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HUAXIN CEMENT CO., LTD.*

華新水泥股份有限公司

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

(Stock Code: 6655)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED

31 DECEMBER 2022

HIGHLIGHTS

- Revenue of the Company for the year 2022 amounted to approximately RMB 30.47 billion, representing a decrease of 6.14% over that of 2021.
- Net profit attributable to equity shareholders of the Company for the year 2022 amounted to approximately RMB 2.699 billion, representing a decrease of 49.68% over that of 2021.
- Earnings per share for the year 2022 were RMB 1.30, representing a decrease of 49.61% over that of 2021.

Unless otherwise stated, the currency unit in this announcement is Renminbi (“**RMB**”), the lawful currency of the People’s Republic of China (“**PRC**”). Unless otherwise stated, the financial information in this announcement is prepared in accordance with the China Accounting Standards for Business Enterprises (“**PRC Accounting Standards**”).

I. Basic Corporate Information of the Company

1. Basic information

Company Name	Huaxin Cement Co., Ltd. (“ the Company ”, together with its subsidiaries, the “ Group ”)
A Shares stock abbreviation	Huaxin Cement
A Shares stock code	600801
Exchange on which A shares are listed	The Shanghai Stock Exchange (“ SSE ”)
H Shares stock abbreviation	Huaxin Cement
H Shares stock code	06655
Exchange on which H shares are listed	The Stock Exchange of Hong Kong Limited (“ Stock Exchange ”)

2. Contact persons and means of contact

Title	Secretary to the board of directors	Securities Affairs Representative
Name	YE Jiaying	WANG Lu
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II. SUMMARY OF ACCOUNTING DATA AND OPERATIONAL INFORMATION

1. Accounting data prepared in accordance with the PRC Accounting Standards (major accounting data and financial indicators for the preceding three years)

(Unit: RMB)

Items	2022	2021	Year-on-year change (%) between 2022 and 2021	2020
Revenue	30,470,382,363	32,464,083,379	-6.14	29,356,515,691
Net profit attributable to equity shareholders of the Company	2,698,868,510	5,363,525,692	-49.68	5,630,598,812
Net profit after extraordinary items attributable to equity shareholders of the Company	2,578,634,452	5,304,878,118	-51.39	5,553,708,292
Basic earnings per share (RMB/share)	1.30	2.58	-49.61	2.69
Diluted earnings per share (RMB/share)	1.28	2.58	-50.39	2.69
Basic earnings per share after extraordinary items (RMB/share)	1.24	2.55	-51.37	2.65
Weighted average return on net assets (%)	10.03	21.30	Decreased by 11.27 percentage points	25.03
Diluted return on net assets after extraordinary items (%)	9.58	21.07	Decreased by 11.49 percentage points	24.68
Net cash flow generated from operating activities	4,567,694,220	7,594,957,122	-39.86	8,405,472,760

III. SHAREHOLDERS

1. Shareholders

- (1) To the best knowledge of the Company, as at 31 December 2022, the total number of registered shareholders of the Company was 63,357; as at 28 February 2023, the total number of registered shareholders of the Company was 53,154.
- (2) To the best knowledge of the Company, as at 31 December 2022, the shareholdings of the top 10 registered shareholders of the Company are set out as follows:

No.	Full name of shareholders	Number of shares held	Proportion (%)	Class of shares	Pledged or subject to frozen order		Shareholder type
					Status	Quantity	
1	HKSCC Nominees Ltd	734,719,989	35.04	H share	Unknown	0	Overseas legal entity
2	HOLCHIN B.V.	451,333,201	21.53	A share	None	0	Overseas legal entity
3	Huaxin Group Co., Ltd.	338,060,739	16.12	A share	None	0	State-owned legal entity
4	Hong Kong Securities Clearing Company Ltd. (HKSCC)	60,981,781	2.91	A share	None	0	Overseas legal entity
5	Huaxin Cement Co., Ltd. - 2020-2022 Core Employee Stock Ownership Plan	21,039,361	1.00	A share	None	0	Others
6	China Merchants Bank Co., Ltd. - SSE Dividend Trading Open-ended Index Securities Investment Fund	17,070,110	0.81	A share	None	0	Others
7	National Social Security Fund 413 Portfolio	15,900,000	0.76	A share	None	0	Others
8	China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	A share	None	0	Domestic legal entity
9	ICBC Credit Suisse Fund - China Life Insurance Co., Ltd. - Participating Insurance - ICBC Credit Suisse Fund China Life Equity Balanced Equity Portfolio Single Asset Management Plan (available for sale)	9,448,416	0.45	A share	None	0	Others
10	Bank of China Limited - ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,769,985	0.37	A share	None	0	Others

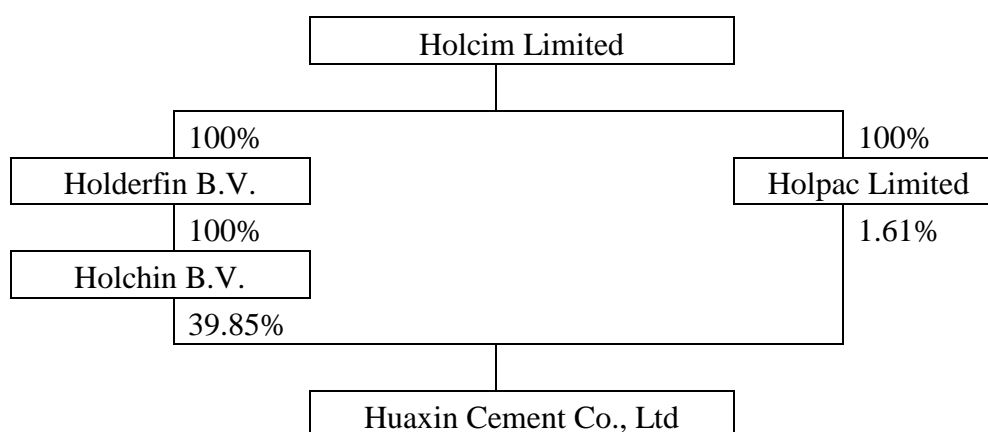
Notes:

- (1) During the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”), there was no change in the number of the shares of the Company held by Holchin B.V., while the number of shares held by its party acting in concert, Holpac Limited, was reduced by 8 million shares. The shares held by Holchin B.V. and Holpac Limited were not subject to any pledge, freezing order or custody.
- (2) The shares mentioned above are not subject to any trading restrictions.
- (3) Saved that Holchin B.V. and Holpac Limited are wholly-owned subsidiaries of Holcim Limited, the board (the “**Board**”) of directors (the “**Directors**”) of the Company is not aware of any other connected relationship among the top ten shareholders.

2. Information on the controlling shareholder and de facto controller

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

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



3. Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company since the listing of the H Shares of the Company on the main board of the Stock Exchange on 28 March 2022 (the “**H Share Listing Date**”) and up to the date of this announcement.

IV. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the H Share Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has been in compliance with all the applicable principles and code provisions as set out in the CG Code from the H Share Listing Date and up to the date of this announcement.

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

The Company has adopted the code provisions regarding the purchase and sale of the Company’s shares by the Directors and supervisors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors and supervisors of the Company and each of them confirmed that they have complied with the requirements contained in the Model Code from the H Share Listing Date and up to the date of this announcement.

VI. REVIEW OF RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises five Directors, being Mr. XU Yongmo, as Chairman and non-executive Director, Ms. Geraldine PICAUD (resigned on 9 December 2022), as non-executive Director, and Mr. WONG Kun Kau, Mr. ZHANG Jiping and Mr. JIANG Hong, as independent non-executive Directors. The financial report and results announcement of the Company for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Board. All of the Directors agree and confirm their individual and collective responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the financial status, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2022, applicable accounting policies have been adopted and applied consistently.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, Ernst & Young Hua Ming LLP, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Ernst & Young Hua Ming LLP in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young Hua Ming LLP on the preliminary announcement.

VII. MANAGEMENT DISCUSSION AND ANALYSIS ON THE OPERATIONS OF THE GROUP

(1) Overview of operation development

The year 2022 is a critical year connecting the first year and initiating the second year of the “Fourteenth Five Year Plan”, and a year when the building material industry faced huge challenges. Under the impact of the unfavorable factors including falling demand, overcapacity, and elevated energy price, the industry as a whole experienced a rapid decline. During the Reporting Period, in spite of these external factors, the Company was committed to the development philosophy of “green and low carbon building material lifecycle”, and aim to be a leader in terms of profitability among players in the “low-carbon and sustainable industry” as the strategic goal of the Company. The Company has unwavering commitment in promoting the four corporate development strategies, namely: “Integrated Transformation Development”, “Overseas Expansion”, “New Building Materials”, as well as “Digital Innovation in Traditional Industry”. This has allowed the Company to adhere to the 3 pillars in “integrity, safety, eco-friendly” in order to manage financial, quality and

compliance risks. Furthermore, the Company employed localized and timely measures in operation management to make new breakthroughs while maintained overall stability of its development.

During the Reporting Period, the Company was committed to four strategies to drive forward high quality development.

1. Accelerated the non-cement business development, and achieved progress in integrated transformation

Aggregate business: During the Reporting Period, 20 aggregate production lines including Yangxin 100 million tons machine-made sand (1st phase), Zigui, Yichang, Quxian 2nd phase, Honghe were put into operation. Aggregate production capacity has reached 210 million tons per annum, significantly enhancing the Company's competitiveness.

RMX business: The Company actively increased its market share through OEM, leasing and acquisition. Throughout the year, the Company leased, constructed and acquired 30 RMX stations, and expanded the layout of over 20 OEM stations. Thus the RMX business expanded to Yangtze River Delta, Haikou and other new markets and repositioned the market in Wuhan. The Company's self-operated RMX production capacity has reached 68.75 million tons.

Eco business: The Company completed the construction of nearly 40 solid wastes kiln and pre-treatment projects throughout the year to prepare for the expansion of energy conservation and carbon reduction with alternative fuels. In the meantime, the Company piloted FWD (fly ash washing for salt desalinization) business to actively expand business opportunities.

In addition, according to the Company's business development needs, the Company accelerated the research and development of UHPC (Ultra-high performance concrete) and grinding aids, and realized the industrialization of scientific research results. Several UHPC products were developed and applied successfully. The Company's self developed grinding aids have reached the industry-leading performance level and their application will continue to be applied company-wide.

With respect to resource acquisition, the Company acquired 3.2 billion tons of new resources and obtained mining permit for a total of 6.8 billion tons of resource reserves.

2. Steadily operated overseas business to build up new profit drivers

During the Reporting Period, overseas plants operated stably and the revenue improved steadily. The operating revenue of overseas business amounted to RMB 4.19 billion, representing a year-on-year increase of 62.3%, while EBITDA exceeded RMB 1.4 billion calculated based on actual exchange rate, representing a year-on-year increase of 40%.

In terms of project development, the 3,000 ton per day cement clinker dry process production line of Nepal Narayani Co., Ltd. was put into operation at the beginning of the year. The second phase of the 4,000 ton per day cement clinker production line project in Maweni, Tanzania started construction in July 2022. Upon completion, it will become the largest cement manufacturer in Tanzania. The preparation work for the clinker line project in Malawi have also started. In addition, the Company

completed the investigation and verification of more than ten projects in Africa, the Middle East and other places, laying the foundation for future business expansion.

3. Propelled digital transformation for innovative growth of related business

During the Reporting Period, the Company conducted 356 digital projects, developed 18 standalone systems and built 13 mega digital projects. Throughout the year, the HIAC systems in 6 plants were operated, with an overall operation rate of 90%. Smart vehicle project has completed the transformation and upgrade of 22 vehicles in 9 factories; intelligent patrol project completed the equipment real-time online monitoring and warning system in 4 plants; intelligent quality control project was rolled out in 3 plants to achieve quality data driven production control.

(2) Major operational information during the Reporting Period

1. Analysis of revenue and cost

(Unit:RMB)

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

Major business performance by geographical locations

(Unit:RMB)

Areas	Operating revenue	Operating revenue over last year (%)
East China Region	5,433,058,180	37.62
Central China Region	11,533,354,573	-19.46
South China Region	585,040,633	-55.38
South West China Region	8,695,982,391	-15.59
Overseas	4,222,946,586	63.50
Total	30,470,382,363	-6.14

In 2022, operating revenue decreased by RMB1.994 billion as compared with previous year. Among them, the sales volume of cement and clinker decreased by 14.8739 million tons year-on-year (-19.76%), with the average cement price leveled off against last year, resulting a decrease in revenue decreased of RMB5.086 billion. The sales volume of RMX increased by 7.3352 million cubic meter (81.02%), which offset the impact of price decline of RMB37.54 per cubic meter (-10.70%), resulting an increase in revenue of RMB1.957 billion. The sales volume of aggregate increased by 30.8176 million tons (88.13%), which offset the impact of price decline of RMB12.14 per ton (-20.67%), resulting an increase in revenue by RMB1.011 billion.

Operating costs in 2022 increased by RMB1.089 billion as compared with the same period of the preceding year. The sales volume of RMX and aggregate surged year-on-year, resulting an increase in cost by RMB2.408 billion. The sales volume of cement and clinker decreased, resulting a decrease in cost by RMB1.717 billion.

The cement and clinker price remained stable as compared with previous year. However, due to the increase in energy cost, unit cost of sales increased by RMB27.97 yuan (12.21%), and gross profit per unit decreased by RMB28.18 per ton, resulting a decrease of gross profit margin in 2022 by 7.88 percentage points over the same period of the previous year.

By regions, due to the decline in cement sales, the operating revenue in major regions decreased by over 10% as compared with the same period of the preceding year. With the completion of overseas merge and acquisition and equipment upgrade, overseas revenue increased by 63.50%.

2. Analysis of costs and expenses

According to products

(unit:RMB)

Product	Cost item	Current period amount	Proportion of the total cost (%)	Same period of last year	Proportion of the total cost (%)	Change over the same period of last year (%)
Cement	Raw materials	1,516,099,305	10.9	2,012,104,613	12.6	-24.7
	Fuel and power	8,304,767,922	59.6	9,270,191,489	58.2	-10.4
	Depreciation and amortization	1,154,040,629	8.3	1,211,460,257	7.6	-4.7
	Labor and Others	2,969,750,795	21.2	3,430,816,849	21.6	-13.4
Clinker	Raw materials	97,854,807	6.2	90,614,072	6.9	8.0
	Fuel and power	1,081,584,546	68.6	849,282,754	64.6	27.4
	Depreciation and amortization	119,731,427	7.6	94,608,433	7.2	26.6
	Labor and Others	277,990,375	17.6	279,601,524	21.3	-0.6
RMX	Raw materials	3,229,409,283	74.7	2,163,471,714	83.9	49.3
	Fuel and power	30,591,619	0.7	11,509,840	0.4	165.8
	Depreciation and amortization	115,748,201	2.7	60,258,048	2.3	92.1
	Labor and Others	945,513,902	21.9	343,253,238	13.4	175.5
Aggregate	Raw materials	105,114,342	7.7	49,278,935	7.0	113.3
	Fuel and power	127,654,708	9.3	70,670,793	10.0	80.6
	Depreciation and amortization	253,509,582	18.5	126,586,146	17.9	100.3
	Labor and Others	884,585,859	64.5	459,466,054	65.1	92.5

Due to the significant rise in the coal cost, the fuel and power cost of cement and clinker increased by 1.4 and 4.0 percentage points in the proportion of total cost.

Change in major expenses items prepared in accordance with the PRC Accounting Standards

(Unit:RMB)

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

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

3. Profitability

(unit: RMB)

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

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

4. Financial positions

Assets and Liabilities

Changes in assets and liabilities prepared in accordance with the PRC Accounting Standards

(Unit: RMB)

Items	Amount at the end of current period	Percentage of amount at the end of current period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Change of the amount at the end of current period compared with that of last period (%)	Description
Financial assets held for trading	41,711,538	0.06	711,964,323	1.35	-94.14	Monetary fund redeemed
Notes receivable	545,960,470	0.85	145,430,152	0.28	275.41	Increase in the collection of notes receivable
Accounts receivable	1,382,631,200	2.15	956,580,152	1.82	44.54	Expansion of RMX business
Receivables financing	527,248,935	0.82	761,050,910	1.45	-30.72	Decrease in notes receivable due to decline in revenue
Other receivables	477,956,891	0.74	356,013,351	0.68	34.25	Increase in loans and out-of-pocket expenses
Other current assets	677,454,529	1.05	477,967,711	0.91	41.74	Increase in withheld VAT tax overseas
Long-term receivables	131,594,447	0.20	35,934,266	0.07	266.21	Increase in working capital of local government
Other equity investment	1,012,850,323	1.58	55,867,066	0.11	1,712.96	Increase in the strategic investment on local state-owned enterprise
Construction in progress	6,575,465,631	10.24	4,199,141,042	7.99	56.59	Increase in the investment in aggregate projects
Right-of-use assets	979,311,070	1.52	273,191,262	0.52	258.47	Increase of RMX business leasing
Intangible assets	15,182,751,513	23.63	7,377,964,445	14.04	105.79	Increase in the quarry mining right
Long-term prepaid expenses	817,417,303	1.27	582,072,668	1.11	40.43	Increase in quarry development fee
Employee benefits payable	131,081,719	0.20	409,092,005	0.78	-67.96	Payment of upcoming long-term incentives
Non-current liabilities due within one year	4,427,049,341	6.89	1,213,650,184	2.31	264.77	Borrowings due for repayment and increase in payment of mining right
Long-term borrowings	7,282,088,824	11.34	5,081,924,506	9.67	43.29	Increase in project loans
Bonds payable	4,426,286,852	6.89	3,327,860,620	6.33	33.01	Issuance of corporate bonds of low-carbon transformation at RMB 900 million
Lease liabilities	759,905,754	1.18	223,580,118	0.43	239.88	Increase of RMX business leasing
Long-term payables	2,837,076,467	4.42	463,257,160	0.88	512.42	Increase in payment by installments for mining right
Accumulated other comprehensive incomes	-175,257,484	-0.27	-305,350,132	-0.58	-42.60	Foreign currency of overseas subsidiaries appreciated against RMB

Analysis of cash flow

Comparison of net cash flow prepared in accordance with the PRC Accounting Standards

(Unit:RMB)

	Amount for current period	Amount for same period of last year	Changes (%)
Net cash flow from operating activities	4,567,694,220	7,594,957,122	-39.86
Net cash flow from investing activities	-8,383,336,829	-6,794,063,625	-23.39
Net cash flow from financing activities	1,771,835,223	-632,252,873	380.24

Net cash flow from operating activities decreased by RMB3.027 billion as compared with the same period of the preceding year, primarily due to the decrease in profit for the year.

Net cash flow from investing activities increased RMB1.589 billion as compared with the same period of the preceding year, primarily due to the increase in investment in aggregate, RMX and other projects in construction.

Net cash flow from financing activities increased by RMB2.404 billion as compared with the same period of the preceding year, primarily due to the increase in borrowing of CAPEX expenditure.

Analysis of liquidity

(Unit:RMB)

Item	As at 31 December 2022	As at 31 December 2021	Change (%)
Interest-bearing liability	14,494,878,839	9,926,870,636	46.02
Current ratio	0.87	1.27	-31.50
Asset-liability ratio	52.00%	44.10%	Up by 7.90 percentage points

As at 31 December 2022, the amount of interest-bearing liabilities increased by 46.02% as compared with the beginning of 2022, mainly due to the increase in long-term borrowings of projects. Despite the asset-liability ratio increased by 7.90 percentage points, the current ratio shed by 31.5% against last year and decreased to below 1, the total cash and bank balances is able to cover the existing current interest-bearing liabilities, the liquidity risk is controllable.

(3) Material Acquisitions and Disposals of Subsidiaries and Associated Companies

From the H Share Listing Date and up to the date of this announcement, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

(4) Connected Transaction

During the Reporting Period, the Group entered into the following connected transactions which are required to be disclosed under the Listing Rules:

On 20 May 2022, the Company entered into a Capital Injection Agreement with Huangshi State-owned Assets Commission and Huangshi State-owned Assets Company, pursuant to which the Company will invest RMB 1 billion to take up 5.2173% shares of Huangshi State-owned Assets Company by its own funding. The investment has been completed during the Reporting Period. For

further details, please refer to the announcement of the Company published on the Stock Exchange on 30 May 2022.

(5) Outlook for 2023

(I) Industrial pattern and trend of development

The year 2023 is the second year after the high plateau period of China's cement demand and the industry will generally bear the brunt going forward. The Central Economic Work Conference held in December 2022 set the tone: “making economic stability a top priority and pursuing progress while ensuring stability in 2023”. As the government fully implements “3060” carbon peak and carbon neutrality, the cement industry in China will face both opportunities and challenges in 2023. The industry outlooks are as followed:

Flat cement demand amid stability, basically level off year-on-year. Despite Chinese economy faces mounting pressure, the macro economy in 2023 is expected to recover considerably. Infrastructure will become one of the major forces to bolster the economy and is expected to maintain rapid growth. A number of departments have issued policies favorable to the real estate which may help stabilize the industry, and thus alleviate the negative impact to the cement demand as compared with 2022. In 2023, the cement industry is expected to experience periodical rebound and cement demand will be stable overall, nearly level off against last year.

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

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

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

“Dual control on energy consumption and intensity” will become an important measure of the supply-side reform in the cement industry in the new era. Against the backdrop of carbon peak, carbon neutrality and weakening demand, new and more effective measures of supply-side reform

should be employed. The dual control on the comprehensive energy intensity and consumption amount complies with the government policy of “strictly control energy intensity” and “appropriately control consumption amount”, and promotes the execution of supply-side reform to achieve supply demand balance and effective carbon reduction.

(II) Development strategy of the Company

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

(III) Business Plan

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

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

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

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

- (1) Adhere to the bottom line of "safety and environmental protection", and establish an industry benchmark for clean and civilized production. It will continue to carry out annual ESG related audits and facilitate our plants to operate in a healthy, safe and eco-friendly manner.
- (2) Strengthen compliance supervision to mitigate potential business risks. Organize production in strict accordance with national product quality standards to ensure 100% qualified products; reinforce management of working capital to guard against liquidity risks; enhance management of legal affairs and contract, promote corporate legal construction; further promote the creation of "clean and honest Huaxin" activities, to create a corporate culture with integrity.
- (3) Strengthen and refine marketing to accelerate integrated development. Competition and marketing strategy will analyze and focus on core markets and valuable clients to improve intelligent marketing efficiency; coordinate marketing management of aggregates and RMX along Yangtze River to accelerate the market and end users penetration to achieve sales target; continue to develop digitalization and intelligence of marketing to improve efficiency and customer experience.

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

(5) Steadfast advancement in the four corporate strategies. Accelerate and promote the integrated development of the industry chain featuring cement as the core with aggregate, RMX, wall material, eco disposal, packaging and equipment engineering business.

(6) Further optimize human resources mechanism. Encourage employees to develop to key business areas of the Company; restructure the remuneration system to incentivize core employees.

(IV) Potential Risks

Drop in the domestic cement demand and severe overcapacity may result in declining performance. In 2022, cement demand dropped significantly as a result of various factors such as gloomy real estate market and increasing downward economic pressure. In the medium term, with the continuous optimization of the Chinese economic structure, the cement demand will show a downward trend or become normalized. In the absence of any significant change in the severe overcapacity situation in the cement industry, the decline in demand will intensify market competition, and the continued pressure on cement prices will have an adverse impact on the operating performance of the Company.

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

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

Risk of international operation. Overseas development is one of the four strategies of Huaxin. The current international situation is complicated. Factors such as geopolitical conflicts, economic and trade disputes, financial market turmoil, and commodity price shocks have increased the risk of instability and uncertainty in the development of the global economy. In addition, the political, economic, social, and religious complexities of different countries, as well as the differences in legal

systems, together with fluctuations in exchange rates and its foreign reserves, will bring challenges to the Company's international business development.

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

1. The Company shows the sense of responsibility of a large enterprise to actively implements national policies and measures such as “supply-side structural reform”, “carbon reduction”, “dual control of energy consumption and intensity”, and local government off-peak production to promote the healthy development of the industry.

2. The Company adopts the concept of whole lifecycle of green and low-carbon building materials, adheres to the concept of "safety and eco-friendly" as the bottom line of production, sets up the industry benchmark for clean and civilized production, increases investment in safe and eco protection to further eliminate/prevent potential environmental risks.

3. Driven by technology innovation, the Company plans to build highly intelligent “unmanned plant” through technological transformation and digital technology innovation to improve operation efficiency and reduce costs.

4. Strengthen and refine the marketing ability, formulate a scientific approach in competitive strategy with a business mindset, focus on the core markets, valuable clients and smart marketing to improve the efficiency.

5. Increase the utilization of alternative fuels to continuously optimize the energy consumption targets, utilize centralized procurement to reduce procurement costs.

6. Further optimize the employment and human resources mechanism, increase the recruitment of talents and cultivate them to promote the sustainable, stable and healthy development of the Company.

VIII. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Other material subsequent events that may affect the Group that have occurred since the end of the Reporting Period and up to the date of this announcement are as follows:

1. On 17 February 2023, the Second Extraordinary General Meeting of the Company in 2023 considered and passed the "Proposal on Public Issue of Corporate Bonds", approving the issue of corporate bonds of a size not more than RMB3 billion (including RMB3 billion) to professional institutional investors. As at the date of this announcement, the issuance of the corporate bonds is in progress. For details, please refer to the circular of the Company dated 31 January 2023 published on the website of the Stock Exchange.

2. On 13 March 2023, Huaxin (Hong Kong) International Holdings Limited, a wholly-owned subsidiary of the Company (the Purchaser), and Investment Authority SPC (the Vendor, an independent third party) signed a share sale and purchase agreement. The Purchaser acquired 59.58% of the issued shares in Oman Cement Company SAOG held by the Vendor for a total consideration of approximately USD193.1 million (subject to adjustment, i.e. revised closing consideration based

on the audited closing financial statements of net cash and working capital after closing). As at the date of this announcement, the acquisition is in progress. For details, please refer to the announcement of the Company dated 13 March 2023 published on the website of the Stock Exchange.

IX. RECOMMENDED DIVIDEND DISTRIBUTION

The net profit of the Company in 2022 amounted to RMB 2,238,002,243, and the consolidated net profit attributable to the shareholders amounted to RMB 2,698,868,510. The amount of profits of the Company available for distribution was RMB 8,507,891,676 as at 31 December 2022.

Based on the Company's total share capital of 2,096,599,855 shares less the shares in the repurchased securities account on the record date for the implementation of the profit distribution for year 2022, a cash dividend of RMB 0.51 per share (tax inclusive) was proposed to be distributed to all shareholders. The total cash dividend will be RMB 1,068,424,438. The undistributed amount will be retained as undistributed profit for distribution in the future. No public reserve capitalization is provided in the profit distribution plan for the current financial year.

The Company's shares held by the Company's repurchased securities account shall not be included in the profit distribution.

The profit distribution plan is subject to consideration and approval at the 2022 annual general meeting of the Company (the "AGM"). Notice of the 2022 AGM will announce the date of the Company's 2022 AGM and the related book closure arrangement, as well as the arrangement of book closure for the final dividend, and will be published in due course.

X. FINANCIAL INFORMATION

Financial information extracted from the audited consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2022 and the audited consolidated balance sheet as at 31 December 2022, together with the 2021 comparative figures, which were prepared under the PRC Accounting Standards, are presented as follows:

1. CONSOLIDATED BALANCE SHEET

RMB

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

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

2. CONSOLIDATED INCOME STATEMENT

<u>Items</u>	<u>Notes</u>	<u>2022</u>	<i>RMB</i> <u>2021</u>
I. Total operating income	4(4)	30,470,382,363	32,464,083,379
Including: Operating income		30,470,382,363	32,464,083,379
Less: Total operating costs		26,558,704,977	25,204,672,403
Including: Cost of sales	4(4)	22,481,901,607	21,392,494,465
Taxes and surcharges		585,791,991	604,610,294
Selling expenses		1,371,820,965	1,331,208,970
Administrative expenses		1,582,539,460	1,634,697,607
Research and development expenses		78,162,783	71,401,459
Finance costs	4(5)	458,488,171	170,259,608
Including: Interest expenses		406,554,646	278,751,019
Interest income		84,844,797	155,781,766
Add: Other income		217,317,644	207,513,824
Investment income		17,140,874	27,449,280
Including: Income from investments in associates and joint ventures		(15,582,356)	10,506,995
Gains (loss) from changes in fair value		18,990,720	(4,495,795)
Impairment losses on credit		(21,555,697)	(27,661,442)
Impairment losses on assets		(113,838,596)	(35,100,858)
Gains (loss) on disposal of assets		(7,161,791)	17,244,185
II. Operating profit		4,022,570,540	7,444,360,170
Add: Non-operating income		40,698,667	23,182,968
Less: Non-operating expenses		75,183,611	94,547,294
III. Profit before tax		3,988,085,596	7,372,995,844
Less: Income tax expenses	4(6)	964,530,723	1,568,058,827
IV. Net profit		3,023,554,873	5,804,937,017
(i) Classified by continuity of operations			
1. Net profit from continuing operations		3,023,554,873	5,804,937,017
(ii) Classified by attribution of ownership			
1. Net profit attributable to the owners of the Company		2,698,868,510	5,363,525,692
2. Non-controlling interests		324,686,363	441,411,325
V. Other comprehensive income, net of tax		239,446,671	(37,150,809)

<u>Items</u>	<u>Notes</u>	<u>2022</u>	<i>RMB</i> <u>2021</u>
Other comprehensive income attributable to owners of the Company, net of tax		130,092,648	(30,057,369)
(i) Other comprehensive income that cannot be reclassified to profit or loss		(32,262,556)	16,569,053
1. Changes in fair value of other equity investment instruments		<u>(32,262,556)</u>	<u>16,569,053</u>
(ii) Other comprehensive income to be reclassified into profit or loss		162,355,204	(46,626,422)
1. Exchange differences on translation of financial statements denominated in foreign currencies		<u>162,355,204</u>	<u>(46,626,422)</u>
Other comprehensive income attributable to non-controlling interest, net of tax		<u>109,354,023</u>	<u>(7,093,440)</u>
VI. Total comprehensive income		<u>3,263,001,544</u>	<u>5,767,786,208</u>
Total comprehensive income attributable to owners of the Company		2,828,961,158	5,333,468,323
Total comprehensive income attributable to non-controlling interests		434,040,386	434,317,885
VII. Earnings per share:	4(7)		
(i) Basic earnings per share (RMB)		<u>1.30</u>	<u>2.58</u>
(ii) Diluted earnings per share (RMB)		<u>1.28</u>	<u>2.58</u>

3. CONSOLIDATED CASH FLOW STATEMENT

	<u>Items</u>	<u>Notes</u>	<u>2022</u>	<u>RMB</u> <u>2021</u>
I.	Cash flows from operating activities:			
	Cash receipts from sale of goods or rendering of services		28,725,662,825	31,749,395,997
	Receipts of tax refunds		94,306,041	116,148,374
	Other cash receipts relating to operating activities		<u>366,471,932</u>	<u>364,745,201</u>
	Subtotal of cash inflows from operating activities		<u>29,186,440,798</u>	<u>32,230,289,572</u>
	Cash payments for goods purchased and services received		17,733,229,137	17,548,873,242
	Cash payments to and on behalf of employees		2,692,241,310	2,786,085,026
	Payments of various types of taxes		3,166,840,307	3,323,615,276
	Other cash payments relating to operating activities		<u>1,026,435,824</u>	<u>976,758,906</u>
	Subtotal of cash outflows from operating activities		<u>24,618,746,578</u>	<u>24,635,332,450</u>
	Net cash flows from operating activities		<u>4,567,694,220</u>	<u>7,594,957,122</u>
II.	Cash flows from investing activities:			
	Cash receipts from redemption of investments		4,043,000,000	2,300,000,000
	Cash receipts from investment income		32,456,515	14,994,618
	Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		36,180,723	43,148,111
	Net cash receipts from disposal of subsidiaries and other business units		-	22,000
	Other cash receipts relating to investing activities		<u>111,634,822</u>	<u>5,602,256</u>
	Subtotal of cash inflows from investing activities		<u>4,223,272,060</u>	<u>2,363,766,985</u>
	Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		7,718,000,495	6,229,454,258
	Cash payments for investments		4,343,000,000	2,000,000,000
	Net cash payments for acquisition of subsidiaries and other business units		66,365,072	928,376,352
	Cash payments for other investing activities		<u>479,243,322</u>	<u>-</u>
	Subtotal of cash outflows from investing activities		<u>12,606,608,889</u>	<u>9,157,830,610</u>
	Net cash flows from investing activities		<u>(8,383,336,829)</u>	<u>(6,794,063,625)</u>

	<u>Items</u>	<u>Notes</u>	<u>2022</u>	<i>RMB</i> <u>2021</u>
III.	Cash flows from financing activities:			
	Cash receipts from capital contributions		546,007,402	153,333,766
	Cash receipts from borrowings		5,485,850,938	3,220,124,455
	Cash receipts from issuance of bonds		897,847,746	1,297,504,000
	Other cash receipts relating to financing activities		<u>20,024,115</u>	<u>124,507,075</u>
	Subtotal of cash inflows from financing activities		<u>6,949,730,201</u>	<u>4,795,469,296</u>
	Cash repayment of borrowings		2,091,765,395	2,499,908,822
	Cash payment for distribution of dividends or profits or settlement interest expenses		2,813,259,066	2,828,550,460
	Other cash payments relating to financing activities		<u>272,870,517</u>	<u>99,262,887</u>
	Subtotal of cash outflows from financing activities		<u>5,177,894,978</u>	<u>5,427,722,169</u>
	Net cash flows from financing activities		<u>1,771,835,223</u>	<u>(632,252,873)</u>
IV.	Effect of foreign exchange rate change on cash and cash equivalents		<u>109,354,023</u>	<u>(38,411,852)</u>
V.	Net increase in cash and cash equivalents		(1,934,453,363)	130,228,772
	Add: Balance of cash and cash equivalents at the beginning of the year		<u>8,550,475,141</u>	<u>8,420,246,369</u>
VI.	Balance of cash and cash equivalents at the end of the year		<u><u>6,616,021,778</u></u>	<u><u>8,550,475,141</u></u>

4. FINANCIAL NOTES

(1). Accounts receivable

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

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

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

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

	<i>RMB</i>	
	31 December 2022	31 December 2021
Opening balance	164,229,940	148,363,317
Provision for the year	32,215,778	63,056,599
Reversal for the year	(15,619,947)	(36,523,855)
Write-off for the year	<u>(2,968,684)</u>	<u>(10,666,121)</u>
Closing balance	<u>177,857,087</u>	<u>164,229,940</u>

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

	<i>RMB</i>				
	31 December 2021				Carrying value
	Balance of carrying amount		Provision for bad debts		
Amount	Proportion (%)	Amount	Proportion (%)		
Receivables for which bad debt provision is assessed on an individual basis	81,626,344	7	70,549,889	86	11,076,455
Receivables for which bad debt provision is assessed on a portfolio basis	<u>1,039,183,748</u>	93	<u>93,680,051</u>	9	<u>945,503,697</u>
	<u>1,120,810,092</u>		<u>164,229,940</u>		<u>956,580,152</u>

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

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate(%)	<i>RMB</i> Reasons for provision
Client F	14,860,792	14,860,792	100	All unrecoverable
Client A	11,133,541	11,133,541	100	All unrecoverable
Client B	9,028,779	9,028,779	100	All unrecoverable
Client G	7,177,326	7,177,326	100	All unrecoverable
Client C	6,047,509	6,047,509	100	All unrecoverable
Others	<u>49,855,183</u>	<u>47,751,382</u>	96	Partial unrecoverable
	<u>98,103,130</u>	<u>95,999,329</u>		

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

	Balance of carrying amount	Provision for bad debts	Expected credit loss rate(%)	<i>RMB</i> Reasons for provision
Client A	10,192,131	10,192,131	100	All unrecoverable
Client B	9,028,779	9,028,779	100	All unrecoverable
Client C	6,047,509	6,047,509	100	All unrecoverable
Client D	5,254,652	5,254,652	100	All unrecoverable
Client E	4,756,441	4,756,441	100	All unrecoverable
Others	<u>46,346,832</u>	<u>35,270,377</u>	76	Partial unrecoverable
	<u>81,626,344</u>	<u>70,549,889</u>		

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

Category of cement receivable:

	31 December 2022		
	Balance of carrying amount estimated to be in default	Expected credit loss rate(%)	Lifetime expected credit loss
Within 6 months	159,390,322	10	15,779,642
6 to 12 months	15,821,440	22	3,433,252
1 to 2 years	3,427,081	39	1,326,281
2 to 3 years	558,200	51	286,915
Over 3 years	<u>4,250,072</u>	<u>87</u>	<u>3,704,599</u>
Total	<u>183,447,115</u>		<u>24,530,689</u>
	31 December 2021		
	Balance of carrying amount estimated to be in default	Expected credit loss rate(%)	Lifetime expected credit loss
Within 6 months	189,453,476	5	9,935,675
6 to 12 months	7,867,491	12	982,483
1 to 2 years	3,710,932	34	1,254,295
2 to 3 years	5,119,910	53	2,687,953
Over 3 years	<u>3,044,556</u>	<u>93</u>	<u>2,827,237</u>
Total	<u>209,196,365</u>		<u>17,687,643</u>

Category of RMX receivable:

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

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

Portfolio provision: Category of other receivables

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

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

Amounts due from top 5 clients are summarized as below:

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

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

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

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

(2). Receivables financing

	31 December 2022	31 December 2021
Bank acceptance bills	<u>527,248,935</u>	<u>761,050,910</u>

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

	31 December 2022	31 December 2021
Bank acceptance bills	<u>26,413,178</u>	<u>236,214,382</u>

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

As at 31 December 2022, the pledged but not yet expired bank acceptance bills amounted to RMB 26,413,178 (31 December 2021: RMB 236,214,382).

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

	31 December 2022		31 December 2021	
	Derecognized	Not Derecognized	Derecognized	Not Derecognized
Bank acceptance bills	<u>1,931,042,708</u>	<u>-</u>	<u>1,956,535,855</u>	<u>-</u>
	<u>1,931,042,708</u>	<u>-</u>	<u>1,956,535,855</u>	<u>-</u>

As at 31 December 2022, the Group endorsed the undue bill receivable to its suppliers to settle trade payables or discounted to banks for cash. The Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred and therefore derecognized these bill receivable and amounts due to suppliers in full. The Group's continuous involvement in these derecognized undue bill receivable is limited to the extent that the issuance banks of these undue bills are unable to settle the amounts due to the bill holders. As at 31 December 2022, the maximum exposure to loss from its continuous involvement represents the amounts of undue bill receivable endorsed by the Group to its suppliers or discounted to banks, which amounted to RMB1,931,042,708 (31 December 2021: RMB1,956,535,855).

(3). Accounts payable

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

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

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

As at 31 December 2022, there were no significant accounts payables aging more than one year (31 December 2021: Nil).

(4). Operating revenue and costs

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

Operating revenue are as follows:

	2022	2021
Revenue from contracts with customers	30,449,370,612	32,441,173,584
Rental income	<u>21,011,751</u>	<u>22,909,795</u>
	<u>30,470,382,363</u>	<u>32,464,083,379</u>

In 2022 and 2021, there is no single customer's revenue exceeded 10% of the Group's revenue.

Disaggregated operating revenue from contracts with customers is as follows:

	2022	2021
Revenue recognition time		
Revenue recognized at a point in time		
Sale of products	29,775,628,777	31,701,260,838
Revenue recognized over a period of time		
Provision of services	<u>694,753,586</u>	<u>762,822,541</u>
	<u>30,470,382,363</u>	<u>32,464,083,379</u>
Main product types		
Sales of cement	18,829,682,529	24,067,650,740
Sales of RMX	5,132,828,829	3,175,398,379
Sales of aggregate	3,064,928,809	2,053,535,770
Sales of clinker	1,758,355,585	1,606,353,621

Others	<u>1,684,586,611</u>	<u>1,561,144,869</u>
	<u>30,470,382,363</u>	<u>32,464,083,379</u>
Main business areas		
China	26,279,374,714	29,881,187,845
Asia outside of China	2,644,864,060	2,192,986,502
Africa Region	<u>1,546,143,589</u>	<u>389,909,032</u>
	<u>30,470,382,363</u>	<u>32,464,083,379</u>

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

	2022	2021
Sale of products	<u>740,633,501</u>	<u>734,948,709</u>
	<u>740,633,501</u>	<u>734,948,709</u>

(5). Finance costs

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

In 2022, the amount of capitalized borrowing costs has included in construction in progress of RMB 69,563,929 (2021: RMB 29,504,287)

(6). Income tax expense

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

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

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

(7). Earnings per share

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

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

The numerator of diluted earnings per share is determined by current net profit attributable to ordinary shareholders of the Company, adjusted for the effect of dilutive potential ordinary share.

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

In calculating the weighted average number of additional ordinary shares resulting from conversion of dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in the prior period are assumed to be converted at the beginning of the current period, and dilutive potential ordinary shares issued in the current period are assumed to be converted on the issue date.

Basic and diluted earnings per share are calculated as follows:

	2022	2021
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	2,698,868,510	5,363,525,692
Less: Expected future cash dividends to unlockable restricted shareholders	<u>1,874,965</u>	<u>16,587,352</u>
	<u>2,696,993,545</u>	<u>5,346,938,340</u>
Add: Expected future cash dividends to unlockable restricted shareholders	1,874,965	16,587,352
Less: The effect of subsidiaries dilutive potential ordinary share	<u>46,923,087</u>	<u>778,290</u>
Adjusted net profit for the year attributable to the ordinary shareholders of the Company	<u>2,651,945,423</u>	<u>5,362,747,402</u>
Attributed to:		
continuing operations	<u>2,651,945,423</u>	<u>5,362,747,402</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	2,073,910,517	2,073,910,517
Restricted shares	<u>2,389,465</u>	<u>1,845,030</u>
Adjusted weighted average number of ordinary shares in issue of the Company	<u>2,076,299,982</u>	<u>2,075,755,547</u>

XI. PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.huaxincem.com).

The annual report of the Company for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

By order of the Board
Huaxin Cement Co., Ltd.
XU Yongmo
Chairman

Wuhan City, Hubei, the PRC
28 March 2023

As of the date of this announcement, the Board of Directors of the Company comprises Mr. Li Yeqing (President) and Mr. Liu Fengshan (Vice President), as executive Directors; Mr. Xu Yongmo (Chairman), Mr. Martin Kriegner, Mr. Lo Chi Kong and Ms. Tan Then Hwee, as non-executive Directors; Mr. Wong Kun Kau, Mr. Zhang Jiping and Mr. Jiang Hong, as independent non-executive Directors.

** For identification purpose only*