August 7, 2017	August 6, 2027

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
10.		PRC	Huaxin Cement	37	1073880	August 7, 2017	August 6, 2027
11.	華新 HUAXIN	PRC	Huaxin Cement	19	1074324	August 14, 2017	August 13, 2027
12.	華新	PRC	Huaxin Cement	19	1074326	August 14, 2017	August 13, 2027
13.		PRC	Huaxin Cement	35	1085961	August 21, 2017	August 20, 2027
14.	華新 HUAXIN	PRC	Huaxin Cement	1	1315029	September 21, 2019	September 20, 2029
15.	华新 堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	19	3015882	March 28, 2013	March 27, 2023
16.		PRC	Huaxin Cement	19	3015883	March 28, 2013	March 27, 2023
17.	华新 堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	19	3015884	March 28, 2013	March 27, 2023
18.		PRC	Huaxin Cement	19	3015885	March 28, 2013	March 27, 2023
19.	HUAXIN	PRC	Huaxin Cement	19	3602452	October 21, 2015	October 20, 2025

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
20.	華 新	PRC	Huaxin Cement	19	3602453	November 14, 2015	November 13, 2025
21.	华新水泥	PRC	Huaxin Cement	19	4539061	September 28, 2018	September 27, 2028
22.		PRC	Huaxin Cement	19	4553687	July 28, 2018	July 27, 2028
23.	华 新	PRC	Huaxin Cement	19	6015386	February 21, 2020	February 20, 2030
24.	華 新	PRC	Huaxin Cement	40	12069205	August 28, 2014	August 27, 2024
25.	華 新	PRC	Huaxin Cement	45	12069222	August 28, 2014	August 27, 2024
26.		PRC	Huaxin Cement	40	12104805	July 14, 2014	July 13, 2024
27.	华新环境	PRC	Huaxin Cement	40	12731040	March 21, 2015	March 20, 2025
28.	华新师傅	PRC	Huaxin Cement	19	18837625	February 14, 2017	February 13, 2027
29.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	1	22390891	February 7, 2018	February 6, 2028
30.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	2	22391174	February 7, 2018	February 6, 2028
31.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	4	22391253	February 7, 2018	February 6, 2028
32.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	7	22391681	February 7, 2018	February 6, 2028

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
33.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	16	22392701	February 7, 2018	February 6, 2028
34.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	34	22394804	February 7, 2018	February 6, 2028
35.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	35	22395084	February 7, 2018	February 6, 2028
36.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	37	22398428	February 7, 2018	February 6, 2028
37.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	39	22399008	February 7, 2018	February 6, 2028
38.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	40	22399122	February 7, 2018	February 6, 2028
39.	华新堡垒 HUAXIN CASTLE	PRC	Huaxin Cement	45	22399337	February 7, 2018	February 6, 2028
40.		PRC	Huaxin Cement	19	26386309	October 7, 2018	October 6, 2028
41.	华新师傅	PRC	Huaxin Cement	37	29445281	May 14, 2019	May 13, 2029
42.	华新防渗宝	PRC	Huaxin Cement	19	29446182	May 21, 2019	May 20, 2029
43.	华新新材	PRC	Huaxin Cement	19	29451371	May 21, 2019	May 20, 2029
44.		PRC	Huaxin Cement	19	29453304	February 7, 2019	February 6, 2029
45.		PRC	Huaxin Cement	1	29455958	February 14, 2019	February 13, 2029

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
46.		PRC	Huaxin Cement	19	29456358	February 14, 2019	February 13, 2029
47.	华新师傅	PRC	Huaxin Cement	1	29457682	February 21, 2019	February 20, 2029
48.		PRC	Huaxin Cement	1	29459331	February 14, 2019	February 13, 2029
49.		PRC	Huaxin Cement	1	29462824	February 14, 2019	February 13, 2029
50.		PRC	Huaxin Cement	37	29462859	February 14, 2019	February 13, 2029
51.	华新瓷砖胶	PRC	Huaxin Cement	19	29464302	May 14, 2019	May 13, 2029
52.	超可隆	PRC	Huaxin Cement	19	32176629	April 7, 2019	April 6, 2029
53.	华新水泥	PRC	Huaxin Cement	19	35833852	December 7, 2019	December 6, 2029
54.		PRC	Huaxin Cement	19	35833879	December 14, 2019	December 13, 2029
55.		PRC	Huaxin Cement	39	48311965	April 14, 2021	April 13, 2031
56.		PRC	Huaxin Cement	19	50674743	June 28, 2021	June 27, 2031

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
57.		PRC	Huaxin Cement	19	50664623	June 28, 2021	June 27, 2031
58.		PRC	Yunnan Lafarge	19	536860	December 10, 2020	December 9, 2030
59.	老君山	PRC	Yunnan Lafarge	19	1928956	October 7, 2012	October 6, 2022
60.	轿子山 JIAOZISHAN	PRC	Kunming Chongde	19	10222628	March 7, 2013	March 6, 2023
61.	轿子山 JIAOZISHAN	PRC	Kunming Chongde	19	624165	December 30, 2012	December 29, 2022
62.	地维	PRC	Chongqing Huaxin Diwei	19	1292841	July 14, 2019	July 13, 2029
63.	地 维	PRC	Chongqing Huaxin Diwei	19	1265334	April 21, 2019	April 20, 2029
64.	華新水泥股份有限公司 HUAXIN CEMENT CO., LTD. 華新水泥股份有限公司 HUAXIN CEMENT CO., LTD. 华新水泥股份有限公司 HUAXIN CEMENT CO., LTD. 华新水泥股份有限公司 HUAXIN CEMENT CO., LTD.	Hong Kong	Huaxin Cement	19	305376529AA	August 31, 2020	August 31, 2030
65.	华新水泥	Kyrgyzstan	Huaxin (Hong Kong) International	19	14230	December 7, 2015	December 7, 2025

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Registration Date	Expiry Date
66.		Kyrgyzstan	Huaxin (Hong Kong) International	19	14229	December 7, 2015	December 7, 2025
67.	华新水泥	Russia	Huaxin (Hong Kong) International	19	603468	December 29, 2015	December 29, 2025
68.		Russia	Huaxin (Hong Kong) International	19	603469	December 29, 2015	December 29, 2025
69.	华新水泥	Kazakhstan	Huaxin (Hong Kong) International	19	54101	December 4, 2015	December 4, 2025
70.		Kazakhstan	Huaxin (Hong Kong) International	19	54102	December 4, 2015	December 4, 2025
71.	华新水泥	Turkmenistan	Huaxin (Hong Kong) International	19	14219	December 4, 2015	December 4, 2025
72.		Turkmenistan	Huaxin (Hong Kong) International	19	14218	December 4, 2015	December 4, 2025
73.	华新水泥	Uzbekistan	Huaxin (Hong Kong) International	19	MGU 30299	December 9, 2015	December 9, 2025
74.		Uzbekistan	Huaxin (Hong Kong) International	19	MGU 30300	December 9, 2015	December 9, 2025
75.	华新水泥	OAPI	Huaxin (Hong Kong) International	19	87335	January 15, 2016	January 15, 2026
76.		OAPI	Huaxin (Hong Kong) International	19	87334	January 15, 2016	January 15, 2026

(c) Copyrights

As at the Latest Practicable Date, we had registered the following Copyrights which we consider to be or may be material to our business:

No.	Copyrights	Version	Registration Number	Registered Owner	First Publication Date/ Registration Date *(Note)*	Place of Registration
1	A quality statistical analysis system of Huaxin Concrete (華新混凝土質量統計分析系統)	1.0	2015SR134152	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	July 15, 2015	PRC
2	A delivery standardisation system of Huaxin Logistics (華新物流發貨標準化系統)	2.0	2015SR142260	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	May 5, 2012	PRC
3	A traceable internet of things system of Huaxin (華新可追溯物聯網系統)	1.0	2015SR142731	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	August 30, 2012	PRC
4	An online sales system of Huaxin Market (華新商城網上銷售系統)	1.0	2015SR189952	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	September 29, 2015	PRC
5	An application development platform of Huaxin (華新應用開發平台)	1.0	2017SR258016	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 15, 2017	PRC
6	An Xbox middleware interface platform of Huaxin (華新Xbox中間件接口平台)	1.0	2017SR258026	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 15, 2017	PRC
7	A workflow platform of Huaxin (華新工作流平台)	1.0	2017SR258105	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 28, 2017	PRC

No.	Copyrights	Version	Registration Number	Registered Owner	First Publication Date/ Registration Date *(Note)*	Place of Registration
8	An operation and management platform for BSC sharing center of Huaxin (華新BSC共享中心運行管理平台)	1.0	2017SR577711	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 1, 2016	PRC
9	A collaborative office platform of Huaxin (華新協同辦公平台)	1.0	2017SR646307	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	September 20, 2017	PRC
10	A procurement management platform of Huaxin (華新採購管理平台)	1.0	2017SR646315	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 1, 2016	PRC
11	A tendering and bidding platform of Huaxin (華新招投標平台)	1.0	2017SR646661	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 1, 2016	PRC
12	A cap-cloud application development platform (cap-雲應用開發平台)	1.0	2020SR0466312	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	January 5, 2020	PRC
13	A smart logistics and delivery standardisation system (智慧物流發貨標準化系統)	1.0	2020SR0466318	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	December 31, 2019	PRC
14	An intelligent identification system for security surveillance video (安全監控視頻智能識別系統)	1.0	2020SR0466454	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	March 21, 2020	PRC
15	An intelligent traffic dispatch and storage area scanning system (智能行車調度及庫區掃描系統)	1.0	2020SR0466458	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	March 21, 2020	PRC

No.	Copyrights	Version	Registration Number	Registered Owner	First Publication Date/ Registration Date *(Note)*	Place of Registration
16	A digital mobile office platform (數字化移動辦公平台)	1.0	2020SR0466569	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	March 18, 2020	PRC
17	A data middleware of cap-din cloud application platform (cap-din雲應用平台數據中間件)	1.0	2020SR0466573	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	January 18, 2020	PRC
18	A vertically integrated intelligent management platform (縱向一體化智能管理平台)	1.0	2020SR0466589	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	March 18, 2020	PRC
19	An intelligent management and control system for sales price (銷售價格智能管控系統)	1.0	2020SR0466633	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	February 10, 2020	PRC
20	A digital procurement management system (採購數字化管理系統)	1.0	2021SR0794030	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	December 31, 2020	PRC
21	A digital smart large-screen system (數字智慧大屏系統)	1.0	2021SR0794183	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	December 31, 2020	PRC
22	A financial digital management and control system (財務數字化管控系統)	1.0	2021SR0794249	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	November 1, 2020	PRC
23	A digital environmental protection management system (環保數字化管理系統)	1.0	2021SR0794250	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	January 1, 2021	PRC

No.	Copyrights	Version	Registration Number	Registered Owner	First Publication Date/ Registration Date *(Note)*	Place of Registration
24	A digital marketing management system (營銷數字化管理系統)	1.0	2021SR0794251	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	March 26, 2020	PRC
25	An intelligent patrol and inspection and preventive maintenance management platform (智能巡檢及預防性維修管理平台)	1.0	2021SR1150870	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	December 31, 2020	PRC
26	A digital vehicle management and positioning software (數字化車輛管理定位軟件)	1.0	2021SR1151122	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	March 2, 2021	PRC
27	A digital equipment management system (裝備數字化管理系統)	1.0	2021SR1151123	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	January 28, 2021	PRC
28	A digital vehicle violation monitoring platform (數字化車輛違流監控平台)	1.0	2021SR1159280	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	November 25, 2019	PRC
29	An intelligent quality inspection management platform (智能質檢管理平台)	1.0	2021SR1159281	Huaxin Cement Technology Management (Wuhan) Co., Ltd.	January 23, 2021	PRC

Note: Refers to the earlier date of first publication or registration.

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Particulars of Directors' and Supervisors' service contracts and appointment letters

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date of the appointment as approved by the Shareholders until the current term of the Board expires). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors, Supervisors and Senior Management — Remuneration of the Directors, Supervisors and Senior Management".

(b) *Non-executive Directors and Independent Non-executive Directors*

Each of the non-executive Directors has entered into an appointment letter with our Company. The initial term for their service contracts shall commence from the date of their appointments as approved by the Shareholders and shall continue for three years until the current term of the Board expires, (subject always to re-election as and when required under the Articles of Association) unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall be three years from the date of the appointment as approved by the Shareholders until the current term of the Board expires, (subject always to re-election as and when required under the Articles of Association) unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

(c) *Supervisors*

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB1.9 million, RMB3.8 million, RMB2.5 million and RMB1.9 million in aggregate were paid and granted by our Group to our Directors in respect of the financial years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021.

(b) Remuneration and benefits in kind of approximately RMB5.3 million, RMB8.3 million, RMB11.0 million and RMB9.4 million in aggregate were paid and granted by our Group to our Supervisors in respect of the financial years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021.

(c) Under the arrangements currently in force, our Directors and supervisors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2021, is expected to be approximately RMB26 million in aggregate (excluding discretionary bonus).

(d) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) Interests and short positions of our Directors, Supervisors or Chief Executives in the share capital of our Company and its associated corporations following completion of the Listing

Immediately following completion of the Listing, the interests or short positions of our Directors, Supervisors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares and underlying Shares

Name of Director or chief executive	Nature of interest	Class of Shares[3]	Number of Shares	Approximate percentage of shareholding in the relevant class[1]	Approximate percentage of interest in our Company immediately after the Listing[2]
Mr. Li Yeqing	Beneficial Interest	A Shares	364,334	0.0268%	0.0174%
	Beneficial Interest	H Shares	374,696	0.0510%	0.0179%
Mr. Liu Fengshan	Beneficial Interest	A Shares	117,100	0.0086%	0.0056%
	Beneficial Interest	H Shares	83,600	0.0114%	0.0040%
Mr. Ming Jinhua	Beneficial Interest	H Shares	6,500	0.0009%	0.0003%
Mr. Zhang Lin	Beneficial Interest	A Shares	11,600	0.0009%	0.0006%
	Beneficial Interest	H Shares	75,600	0.0102%	0.0036%
Mr. Liu Weisheng	Beneficial Interest	H Shares	13,700	0.0019%	0.0007%

Notes:

(1) The calculation is based on the total number of 1,361,879,855 A Shares and 734,720,000 H Shares of the Company in issue immediately after completion of the Listing.

(2) The calculation is based on the total number of 2,096,599,855 Shares of the Company in issue immediately after completion of the Listing.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in the section headed "Substantial Shareholders", our Directors are not aware of any other person (other than a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the Listing, have an interest and/or a short position in the Shares or the underlying shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

4. Disclaimers

Save as disclosed in this listing document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of our Group;

(b) none of the Directors or the experts named in the paragraph headed "— D. Other Information — 6. Consents of Experts" in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this listing document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group taken as a whole;

(e) save as disclosed in this listing document, none of the Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group;

(f) taking no account of any Shares which may be taken up under the Listing, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the Listing, have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(g) none of the Directors, Supervisors or chief executive of our Company has any interests or short positions in our Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once our Shares are listed thereon.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this listing document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the introduction.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor’ fee in relation to the Listing is HKD10,000,000.

4. The PRC Financial Adviser

The PRC Financial Adviser, namely Shenwan Hongyuan Financing Services Co., Ltd., has issued a financial adviser report in relation to the Implementation Plan as published on the Shanghai Stock Exchange on August 28, 2021.

5. Qualification of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this listing document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Shenwan Hongyuan Capital (H.K.) Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Shu Jin Law Firm	Legal Advisers as to PRC laws
Deloitte Touche Tohmatsu CPA LLP	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
China Insights Industry Consultancy Limited	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

6. Consents of Experts

Each of the experts named in paragraph headed "5. Qualifications of Experts" above has given and has not withdrawn their respective written consents to the issue of this listing document with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

7. Tax of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be to Hong Kong stamp duty. The ad valorem rate charged on each of the purchaser and seller as at the date of this prospectus is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred, and will be increased to 0.13% with effect from August 1, 2021. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Listing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. No Material Adverse Change

Our Directors confirm that, up to the date of this listing document, there has been no material adverse change in the financial or trading position or prospect of our Group since September 30, 2021 (being the date of our latest reviewed financial statements).

9. Binding Effect

This listing document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this listing document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Preliminary Expenses

The Company did not incur any material preliminary expenses.

12. Disclaimers

(a) Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this listing document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in this listing document, none of our Directors or experts (as named in this listing document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Listing and the related transactions described in this listing document within the two years immediately preceding the date of this listing document.

(e) Save as disclosed in this listing document, our Company has no outstanding convertible debt securities or debentures.

(f) There is no arrangement under which future dividends are waived or agreed to be waived.

(g) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this listing document.

(h) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on display on the Stock Exchange's website and the Company's own website during a period of time for 14 days from the date of this listing document.

(i) the Articles of Association;

(ii) the audited consolidated financial statements for the year ended 31 December 2018, the text of which is set out in "Appendix II — Consolidated Financial Statements for the Year Ended 31 December 2018";

(iii) the audited consolidated financial statements for the year ended 31 December 2019, the text of which is set out in "Appendix III — Consolidated Financial Statements for the Year Ended 31 December 2019";

(iv) the audited consolidated financial statements for the year ended 31 December 2020, the text of which is set out in "Appendix IV — Consolidated Financial Statements for the Year Ended 31 December 2020";

(v) the review report on unaudited condensed consolidated financial information for the nine months ended 30 September 2021, the text of which is set out in "Appendix V — Unaudited Condensed Consolidated Financial Information for the Nine Months Ended 30 September 2021";

(vi) the report issued by CIC, the summary of which is set forth in the section headed "Industry Overview" in this listing document;

(vii) the written consents referred to in the section headed "Appendix IX — Statutory and General Information — D. Other Information — 6. Consents of Experts";

(viii) the service contracts referred to in the paragraphs headed "C. Further Information about our Directors and Supervisors — 1. Particulars of Directors' and Supervisors' service contracts and appointment letters" in Appendix IX to this listing document;

(ix) the PRC legal opinion issued by our legal adviser on PRC law, Shu Jin Law; and

(x) the Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof.

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