

**Huaxin Cement Co., Ltd.**

**600801**

**Annual Report 2020**

## **Important Notice**

I. The Board of Directors of the Company and its members, the Board of Supervisors of the Company and its members and Top Management members confirm, to the best of their knowledge, that there is no false or misleading statement or material omission in this report and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its contents.

II. All the directors attended the Board Meeting.

III. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued standard audit report with unmodified opinion for the Company.

IV. Chairman of the Company Mr. Xu Yongmo, Legal Representative and CEO Mr. Li Yeqing, person in charge of accounting Ms. Kong Lingling, and Chief of Accounting Department Mr. Wu Xin declare and confirm that the Financial Statements contained in the Annual Report are true, accurate and complete.

V. Profit distribution plan or proposal on surplus common reserve fund transferred to increase share capital for the reporting period reviewed by the Board of Directors

In 2020, the Parent Company achieved net profit of 3,155,313,737 Yuan or 5,630,598,812 Yuan net profit attributable to the shareholders after consolidation. The allocable profit of the Parent Company is 7,370,600,800 Yuan by the end of December 2020.

The Board proposes that on the basis of the total 2,093,874,372 shares (total shares 2,096,599,855 excludes 2,725,483 outstanding shares on the special account for the repurchase) at the end of 2020, a cash dividend of 1.08 Yuan per share (incl. tax) shall be distributed to all shareholders, total distribution of 2,261,384,322 Yuan, 40.16% cash dividend ratio. The Board also proposes that no capital reserve shall be converted into share capital for 2020. The company shares held by the repurchase special account shall not be included in this profit distribution.

VI. Future plan, development strategy and other forward-looking description in this Report are not essential commitments of the Company to its investors. Investors are kindly requested to note the investment risk.

VII. There was no frequent fund occupation by the controlling shareholders or their related parties.

VIII. All the external guarantees provided by the Company are in compliance with the decision-making procedures.

### **IX. Significant Risk Warning**

The existing industry risks have been described in detail in this Report. Please refer to the possible risks and countermeasures included in the Company's future development discussion and analysis in Chapter 4 - Discussion and Analysis on Business Operation.

X.Others  
None

## Chapter 1 Interpretation

### I. Interpretation

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

Interpretation of the common words		
Reporting period	means	Year 2020
Yuan, K Yuan, 10 K Yuan, mio Yuan, 100 mio Yuan	means	RMB, RMB K Yuan, RMB 10000 Yuan, RMB million Yuan, RMB 100 million Yuan, China's legal currency
LH	means	LafargeHolcim Ltd.
EBITDA	means	Earnings before interest, tax, depreciation and amortization
IT	means	Information technology
KPI	means	Key Performance Indicators
NOx	means	Nitrogen oxide (s)
SNCR	means	Selective non-catalytic reduction
UHPC	means	Ultra-high performance concrete
VAP	means	Value added product
ICC	means	International Chamber of Commerce
EPC	means	Engineering Procurement Contract
Kgce/t.KK	means	Kilogram standard coal/ton clinker

## Chapter 2 General and Key Financial Indicators

### I. Company Information

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

### II. Liaison Information

	Secretary to the Board	Securities Affairs Representative
Name	Mr. Wang Ximing	Ms. Wang Lu
Liaison Address	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Tel	02787773896	02787773898
Fax	02787773992	02787773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

### III. Basic Information

Registered location of the Company	No. 600, East Daqi Avenue, Huangshi City, Hubei Province
Post code of the registered location	435007
Administrative location of the Company	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Post code of the administrative location	430073
Website of the Company	<a href="http://www.huaxincem.com">www.huaxincem.com</a>
E-mail	<a href="mailto:investor@huaxincem.com">investor@huaxincem.com</a>

**IV. Information Disclosure and Place Available**

Press for Information Disclosure	China Securities Journal, Shanghai Securities News
Annual Report available on the Internet website appointed by CSRC	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Place available	Securities and Investor Relations Department of the Company

**V. Company Stock**

Company Stock			
Type	Place of listing	Abbreviation	Stock code
A share	Shanghai Stock Exchange	Huaxin Cement	600801
B share	Shanghai Stock Exchange	Huaxin B share	900933

**VI. Other Information**

Certified Public Accountants (domestic) appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Address	30 <sup>th</sup> Floor, No. 222, Yanan East Road, Huangpu District, Shanghai
	Appointed accountants	Mr. Chen Jialei, Mr. Pang Yong

**(I) VII. Financial Statements Summary and Financial Indicators for the Last Three Years****(I) Financial Statements Summary**

Unit: Yuan

Item	2020	2019	Change over last year (%)	2018
Operating revenue	29,356,515,691	31,439,214,600	-6.62	27,466,044,481
Net profit attributable to shareholders of the Company	5,630,598,812	6,342,304,317	-11.22	5,181,448,611
Net profit attributable to shareholders of the Company after extraordinary items	5,553,708,292	6,179,988,412	-10.13	5,127,542,064
Net cash flow from operating activities	8,405,472,760	9,679,185,865	-13.16	7,899,606,105
	At the end of 2020	At the end of 2019	Change over last year (%)	At the end of 2018
Net assets attributable to shareholders of the Company	23,571,375,317	21,309,042,690	10.62	16,672,962,778
Total assets	43,928,509,151	36,645,386,717	19.87	33,161,505,602

## (II) Financial Highlights

Item	2020	2019	Change over last year (%)	2018
Basic earnings per share (Yuan/share)	2.69	3.03	-11.22	2.47
Diluted earnings per share (Yuan/share)	2.69	3.03	-11.22	2.47
Basic earnings per share after extraordinary items (Yuan/share)	2.65	2.95	-10.17	2.45
Return on net assets, weighted average (%)	25.03	33.63	Down by 8.60 percentage points	36.27
Return on net assets after extraordinary items, weighted average (%)	24.68	32.77	Down by 8.09 percentage points	35.89

Note: According to the Corporate Accounting Standard No.7, when calculating EPS, for the repurchased shares for the ESOP, we made adjustment on the numerator and denominator.

## VIII. Differences between Accounting Data under Overseas Accounting Standard and Accounting Data under Domestic Accounting Standard

☐ Applicable ☒ Inapplicable

## IX. Quarterly key financial indicators of 2020

Unit: Yuan

	The first quarter (Jan.- Mar.)	The second quarter (Apr.-Jun.)	The third quarter (Jul.-Sep.)	The fourth quarter (Oct.-Dec.)
Operating revenue	3,849,201,089	8,715,746,087	7,846,727,754	8,944,840,761
Net profit attributable to shareholders of the Company	354,137,040	1,897,836,971	1,772,441,202	1,606,183,599
Net profit attributable to shareholders of the Company after extraordinary items	361,768,654	1,881,018,063	1,757,534,258	1,553,387,317
Net cash flow from operating activities	434,960,772	3,066,013,912	2,151,090,732	2,753,407,344

**X. Non-routine items and Amount**

Unit: Yuan Currency: RMB

Non-routine items	2020 Amount	2019 Amount	2018 Amount
Gains/losses from disposal of non-current assets	-9,013,118	157,081,620	-17,370,924
Government subsidies, excluding regular fixed amount government subsidies	101,892,558	74,943,476	73,387,762
Gains from the investment costs for obtaining subsidiaries, joint ventures and cooperative enterprises being less than the fair value of the identifiable net assets of the investee when the investment is obtained	-	3,823,563	4,489,836
In addition to the effective hedging business related to the normal business of the Company, gains and losses on changes in fair value arising from tradable financial assets and tradable financial liabilities, as well as the investment income from disposal of tradable financial assets, tradable financial liabilities and available-for-sale financial assets	3,744,543	12,735,027	16,955,156
Reversal of provisions for assets impairment of accounts	2,338,361	43,412,375	-
In addition to the above items, other non-operating income and expenses	-12,559,351	-13,216,729	-8,972,304
Gains/losses from defined as extraordinary items	-	-	-1,603,657
Impacts from minority shareholders' interests	2,220,722	-47,537,062	382,389



Impacts from income tax	-11,733,195	-68,926,365	-13,361,711
Total	76,890,520	162,315,905	53,906,547

#### **XI. Item measured by Fair Value**

Unit: Yuan

Item	Period beginning	Period end	Change in the period	Impacts on the profits of the period
Tradable financial assets	-	1,004,581,752	1,004,581,752	5,920,897
Financing from accounts receivable	1,308,788,934	1,020,306,419	-288,482,515	-
Other equity instrument investment	38,230,101	33,774,995	-4,455,106	1,133,360
Other non-current financial assets	35,003,608	32,827,254	-2,176,354	-768,187
Total	1,382,022,643	2,091,490,420	709,467,777	6,286,070

## **Chapter 3 Brief Introduction on the Company's businesses**

### **I. Main Business, Operation Model of the Company and Industry Situation during the Reporting Period**

#### **(I) Main business of the Company**

At the beginning of the listing, the Company was engaging in manufacturing and sale of cement, cement technical services, research, manufacturing, installation and maintenance of cement equipment, as well as cement import and export trade. In recent years, through the vertical integration, Eco business transformation, overseas development strategy and business expansion strategy in high-tech building materials, the Company expanded its businesses to manufacturing and sales of RMX, aggregates, cement kiln co-processing of waste materials, EPC for both home and abroad cement projects, equipment business and project contracting regarding the cement kiln co-processing technology, cement-based high-tech building materials etc, gradually developing into a global building material group in China with the whole industry chain and integrated development.

The Company has been listed in the Chinese Manufacturing Industry Top 500 and Fortune China Top 500. By the end of 2020, the Company owns almost 250 subsidiaries in 13 provinces and cities including Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Henan, Guangdong, Jiangsu, Shanghai, Jiangxi and Shanxi as well as in Tajikistan, Kyrgyzstan, Uzbekistan, Cambodia, Nepal and Tanzania with total cement capacity of 115 million tons/year(grinding capacity, capacity in joint ventures are included), cement equipment manufacturing capacity of 50,000 tons/year, commercial concrete capacity of 27.10 million m<sup>3</sup>/year, aggregate capacity of 55 million tons/year, composite eco wall material of 360 million units/year, mortar production capacity of 300,000 tons/year, UHPC curtain wall slab of 800,000 m<sup>2</sup>/year, civil building curtain wall slab of 80,000 m<sup>2</sup>/year, lime of 300,000 tons/year, cement packaging bag capacity of 700 million bags/year and wastes disposal capacity of 6.16 million tons/year (including CIPs).

In 2020, the cement business revenues accounted for 85% of the total operating revenues of the Company, playing a dominant role in all the business areas.

#### **(II) Operation model of the Company**

##### **1. Model of management**

Guided by the management thought of corporate management and specialized operation, the Company established the organization structure of Corporate Headquarter-Business Unit-Subsidiary, forming an operation model featuring well defined power and responsibilities, high efficiency in operation and strong executive capability.

##### **2. Model of production**

Production of the Company is defined by sales volume. Subsidiaries formulate annual production and operation plan based on the demand in their respective regions.

### 3. Model of sale

The model of sale features guidance from the Headquarter, integral management of Business Unit and equal importance attached to both direct sale and distribution. The pursuit of quality is the core and the Company strives to promote the brand and maintain its value so as to improve competitiveness in the market.

### 4. Model of procurement

The Company launched the system in procurement and initiated the procurement strategy of “Unified Procurement” + “Online Procurement”. Important raw materials and fuels are procured by the Headquarter collectively. All the office supplies, IT consumables and some industry products are procured online. Raw materials, fuels, auxiliary materials and spare parts that are yet to be included in the scope of Unified Procurement and Online Procurement are procured collectively on a standard and process-oriented bidding platform of the Headquarter.

### (III) Cement industry situation

Cement is an important and basic building material widely used in national infrastructure construction, municipal infrastructure and facility, housing development, rural vitalization infrastructure and civil building construction. In the meantime, featuring with wide distribution of raw material and good performance in construction, cement will remain an irreplaceable construction material for quite a long time in the future.

In 2020, Chinese economy displayed high resilience and growth dynamism. Faced with the huge shock of the COVID pandemic and complex domestic and international environment, GDP growth rate still gained 2.3%, making China the only major economy with positive growth in the world. Continuous recovery and stable rebound of Chinese economy provided a good macro environment for cement industry.

In 2020, Central Government ramped up the counter-cyclical adjustment of macroeconomic policies. Proactive fiscal policies and stable monetary policies continuously took effect, especially the stimulus of special treasury bond. Cement demand related indexes including fixed asset investment, real estate investment, infrastructure investment indexes rebounded quickly. Cement industry overcame the negative impacts of the pandemic and the flood. Cement output throughout the year was 2.377 billion tons, up by 1.63%; clinker output was 1.579 billion tons, up by 3.07%. In the meantime, benefiting from supply side structure reform and environment treatment, demand and supply remained at the plateau to the dynamic balance. Total profit achieved for the year was 183.3 billion Yuan, keeping a relatively good prospect. (Data source: Digital Cement, China Cement Association)

According to the preliminary statistics of China Cement Association Information Research Center, by the end of 2020, new dry cement production line nationwide was 1,609 (excluding some shutdowns and demolished lines, or lines of daily production below 700 tons/day), designed clinker annual capacity was 1.83 billion tons while the actual clinker annual capacity was over 2 billion tons. From the statistics, supply side structure reform

has been implemented for 4 years, but de-capacity is still in low progress. Healthy development and sustainable development are still challenged by overcapacity and regional unbalance.

## **II. Major assets changes of the Company during the reporting period**

Not applicable

## **III. Core Competitiveness**

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

Core competitiveness of the Company is reflected as followed:

### **1. Advantages in scale operation and integral industry chain**

The Company lowers the cost by scale effect, channels the upstream and downstream of the industry chain and gives play to the whole industry chain so as to form relatively strong competitiveness.

Since being listed, through continuous investment in new plants, merge and acquisition, the Company has been equipped with almost 100 million tons of capacity across 13 provinces and cities in China and in Tajikistan, Cambodia, Kyrgyzstan, Uzbekistan and Tanzania. In the meantime, the Company advocates and fulfills the development concept of “Rational Competition, Industrial Integration and Environmental Transformation”. Depending on the Company’s major business of cement, the Company steadily developed RMX, aggregate, eco wall material, cement equipment and engineering businesses, cement based new building materials and eco business relied on Cement Kiln Co-processing, realizing vertically integral development earlier than other companies and forming coordinated competitiveness of synergy in both upstream and downstream whole industry chain.

### **2. Advantages in technology innovation**

The Company has upheld the concept of “Development Driven by Innovation, Leading at the front of the industry”. Starting from industry practical application and combining introduction and self-development, the Company has established a complete set of full-fledged technology innovation system and cultivated a strong and professional technology R&D team which maintains its leading place in technology innovation. The Company now has the overall contracting capacity in R&D, designing, manufacturing, installation, commissioning and “Turnkey Projects” of cement production facilities. It also has the capacity of exploring technology in cement kiln co-processing of wastes, as well as the capacity of applying the relevant technologies into real industrial production

practice.

The Company was awarded the 2009 and 2016 Second Prize in the National Science and Technology Progress Awards (the first batch of units to finish the award). In 2020, the Company was awarded “Industry Internet Pilot Project” (the only cement company listed), Intelligent Manufacturing Model Enterprise of China Building Material Council and Intelligent Manufacturing Leader of China Cement Association and Smart Enterprise Best Practice of China Enterprise Association. By the end of 2020, the Company obtained 40 patents for invention derived from production practice and 76 patents of utility model.

### 3. Advantages in Trademark and Brand

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

In 2020, the Company ranked 82th in the “China’s 500 Most Valuable Brands” for the seventh time with the brand value at 59.875 billion RMB, 7.6% rise in brand value over last year. Meanwhile, the Company ascended among the ranking list of Asian Top 500 Brands for the sixth year in a row, climbing to 168th place this year, 5 places ahead of last year. In addition, Huaxin Cement was listed the 258th place in Chinese Manufacturing Enterprises Top 500, and 2020 National Top 100 Enterprises.

### 4. Advantages in the tradition of quality product

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

### 5. Advantages in strategy layout

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

## 6. Advantages in green development

Led by new growth concept, the Company implemented eco transformation, traditional industry + digital innovation strategy to enhance the competitiveness of green development. By the end of 2020, “Efficient and Eco Disposal of Solid Wastes Technology in Cement kiln Eco Co-processing” has been applied in 20 plants in 7 provinces. The technology IPR is owned by the Company. Eco business covered 50% of cement kilns in the whole Group. Digital operation system from internal to external, synergy between the upstream and downstream has been formed. Automatic industry intelligent application has been applied in quarry exploitation, cement production and logistics shipment.

In 2020, clinker energy consumption of 3 kilns of the Company (Yunxian k2, Xinyang, Zhuzhou) has reached 90kgce/t. kk, the industry leading level. 9 plants in Wuxue, Lijiang, Fuling, Shuicheng, Yangxin, Zhuzhou, Fumin, Jianchuan, Shigatse were recognized by the Industry and Information Department as National Green Plants. Xinyang, Yangxin, Zhaotong, Zhuzhou, Shigatse, Wuxue, Tibet plants were listed as leading enterprises in 2020 Key Energy Efficiency. (totally 28 cement enterprises were listed)

## 7. Advantages in professional, stable and efficient management team

Top management's leadership is the key to the Company's strategy success. For the past 20 years, compound annual growth rate of the Company maintained highly efficient growth at 22%. It's contributed by the entrepreneurship management team that is professional, dedicated, stable, advanced in concept, diligent, devoted, good at learning and efficient in management.

## Chapter 4 Discussion and Analysis on Business Operation

### I. Discussion and Analysis on Business Operation

2020 saw the sudden outbreak of COVID-19 pandemic. Located in the epicenter, the Company was faced with hardships in the first half of 2020, coupled with the vast flood disaster along Yangtze River in the middle of the year, all of which posed severe challenges and test to the operation and production.

During the reporting period, in face of grave difficulties, the Company stayed firm in strategy, kept fighting will and high spirits and rigorous, scientific management thinking and operation strategy; actively perform corporate social responsibility despite difficulties; stick to safety production, eco emission as the lifeline; strengthen the control on asset, product quality and complaint risks; implement the strategy of “Integrated Transformation Development, Overseas Expansion, High-tech Building Materials Expansion and Traditional Industry + Digital innovation”. With these strategies, in the second half of this year, the Company emerged from difficulties and growth impetus and profitability gradually recovered. The whole industry integrated development has gained outstanding effects, achieving high quality, high speed and high profit development.

**Further refined fundamental management, continue to raise the management efficiency.** The Company is committed to the lifeline of safety and eco-friendly to guard against risks in compliance. Through environment audit, eco task force supervision and dynamic follow-up on eco policy, potential eco risks are prevented or eliminated. Within the year, 57 cement plants, eco and new business plants have 100% finished the application and qualification renewal of sewage disposal. Lengshuijiang, Chongqing Cantian, Tibet company finished the work in green quarry and awarded national green quarry. In strict accordance with national product quality standard and internal control system, the product acceptability reached 100% in the spot check of market supervision department.

Continue to promote marketing innovation, strengthen the ability of value creation. The Company upheld innovation in marketing, launched 56 marketing innovation projects, encourage and lead the application of innovation results. The first phase function of digital marketing customer service was online. Electric statement of account and electric qualification statement has covered 58 plants. 86% of clients picking up products with cash have signed electric notes, hence the digital marketing function further improved.

Further improve cost benchmark, reinforce performance improvement mechanism. By organizing and promoting the company's kiln/grinding plant to independently implement the application of the cement industry performance optimization project, fully tap the potential and create benefits. Plants strengthened the quality of annual maintenance and effect management, carried out daily key equipment operation risk monitoring, and increased the net operation rate of the kiln line. The number of failures and shutdowns throughout the year decreased by 24% compared with the previous year.

**Innovation empowers solid foundation of long term development of the enterprise.**

The Company stuck to independent research and development, forging Huaxin Manufacture digital integration platform, industry intelligence platform and commercial intelligence platform to accelerate digital transformation. Designed and implemented the industry-leading digital integration platform during the year, independently controlled the core technology of automatic driving and promoted it within the Group. Independently developed and implemented the industry's first intelligent safety production monitoring system with artificial intelligence as the core, and fully implemented cement automatic program control +Industrial intelligence projects such as artificial intelligence, intelligent quality inspection, and intelligent inspection, the company's subsidiary Huaxin Technology Management (Wuhan) Co., Ltd. has also obtained a software enterprise certificate issued by the Hubei Software Industry Association.

Innovative incentives, the implementation of the core employee stock ownership plan, through the "equity" link, bind the core employees with the company's long-term performance development, and lay a talent foundation for the company's high-speed and high-efficiency development.

Capital market innovation has boosted the company's internationalization process. During the reporting period, the company launched B to H conversion plan. The purpose is to build an international financing platform for the company and help the company realize its overseas expansion plan.

**Footing on new trend, construct new landscape to drive continuous and quality development.** In 2020, the Company expanded "the racing track" to accelerate the layout in non-cement business, aiming to transform through relying on the cement business, aggregate, concrete, eco wall, new materials and co-processing, packaging integrated industry chain.

With regard to cement, the newly built Uzbek Jizaak 4,000 tons/day cement clinker line, Tanzania Maveni 4,000 tons/day line, Huangshi 2.85 million tons/year clinker replacement line were constructed and put into operation. Nepal Narayani 2,800 tons/day cement clinker line and Tanzania constructed 1.5 million tons/year grinding station are being constructed.

In terms of aggregate, 7 lines in Changyang and Quxin were constructed, adding 1,550 tons new capacity; 11 aggregated projects are being constructed, after which the aggregate capacity will reach 200 million tons. What's worth mentioning is that after the operation of Yangxin 100 million tons machine made sand project (started construction on December 28, 2020), competitiveness of the Company will be further enhanced.

Concrete integration business were rapidly laid out. Chenzhou, Nanzhang finished the exploration of integration. Enshi, Wuxue, Chibi, Luquan, Zhaotong, Jianchuan, Lengshuijiang started the construction of integration project. Finished the acquisition of Yueyang, Jingzhou grinding station+ concrete integration and Changzhou riverside integration, adding new concrete capacity 10 million m<sup>3</sup>/year.



As for eco business, Jianchuan domestic waste project and Shiyan, Nanzhang, Enping hazardous waste projects were officially put into operation. Five projects including Changyang and Cantian Hazardous Waste were approved by the environmental impact assessment. At the end of the year, the company's industrial hazardous waste environmental assessment approved disposal capacity increased from 400,000 tons/year to 560,000 tons/year.

In terms of emerging industries, the company's 500 million/year new heat-sealable bag project put into production in 2019 was officially put into operation and reached production standards. The self-designed Wuxue 240 million/year comprehensive eco wall material production line and Lijiang's 300,000 tons/year lime, civil construction curtain wall panels of 80,000 m<sup>2</sup>/year, and the country's first 800,000 m<sup>2</sup>/year ultra-high-strength concrete curtain wall slab production line has been completed and put into production; Luonan, Xiangyang, Wanyuan, Dingxiao lime projects are being advanced.

**Human oriented, actively fulfill corporate social responsibility to enhance the reputation and brand image.** During the reporting period, the Company takes the initiative to fulfill its political and social responsibilities. In the face of the COVID pandemic, the Company quickly launched a major crisis emergency response plan, distributed personal protective equipment to employees timely, and arranged for more than 300 overseas employees and factory service personnel to be vaccinated, effectively protecting the safety of employees. Earlier in the pandemic, the Company globally purchased more than 5 million yuan worth of urgently needed materials and donated them to local governments to help fight the pandemic, and nearly 1,000 tons of cement were donated and transported by the Company to assist the construction of four anti-epidemic emergency hospitals in Hubei, and urgently expanded its factories in Yangxin, Wuxue, and Yichang for free and harmless disposal of medical waste to prevent secondary pollution. The anti-epidemic youth volunteer service team has been fighting on the front line for 50 days and has contributed "hard core forces" to the fight against the pandemic. It has been rewarded by the Central Guidance Group to Hubei and other severely epidemic areas, Wuhan City, Huangshi City, Yichang City, Ezhou City, Wuhan City. The Company also won the "2020 China Ethical Enterprise Award". Subsidiaries actively participated in the national targeted poverty alleviation activities, and invested a total of 20.01 million Yuan (including material) to help 2,495 file holders to get rid of poverty. Despite the difficulties hindering its own development, the whole Group recruited 663 people from outside to contribute to the employment rate.

## **II. Main business operation indicators of the reporting period**

In 2020, the company achieved a total sales of 76.01 million tons of cement and clinker, a decrease of 1.2% from the previous year; aggregate sales of 23.05 million tons, a year-on-year increase of 31%; a total of 2.94 million tons of eco disposal, down by 3%; The sales volume of concrete was 4.61 million m<sup>3</sup>, a year-on-year increase of 9%. The annual operating revenue was 29.357 billion yuan, down by 6.6% year-on-year; the total profit was 7.664 billion yuan, and the net profit attributable to shareholders of the parent company was 5.631 billion yuan, down 12.08% and 11.2% respectively from the same period last year.

## **(I) Major Operations**

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

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Operating revenue	29,356,515,691	31,439,214,600	-6.62
Cost of sales	17,440,231,760	18,625,306,221	-6.36
Selling and distribution expenses	2,022,707,842	2,048,493,975	-1.26
General and administrative expenses	1,604,700,517	1,558,487,708	2.97
R&D expenditures	55,979,438	37,322,742	49.99
Financial costs	305,705,509	208,154,721	46.86
Net cash flows from operating activities	8,405,472,760	9,679,185,865	-13.16
Net cash flows from investing activities	-5,008,041,912	-4,486,704,451	-11.62
Net cash flows from financing activities	187,685,399	-5,506,921,128	103.41

Note: The rise in the R&D expenditures was due to the investment in research projects.

Financial costs increased against last year due to the loss in foreign exchange.

Net cash flow from financing activities rise was due to new loan for M&A and the issuance of overseas bonds.

### **2. Revenue and Costs**

#### **(1) Major business performance according to different sectors, products and areas**

Unit: Yuan

Major business performance according to sectors						
Sectors	Operating revenue	Operating costs	Gross profit margin %	Operating revenue over last year %	Operating costs over last year %	Gross profit rate over last year %
Cement	23,632,070,676	14,012,683,630	40.70	-10.73	-9.36	Down by 0.90 percentage points
Commercial clinker	1,312,805,606	902,627,538	31.24	66.77	63.76	Up by 1.26 percentage points
Concrete	1,879,572,334	1,352,602,357	28.04	3.81	-2.57	Up by 4.72 percentage points
Aggregate	1,183,140,339	442,572,944	62.59	14.51	21.56	Down by 2.17 percentage points
Others	1,348,926,736	729,745,291	45.90	0.97	-15.4	Up by 10.46 percentage points
Total	29,356,515,691	17,440,231,760	40.59	-6.62	-6.36	Down by 0.17 percentage points
Major business performance in different areas						
Areas	Operating revenue	Operating cost	Gross profit rate%	Operating revenue over last year %	Operating costs over last year %	Gross profit rate over last year %
Hubei	8,861,514,547			-17.80		
Hunan	2,813,452,110			-10.82		
Sichuan	2,030,238,526			-4.28		
Yunnan	5,738,058,854			4.14		
Tibet	1,544,528,007			-2.01		
Chongqing	2,406,772,672			-16.98		
Henan	588,979,682			-14.44		
Jiangsu	847,873,417			33.71		
Jiangxi	299,476,137			14.70		
Anhui	487,735,804			12.57		
Shanghai	298,214,972			-12.97		
Guangxi	195,857,203			-7.62		
Guangdong	872,867,932			18.14		

Guizhou	342,808,480			-19.48		
Overseas	1,889,881,375			21.71		
Others	138,255,973			26.68		
Total	29,356,515,691			-6.62		

## (2). Output and sales volume

Unit: 10000 tons

Product	Output	Sales volume	Storage volume	Output change over last year (%)	Sales volume change over last year (%)	Storage volume change over last year (%)
Cement	7,229	7,137	131	-3.60	-3.81	11.02
Clinker	6,107	463	211	3.71	69.60	99.06

## (3) Cost Analysis

Unit: Yuan

Classification according to products							
Product	Cost item	Current period amount	% of the total cost	Same period of last year	% of the total cost	Change over the same period of last year (%)	Remarks
Cement	Raw materials	2,158,493,336	15.4	2,450,331,258	15.9	-11.9	
	Fuel and power	7,616,675,608	54.4	8,203,281,945	53.1	-7.2	
	Depreciation and amortization	1,106,969,144	7.9	1,169,719,853	7.6	-5.4	
	Labor and Others	3,130,545,542	22.3	3,635,812,316	23.4	-13.9	
Clinker	Raw materials	80,070,006	8.9	45,753,821	8.3	75.0	
	Fuel and power	555,480,364	61.5	334,554,463	60.7	66.0	
	Depreciation and amortization	68,380,556	7.6	40,960,096	7.4	66.9	
	Labor and Others	198,696,612	22.0	129,920,216	23.6	52.9	

Concrete	Raw materials	1,255,315,311	92.9	1,286,725,329	92.7	-2.4	
	Fuel and power	6,919,526	0.5	7,374,373	0.5	-6.2	
	Depreciation and amortization	30,362,877	2.2	31,260,169	2.3	-2.9	
	Labor and Others	60,004,643	4.4	62,979,975	4.5	-4.7	

#### (4) Information of major clients and major suppliers

Sales volume of the Top 5 clients totaled 762.03 million Yuan, accounting for 2.6% of the annual total sales volume; no related party transaction was included in the total Top 5 clients' sales volume, accounting for 0% of the annual total sales volume.

Procurement amount of the Top 5 suppliers totaled 2,441.18 million Yuan, accounting for 15.3% of the annual total procurement volume; no related party transaction was included in the total top 5 suppliers' procurement volume, accounting for 0% of the annual total sales volume.

### 3. Expenses

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Selling and distribution expenses	2,022,707,842	2,048,493,975	-1.26
General and administrative expenses	1,604,700,517	1,558,487,708	2.97
Financial expenses	305,705,509	208,154,721	46.86

Note: Decrease in financial expenses over last year is attributed by part of debts paid and the downscaling in loan.

### 4. R&D expenses

Unit: Yuan

R&D expenses calculated as expenses	55,979,438
R&D expenses calculated as capital expenditure	1,609,193
Total R&D expenses	57,588,631
% in sales revenue	0.20
Number of R&D personnel	129
% of R&D personnel	0.77
Ratio of capitalized R&D	

Remarks:

The above is the statistical data.

## 5. Cash flows

Unit: Yuan

Item	Current period	Last year same period	Change
Net cash flows from operating activities	8,405,472,760	9,679,185,865	-13.16
Net cash flows from investing activities	-5,008,041,912	-4,486,704,451	-11.62
Net cash flows from financing activities	187,685,399	-5,506,921,128	103.41

Note: Net cash flows from financing activities increased 103.41% over last year, mainly due to the new loans for M&A and the issuance of overseas bonds.

## (II) Significant profit change due to non-core business

☐ Applicable ☒ Inapplicable

## (III) Assets and Liabilities

### 1. Assets and Liabilities

Unit: Yuan

Item	31 December 2020	% in the total assets	31 December 2019	% in the total assets	Change over the 31 December 2019(%)	Remarks
Monetary fund	8,641,612,847	19.67	5,107,514,423	13.94	69.19	Surplus fund and new loans and bonds
Tradable financial assets	1,004,581,752	2.29	-	-	Not applicable	Surplus fund to purchase monetary fund
Payment in advance	378,619,350	0.86	258,828,106	0.71	46.28	Fuel price rise leads to the increase of prepayment
Other current assets	631,922,798	1.44	330,744,967	0.90	91.06	Equity acquisition guarantee
Development expenditure	2,050,090	-	440,897	-	364.98	R&D and investment increase
Other non-current assets	341,608,498	0.78	128,051,017	0.35	166.78	Construction prepayment increase

Short-term borrowings	625,000,000	1.42	197,000,000	0.54	217.26	New loans of favourable interest rate
Notes payable	472,696,537	1.08	191,505,647	0.52	146.83	Inventory notes decreased and issuance of new notes
Receipts in advance	0	-	616,086,758	1.68	-100.00	Adjustment based on New Accounting Standard
Contract liabilities	830,492,042	1.89	0	-	Not applicable	Adjustment based on New Accounting Standard
Current portion of non-current liabilities	1,874,484,159	4.27	769,685,711	2.10	143.54	Transfer of due corporate bonds
Long term borrowings	3,504,279,973	7.98	2,039,543,196	5.57	71.82	New loans for M&A and new projects
Debentures payable	1,943,763,447	4.42	1,198,058,176	3.27	62.24	Issuance of overseas bonds
Long term payables	191,011,663	0.43	81,962,612	0.22	133.05	Quarry right earning increase
Excl: treasury shares	610,051,971	1.39	0	-	Not applicable	Repurchased shares for the ESOP
Other comprehensive income	-275,292,763	-0.63	-17,416,212	-0.05	1,480.67	Difference expands in foreign exchange

## 2. Major restrictions on assets by the period end

Unit: Yuan

Cash at bank and in hand	221,366,478
Notes receivable	7,000,000
Financing from accounts receivable	94,904,632
Fixed asset	5,896,890
Intangible asset	6,254,797

Note: Equity of some subsidiaries have been pledged to bank for long term loans. Book value net assets balance of those equities totals at 4,526,129,297 RMB.

## (IV) Industrial operation information analysis

☐Applicable ☒Inapplicable

## (V) Investments

### 1. External equity investment

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Tradable financial assets	1,004,581,752	-	Not applicable
Other equity instrument investment	33,774,995	38,230,101	-11.65
Other non-current financial assets	32,827,254	35,003,608	-6.22
Long-term equity investments	512,281,201	414,090,759	23.71

#### (1) Major equity investment

Unit: Yuan

Invested party	Main business	Investment proportion (%)
Tibet Gaoxin Building Materials Group Co., Ltd.	Manufacture and sales of cement	43

#### (2) Major non-equity investment

☐ Applicable ☒ Inapplicable

#### (3) Financial Assets valued by fair value

Unit: Yuan

Project name	Original investment (Yuan)	Balance at the end of the period	Fund resource	Purchased for this period	Sold for this period	Impact to the profit for the period	Change in fair value
Tradable financial assets	-	1,004,581,752	Self owned	1,480,000,000	480,000,000	5,920,897	5,920,897
Other non-current financial assets	3,861,725	32,827,254	Self owned	-	-	-768,187	-2,176,354

## (VI) Major assets and equity sale

☐ Applicable ☒ Inapplicable



## (VII) Major holding and joint stock companies

Unit: Yuan

Company name	Major product and service	Registered capital	Total assets	Net assets	Net profit	Sales revenue
Huaxin Cement (Wuxue) Co., Ltd.	Production and sales of cement	300,000,000	1,265,988,590	740,023,964	419,602,982	1,477,819,565
Huaxin Cement (Yangxin) Co., Ltd.	Production and sales of cement	500,000,000	1,435,331,112	911,624,506	353,272,169	1,443,670,228
Huaxin Cement (Tibet) Co., Ltd.	Production and sales of cement	50,000,000	1,538,499,267	950,061,600	394,423,378	1,435,017,145
Huaxin Cement (Xiangyang) Co., Ltd.	Production and sales of cement	140,000,000	911,630,087	582,092,832	243,008,571	887,613,863

## (VIII) Structural main body changes controlled by the Company

☐ Applicable ☒ Inapplicable

## III. Discussion and analysis on the future development of the Company

### (I) Industrial pattern and trend of development

The year 2021 is the first year of “Fourteenth Five Year Plan” and constructing a new development landscape.

2021 presents both opportunities and challenges for China’s cement industry. The industry outlooks are as followed:

**1. Total demand for cement still fluctuates within the plateau.** 2021 is the first year of the “Fourteenth Five Year Plan”. It’s projected that economy will maintain reasonable growth. Under the continuous urban process and national policies of advancing rural vitalization, rural modernization, building modern and quality integrated transportation network, infrastructure investment is predicted to maintain reasonable growth, which will still shore up cement demand. However, real estate are affected by “three red lines policy”, the impetus to cement demand is limited. In 2021, cement demand is likely to slide slightly with overall demand remaining volatile within the plateau.

**2. “Cutting output” remains the key note in the industry.** As the key industry in face of supply side structural reform and against the backdrop of restrictions on total capacity and production and strengthening eco measures, off-peak production becoming the norm is still the important measure of compressing supply and defusing overcapacity. With the promotion of Carbon emission reaching the peak and Carbon neutral, new policies and new measures of de-capacity is likely to be launched

quickly.

**3. Further advance green, low carbon and high quality development.** As China actively responds to climate change, it is expected that the ecological and environmental protection policies during the "Fourteenth Five-Year Plan" period will continue to increase. In recent years, leading companies in the cement industry have continuously increased their investment in technological innovation. Technologies and results in digitalization, informatization, and intelligence have been continuously applied. The level of energy efficiency and comprehensive utilization of resources has been significantly improved. The cement industry is accelerating to transform into greener, more intelligent and more digital.

**4. Cement price under pressure and cost is to rise.** Normal implementation of off-peak production and eco restriction on production will continue. Supply and demand maintains a dynamic balance. As the policy effect weakens, cement price will be under pressure with widened fluctuation. As the standards in cutting capacity and eco in energy industry continue to be elevated and the implementation of "carbon reaching the peak", transportation overload restriction and quarry treatment are intensified, raw material and fuel procurement and transportation cost in cement companies as well as eco cost will continue to rise.

## **(II) Development strategy of the Company**

In 2021, the Company will promote the corporate culture of "trust, sacrifice, realistic, innovative," and adhere to the values of "safety first, customer centric, result orientated, act with integrity, ensure sustainable growth and people oriented" to pursue the vision of "Beautiful world starts with us". Shouldering the mission of "Clean our living environment, supply reliable building material", the Company will unify the thinking, define the goals, locating the path to implement and deepen four strategies of "integrated transformation, overseas development, expansion to high tech building material, traditional industry + digitization". On the basis of stable operation of domestic cement business, the Company will accelerate the layout of aggregate, wall material, concrete to integrate them as one, increase the disposal of hazardous wastes, speed up overseas business, gain new breakthroughs in new business to ensure a good start in "Fourteenth Five Year Plan".

## **(III) Business Plan**

### **1. Completion of the 2020 business plan**

In 2020, through actively responding to the pandemic and extended rainy season, the Company achieved operating revenue of 29.357 billion Yuan, completing 101.2% of the annual budget. Of which: sales revenue of cement and clinker completed 101.8% of the budget; concrete sales revenue completed 109.2% of the budget; aggregate sales revenue completed 104.1% of the budget; the Eco sales revenue completed 111.9% of the budget.

In 2020, the actual budget completion rate on overall investment was 60.7%.

By the end of 2020, total assets of the Company were 43.929 billion Yuan and the asset-liability ratio was 41.4%.

### **2. Business Plan for 2021**

In 2021, the Company plans to sell 84 million tons cement and clinker, 49.80 million tons aggregate, 14 million m<sup>3</sup> concrete, eco disposal 3 million tons.

In 2021, the Company plans to invest 14.5 billion RMB, among which 3.55 billion RMB in cement expansion projects, 7.15 billion RMB in aggregate business expansion projects, 880 million RMB in concrete expansion projects, 570 million RMB in eco expansion projects, and 1 billion RMB in other business expansion.

In 2021, total assets of the Company are predicted to be about 54 billion RMB and the asset-liability ratio is predicted to be around 42%.

To achieve the above business objectives, the Company will advance four strategies across the board:

(1) Reform the organization structure. Apply the matrix of Region management, Business operation and Function management to realize flat, professional and efficient management model.

(2) Continue to optimize operation management, safety and eco production. According to the latest eco policies, formulate eco requirements for plants along Yangtze River, promote the pilot of system and procedure of pollution control, set up benchmark plant of extra low emission. Continue to do cost benchmark, with the help of best practice sharing database, formulate targeted cost improvement plan.

(3) Constantly launch marketing innovation to promote integration development. Rapidly launch tray pilot in metropolitan cities. Optimize current system to set up corresponding procedure and system of non-cement business.

(4) Unswervingly launch the integrated development of the industry chain. Take the opportunity of scale, industrial, modern and green development of aggregate industry. The market environment of concrete is changing positively. Opportunities brought by the energy consumption transformation under carbon neutral, combination of merge and acquisition, whole industry chain to enhance the capacity scale and capability of the Company.

(5) Stay committed to the path of “Huaxin Manufacture”, step up the pace of digital and intelligent transformation. Strengthen the establishment of intelligent team, rapidly enhance professional skills and independent development abilities to ensure the application of intelligent projects with “fast, various, quality, saving the cost”. Accelerate the eco, new business and overseas business information building to realize the connectivity of cement, aggregate, concrete function and data, hence the digital of production and operation will be elevated.

The above business plan does not constitute a commitment of the Company on its performance to investors, and investors should have adequate risk awareness and should understand the difference between the business plan and the performance commitment.

#### **(IV) Potential Risks**

Operational risks caused by fluctuations in cement market demand. Cement demand is highly relevant to the prosperity of the national economy and the growth rate of fixed asset investment in the whole society, and is highly cyclical. If there are unfavorable factors such as the pandemic or infectious diseases, natural disasters, economic slowdown, etc., it will inevitably lead to a decline in the growth rate of the national fixed asset investment scale and a decrease in market demand for cement. In the current situation of overcapacity in China's cement industry, the decline in cement demand is likely to lead to intensified competition and decline in price fluctuations, which will adversely affect the company's profitability.

Risks of safe production and compliant operation. The Company's production operations cover quarry exploitation, cement and cement product production, hazardous waste, household garbage, sludge disposal and other businesses. Under the circumstances of the country's requirements for enterprise safety production and environmental protection discharge are becoming more and more stringent, once there are any safety, eco accidents, they will bring losses to the Company's reputation and property, and adversely affect the Company's operations.

Risks of cost rise. Cement production mainly uses coal as fuel. In recent years, China's coal price has been on the rise under the influence of supply-side structural reform policies. Since cement production is regarded as an industry with relatively heavy pollution and heavy environmental load, as China pays more and more attention to environmental protection, the government is bound to formulate stricter environmental protection standards in the future, and the cost of corporate environmental compliance and compliance will follow. With the deepening of the concept of "green mountains and lucid waters are golden mountains and silver mountains", the cost of obtaining mining rights for enterprises is gradually rising.

In response to the above risks, the Company will resolutely implement the relevant policies and measures of the state and local governments to cut capacity, demonstrate the resolute attitude to implement policies of large enterprises, and promote the healthy development of the industry. Adhere to the customer-centric marketing concept, innovate products, focus on differentiated competitive strategies, build a digital marketing ecosystem, and create differentiated advantages. Adhere to the concept of "safety and eco emission as the lifeline of enterprise production", increase investment in safe production and environmental protection, and further eliminate/prevent potential environmental risks. Through technological transformation and digital technological innovation, we will build a highly intelligent "unmanned factory" to improve operating efficiency and reduce production costs.

**IV. Situation and reason analysis for the Company's not disclosing the relevant issues according to the principles which are inapplicable or for other special reasons**

☐ Applicable    ☒ Inapplicable

## Chapter 5 Major Events

### I. Common dividend distribution or capital reserve

#### (I) The formulation, implementation and adjustment of Cash dividend policy

On June 3, 2020, the Annual Shareholders' General Meeting 2019 approved the *2019 Profit Distribution Plan*. On the basis of the total 2,096,599,855 shares at the end of 2019, a cash dividend of 1.21 Yuan per share (incl. tax) shall be distributed to all shareholders, covering 40% of the net profit attributable to the shareholders of the Parent Company after consolidation. There will be no capital reserve to be converted into share capital for 2019. Shares in the special account for the share repurchase will not be included in the profit distribution.

On July 2, 2020, the Company published 2019 Profit Distribution Announcement. On the basis of the remaining 2,091,270,205 shares (total shares at the end of 2019 2,096,599,855 shares excludes the repurchased 5,329,650 shares in the special account for the repurchase at the date of registration for dividend distribution), 1.21 Yuan per share (incl. tax) were distributed to all shareholders, hence 2,530,436,948.05 Yuan were distributed.

The profit distribution plan and were implemented on July 17, 2020.

#### (II) Plan or proposal of common dividend distribution, conversion of capital reserve into share capital in the past 3 years (including the reporting period)

Unit: Yuan

Year	Bonus share for 10 shares (share)	Dividends for 10 shares (Yuan) (incl. tax)	Stock split for 10 shares (share)	Cash dividends amount (incl. tax)	Net profit attributable to the shareholders of the Company in the Consolidated Financial Statement	% in Net profit attributable to the shareholders of the Company in the Consolidated Financial Statement
2020	0	10.8	0	2,261,384,322	5,630,598,812	40.16
2019	0	12.1	0	2,530,436,948	6,342,304,317	39.90
2018	0	11.5	4	1,722,207,024	5,181,448,611	33.24

#### (III) Repurchase of shares in cash is included in cash dividends

Unit: Yuan

	Cash dividends amount	(%)
2020	610,051,971	10.83

(IV) The Company shall disclose in details the reason for having not cash dividend distribution plan though the profits attributable to common shareholders in the reporting period is positive

☐Applicable ☒Inapplicable

## II. Execution of Commitments

☐Applicable ☒Inapplicable

## III. Capital occupation and debts clearing up progress during the reporting period

Unit: 0000 Yuan

The controlling shareholder and its related parties non-operation occupation of the balance of the company's fund					The total amount of occupied amount during the reporting period and returned at the end of the period	Cleared amount during the reporting period			
Beginning amount	Amount during the reporting period	closing balance	Estimated repayment method	Settlement time		Total amount cleared during the reporting period	Ways to clear debts	Amount cleared	Time of payment
90	-90	0	-	May 2020	0	90	Other	90	May 2020
Decision procedure of controlled shareholder and related parties on the non-operation occupation of fund									
Reasons for the new non-operation occupied fund									
Responsible person for the new occupied fund									
Reasons for not yet finish the clear during the reporting period									
Measures taken to clear the fund									
Scheduled time to finish the clearance									
Other statements for the non-operation occupation of fund and clearance by controlling shareholders and related parties									

## IV. Company's Explanation on Non-standard Audit Report from the CPAs

☐Applicable ☒Inapplicable

## V. Company's Explanation on Reasons and Impact of Changing Account Policies, Account Estimation or Correction of Important Account Mistakes

### (I) Analysis of the Reasons and Effects of the Change in Accounting Policy and Accounting Estimate

☐Applicable ☒Inapplicable

### (II) Analysis of the Reasons and Effects of the Company's Correction of Major Accounting Errors

☐ Applicable ☒ Inapplicable

**(III) Communication with Former Certified Public Accountants**

☐ Applicable ☒ Inapplicable

**(IV) Other Instructions**

☐ Applicable ☒ Inapplicable

**VI. Appointment of Certified Public Accountants**

Unit: Yuan

	Current
Name of domestic CPA	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Payment of domestic CPA	3,950,000
Age of domestic CPA	3

	Name	Payment
External Auditor for Internal Control	Deloitte Touche Tohmatsu Certified Public Accountants LLP	470,000

Notes: In 2020, the Company also paid Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Consulting (Shanghai) Co., Ltd. other authentication service fee of 3.95 million RMB, Shanghai Deloitte Tax Accountant Co., Ltd. non- authentication business fee of 140 thousand RMB. Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) confirmed that such non-audit businesses will not harm its audit independence.

Description of the appointment and dismissal of accounting firms

☐ Applicable ☒ Not applicable

**VII. Risk of Stock Trade Suspending**

☐ Applicable ☒ Not applicable

**VIII. Situation and reason for Termination of Stock Listing**

☐ Applicable ☒ Not applicable

**IX. Related Issue on Bankruptcy and Reform**

☐ Applicable ☒ Not applicable

**X. Material Lawsuit or Arbitration**

☒ Applicable ☐ Not applicable

**(I) Lawsuits and arbitrations that had been disclosed in extraordinary announcements and had no further progress**

**Applicable ☒ Not applicable**

**(II) Lawsuits and arbitrations that were not disclosed in extraordinary announcements or that had further progress**



Unit: 10000 Yuan

Plaintiff	Appellee	Party bearing joint liability	Type	Basic Information	Amount	Is there any estimated debt and the amount	Progress	Result and effect	Execution of the judgment
Huaxin Concrete (Xiangyang)Co., Ltd	Xiangyang Jianshan Technology Co., Ltd, Xiangyang Xingshida Plastics Company, Liu Jianshan		Civil Action	For detailed information, please refer to the Annual Report 2015, 2017, 2018 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>	2,477.39	No	On October 10, 2020, Xiangyang High-tech Court sentenced that Xiangyang Jianshan Technology Co. Ltd pay 24773864.31 yuan to Xiangyang Concrete within 15 days after the sentence took effective; Xiangyang Xingshida Plastics Company, Liu Jianshan bears joint liabilities. And the court rejected other requests of the plaintiff, rejected the appeal of Xiangyang Jianshan Technology Company.  The appellee refused to accept the judgment of the first instance and appealed to Xiangyang Intermediate People's Court.		

Huaxin Cement Co., Ltd	Tianxing Group Co, Ltd., Yongkang Tianyi Enamelware Co., Ltd., Zhejiang Hengtai Aluminum Industry Co., Ltd., Wuyi Huaou Furniture Co., Ltd., shareholders of Guanghan Sanxingdui Cement Co., Ltd., including Mr. Xu Weiqiang, Mr. Liu Liguang, Mr. Xu Liansheng, Mr. Lin Kuande, Ms. Liu Mingyan, Mr. Cheng Dongqing, Mr. Xu Lianmeng, Mr. Sun Fusong and Mr. Li Yuanhong etc. as well as Mr. Ying Tianxing		Civil action	For detailed information, please refer to the Half Year Report 2012, 2015, Annual Report 2018 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>	6,000	No	On February 25, 2015, Sichuan Provincial Higher Court made the second instance.	The appellee Sichuan Guanghan Sanxingdui Company and shareholders returned double the down payment of 60 million yuan. Ying Tianxing bears joint liability with the above sentence.	In 2018, the company received an execution payment of 2.28 million yuan. In May 2020, the company signed the "Debt Transfer Agreement" with Yongkang Huangguan Electric Tool Manufacturing Co., Ltd., and the company transferred the outstanding claims in the case to Yongkang Huangguan Electric Tool Manufacturing Co., Ltd. for 37 million yuan. On July 2, the company received all the transfer payments.
Hubei Guoxin Property Co.,	Huaxin Concrete (Wuhan) Co.,	Xinqi Construction	Civil	For detailed information,	3,683.17	No	In December 2019, Hubei Provincial	The appellee paid the	Executed

Ltd	Ltd.	Group	Action	please refer to the Annual Report 2013, 2016, 2018, 2019 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>			Higher Court made the second sentence.	plaintiff 15,528,127.49 yuan for the loss; the party bearing joint liability compensated the loss 4,436,607.85 yuan; the plaintiff paid the appellee 4,963,525 yuan for the goods and the overdue payment of the capital occupation fee.	
Huaxin Concrete (Wuhan) Co., Ltd.	Hubei Guoxin Property Co., Ltd		Civil Action	Same as the above	490	No	Same as the above	Same as the above	Same as the above
Jiangsu Huohua Steel Structure Group Co., Ltd.	Huaxin Cement (Enping) Co., Ltd.		Civil Action	For detailed information, please refer to the Annual Report 2014, 2015 and 2019 of the Company at <a href="http://www.sse.com.cn">www.sse.com.cn</a>	494.97	No	In August 2018, Enping Municipal People's Court made the first instance judgement.	The appellee shall compensate 3,496,660 RMB construction fee and overdue interests to the plaintiff and return guarantee fund of 420,000 RMB.	Executed

Moncement Building Materials LLC	Huaixin Cement Co., Ltd		Arbitration	On July 19, 2013, the plaintiff and the appellee signed the EPC contract. On September 20, 2017, two parties signed Temporary Acceptance Certificate and the project finished acceptance. In January 2018, the consultancy hired by the plaintiff issued technological suggestions mentioning that there were mistakes in the design, material selection and construction and issued deficiency notice to the appellee. The appellee responded by submitting proofs and required the plaintiff to pay the last payment (5% of the contract), but the plaintiff refused to reply. On July	The compensation required by the plaintiff is being calculated. It's predicted to be around 10 million to 15 million USD.	No	ICC will hear the case on June 6, 202.		
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				30, 2020, the plaintiff appealed to the ICC for arbitration. On October 21, 2020, the appellee handed in the reply and counter-request to the ICC secretariat to require the plaintiff to pay the last payment.					
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**XI. Punishment on Directors, Supervisors, Senior Managers, Controlling Shareholder, Actual Controller or purchaser and the rectification**

☐Applicable ☒Not applicable

**XII. Explanation on the credibility and integrity of the Controlling Shareholder and the Actual Controller of the Company in the Reporting period**

☐Applicable ☒ Not applicable

**XIII. Equity Incentive Plan of the Company and its impacts**

**(I) Events that were disclosed in extraordinary announcements and that had no progress or changes during the further implementation**

Item	Index Queries
2020-2022 Core Employee Stock Ownership Plan	<a href="http://www.sse.com.cn">www.sse.com.cn</a>

**(II) Incentives that were not disclosed in extraordinary announcements and that had progress or changes during the further implementation**

Equity incentive

☐Applicable ☒Not applicable

Others

☐Applicable ☒ Not applicable

Employee holding shares plan

☐Applicable ☒ Not applicable

Other incentive measures:

☒Applicable ☐Not applicable

On 20, April 2017, the Annual Shareholders' General Meeting 2016 approved the Long-term Incentive Plan of Huaxin Cement for Top Management 2017-2019. The three-year vesting period of the PPS 2017 (the first grant) was mature, Proposal on Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2017 for the Top Management was reviewed and approved by the Board Meeting in 2020, clearly stating the conversion result of the proposal and making it realized.

**XIV. Important Related Transaction**

☐Applicable ☒ Not applicable

**XV. Major Contracts and Implementation**

**(I) Entrustment, Contract and Leasing**

☐Applicable ☒Not applicable

## (II) Guarantee

Unit: CNY

	Guarantee provided by the Company (excluding guarantee for its subsidiaries)												
Guarantor	Relationship with the Listed Company	Be guaranteed	Guarantee amount	Guarantee date (signing date)	Starting date	Maturity date	Guarantee type	Has the guarantee been completed	Is the guarantee overdue	Amount overdue	Is there a counter-guarantee	Is the guarantee provided for related party	Relationship
Total guarantee amount during the reporting period (excluding guarantee for subsidiaries)								-					
Guarantee amount left at the reporting period end (A) (excluding guarantee for subsidiaries)								-					
Guarantee provided by the Company for its controlling subsidiaries													
Guarantee amount for subsidiaries occurred during the reporting period								3,256,638,385					
Guarantee amount for subsidiaries left at the reporting period end (B)								5,046,925,493					
Total guarantee amount (including guarantee for its subsidiaries)													
Total guarantee amount (A+B)								5,046,925,493					
% in net assets of the Company								21.41					
Including:													
Guarantee amount provided to the shareholders, actual controller and its related parties (C)								-					
Debt guarantee amount provided directly or indirectly to subjects whose debt ratio is over 70% (D)								3,849,136,262					
Guarantee amount exceeded 50% of the net assets (E)								-					
Total guarantee amount of the above three (C+D+E)								3,849,136,262					

### (III) Cash assets management entrusted to other

#### 1. Entrusted Assets Management

☐Applicable ☒Not applicable

#### 2. Entrusted Loan

☐Applicable ☒Not applicable

#### 3. Others

Unit: Yuan

Investment type	Accumulated amount for the year (buy in)	Accumulated amount for the year (redeemed or due)	Undue amount	Unredeemed amount but due
RMB monetary fund	1,480,000,000	-480,000,000	1,000,000,000	

### (IV) Other Major Contracts

☐Applicable ☒Not applicable

### XVI. Explanation on Other Major Issues

☒Applicable ☐Not applicable

#### 1. Issuance of overseas bonds

On January 7, 2020, the First Extraordinary Shareholders' General Meeting 2020 reviewed and adopted the *Proposal on the Issuance of Overseas Bonds through a Wholly Owned Subsidiary*. The Company plans to issue overseas bonds no more than US\$500 million (US\$500 million included) through a directly or indirectly wholly controlled subsidiary outside the PRC.

On November 19, 2020, overseas wholly owned subsidiary SPV Huaxin Cement International Finance Company Limited has completed 300 million USD bonds issuance. The issuance has been approved to be listed in Singapore Stock Exchange on November 20, 2020.

#### 2. Repurchase of A Shares of the Company

On December 17, 2019, on August 11, 2020, the Fourteenth Meeting of the Ninth Board of Directors of the Company reviewed and approved the *Proposal on the Repurchase of A Shares of the Company By Means of Centralized Bidding* and the Eighteenth Meeting of the Board of Directors reviewed and approved the *Proposal on Adjusting the Total Fund for the A Share Repurchase By Means of Centralized Bidding*. The total fund for the repurchase would not be less than 550 million Yuan (550 million Yuan is included) and not be over 610 million Yuan (610 million Yuan is included). The price of the repurchased shares would be no more than 32.03 Yuan/share (including 32.03 Yuan/share). Time limit is within 12 months after the day when the Board reviewed and approved the share repurchase plan. The shares repurchased would all be used for the ESOP or stock incentive plan. If the Company fails to finish the transfer of all repurchased shares within 3 years after the announcement on share repurchase result, the Company will perform the procedure of reducing registered capital according to law, and un-transferred shares will be cancelled.



On September 3, 2020, the Company finished the repurchase with actual repurchased shares 22,689,338, 1.08% of total shares of the Company. Total utilized fund is 609,917,786.61 Yuan (excluding trading fees).

3. Matters on Changing the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by way of Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd.

On August 20, 2020, the Nineteenth Meeting of the Ninth Board of Directors approved *the Plan on Changing the Listing Venue of the Company's Domestically Listed Foreign Shares & Listing by way of Introduction on the Main Board of the Stock Exchange of Hong Kong Ltd.* The Company plans to change its 734,720,000 domestically listed foreign shares (B share) to be listed in the main board of the Stock Exchange of Hongkong by way of introduction and convert those shares into overseas listed foreign shares in Hongkong Stock Exchange (H share).

Currently, agencies employed by the Company are conducting due diligence to the Company. The conversion plan is yet to be approved by Shareholder's General Meeting and application profiles are to be reviewed by China Securities Regulatory Commission, Hongkong Stock Exchange afterwards.

4. External Investment item

*Proposal on Building Huangshi Huaxin Green Building Material Industrial Park* was reviewed and approved by the Twenty Fourth Meeting of the Ninth Board of Directors on December 14, 2020 and 2020 the First Extraordinary General Meeting of Shareholders on January 28, 2020.

Huaxin decided to co-invest 2 billion RMB in Yangxin County, Hubei Province, together with Huangshi Urban Development Investment Limited Company and Yangxin County State-owned Mining Investment Limited Company to establish Huangshi Huaxin Green Building Materials Industry Co., Ltd, which will be the main investment body to invest about 10 billion RMB to build the Huangshi Huaxin Green Building Materials Industrial Park project (including 2 million tons/year active calcium and deep-processing product production lines, 100 million tons/year machine-made sand lines and 2 billion units/year wall material production line).

Up to now, the first phase of the 100 million tons/year machine-made sand lines has started construction.

## **XVII. Obligation Performance in Social Responsibility**

### **(I) Poverty alleviation work of the listed Company**

#### **1. Targeted poverty alleviation plan**

To fully implement the important instructions made by Party General Secretary Xi Jinping about poverty relief and development and "Decision on Winning the Battle against Poverty" issued by the CPC Central Committee and the State Council and fulfill the corporate social responsibility, the Company made targeted poverty alleviation plan:

Firstly, according to the principle of "government lead, society involved, self-relied and poverty alleviation through development", the Company made efforts in environment improvement constructions, and mainly on road hardening, dilapidated house renovation,

water conservancy facilities construction and mine rehabilitation to help rural infrastructure construction.

Secondly, the Company adapted itself to the local situation and guaranteed low price cement supply to the relocation project as part of the targeted poverty alleviation program.

Thirdly, the Company partnered with villages and families to help the impoverished disabled people, orphans and stay-at home children.

Fourthly, the Company helped education development and human resources in poverty area.

Fifthly, the Company conducted transfer employment; branches and subsidiaries took in poverty subjects in the plants to receive occupational training.

Sixthly, the Company promoted the work on “save the people in emergency and difficulty” and temporary special activities for helping poor families caused by illness, disaster and disability.

## 2. Outline of targeted poverty alleviation of the year

From January to December in 2020, the Company invested 20.0144 million Yuan in targeted poverty alleviation program, including 13.3047 million Yuan in cash, donated goods worth 6.7097 million Yuan, and helped 2,495 government recognized poor people get rid of poverty.

The content of the activity is mainly to organize relevant branches companies to focus on poverty alleviation through industrial development, employment transfer, relocation, poverty alleviation, education poverty alleviation, health poverty alleviation, ecological protection poverty alleviation, basic living guarantee, consumer poverty alleviation, and social poverty alleviation according to the overall planning and arrangements of the local government for precision poverty alleviation and ensure that poverty alleviation will be fully accomplished on schedule.

## 3. Targeted property alleviation results

Unit: 0000 Yuan

Indicators	Number and situation
I. The overall situation	
include: 1. Funds	1,330.47
2. Material discount	670.97
3. Help government recognized poor people get rid of poverty (person)	2,495
II. sub-investment	
1. Industry development poverty alleviation	
include: 1.1 industrial poverty alleviation project type	✓ Agriculture and Forestry Industry Poverty Alleviation <input type="checkbox"/> tourism poverty alleviation ✓ E-commerce Poverty Alleviation <input type="checkbox"/> asset income poverty alleviation <input type="checkbox"/> science and technology poverty alleviation ✓ other

1.2 Number of industrial poverty alleviation projects (unit)	19
1.3 Amount of investment in poverty alleviation projects	136.17
1.4 Help government recognized poor people get rid of poverty (person)	144
2. Poverty alleviation through transfer of employment	
2.1 Amount of investment of vocational skills training	692.87
2.2 Number of vocational skills training (person / time)	
2.3 Help government recognized poor people by employment (person)	142
3. Relocation poverty alleviation	
include: 3.1 Number of relocated poor people employment (person)	422
4. Educational poverty alleviation	
Include:4.1 Amount of investment of helping poor students	5.01
4.2 Number of poverty students (person)	600
4.3 Amount of investment in improving educational resources in poor areas	93.77
5.Heatly poverty alleviation	
Include 5.1 Amount of investment in medical resources	7.4
6. Ecological protection Poverty alleviation	
Include: 6.1 Project name	<input checked="" type="checkbox"/> carry out ecological protection and construction <input type="checkbox"/> Establishment of compensation for ecological protection <input type="checkbox"/> set up ecological public welfare positions <input type="checkbox"/> others
6.2 Amount invested	10
7. Basic living security	
7.1 Investment for helping “children, seniors and women left behind”	1.5
7.2 Number of “children, seniors and women left behind” (person)	42
7.3 Investment for helping poor people with disabilities	3.07
7.4 Number of poor people with disabilities (person)	22

8. Social poverty alleviation	
8.1 Investment in coordination	
8.2 Investment in fixed-point poverty alleviation work	3
8.3 Poverty alleviation fund	5
9. Other projects	
9.1 Number of projects	135
9.2. Amount invested	1,043.65
9.3 Help government recognized poor people get rid of poverty (person)	2,209
9.4 Other projects	
III. Awards received (Title, level)	
Huaxin Cement (Lincang) Co., Ltd was awarded with "Excellent Group in Poverty Alleviation" ;Huaxin Cement (Xiangyang) Co., Ltd was awarded with "100 Enterprises Helping 100 Villages" targeted poverty relief model; Huaxin Cement (Jianchuan) Co., Ltd. and Huaxin Cement (Yunlong) Co. Ltd. respectively awarded with "Poverty Alleviation Star Enterprise" in Dali Prefecture's 2020 Poverty Alleviation Award.	

#### 4. Follow-up targeted poverty alleviation

☐Applicable ☒Not applicable

#### (II) Corporate Social Responsibility

The Company also compiled and published its social responsibility report. For details, please refer to "2020 Social Responsibility Report of the Company" published at [www.sse.com.cn](http://www.sse.com.cn).

#### (III) Environmental information

##### 1. Description of Environmental Protection of Listed Companies and Their Subsidiaries in Heavy Polluting Industries Provided by National Environmental Protection Departments

##### (1) Pollution emission information

In 2020, pollutant emission status of the Company's key emission units is detailed in the following table:

No.	Name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m <sup>3</sup> )	Emission standard (mg/m <sup>3</sup> )	Total emission amount (t)	Verified emission (t)	Excess emission
1	Huaxin Cement (Yangxin) Ltd.	SO <sub>2</sub>	Organized	2	Kiln inlet	<100	100	110.73	580.6	No
		NO <sub>X</sub>	Organized	2	Kiln inlet	<320	320	1960.53	3557.4	No
		Particulate matters	Organized	4	Kiln inlet	<20	20	97.08	441.45	No
					Kiln outlet					

2	Huaxin Cement (Wuxue) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	23.42	409.2	No
		NOX	Organized	2	Kiln inlet	<400	400	2787.36	3682.8	No
		Particulate matters	Organized	4	Kiln inlet	<30	30	113.66	457	No
					Kiln outlet					
3	Huaxin Cement (Daye) Ltd.	SO2	Organized	2	Kiln inlet	<100	100	72.08	1058.75	No
		NOX	Organized	2	Kiln inlet	<320	320	762.04	2117.5	No
		Particulate matters	Organized	4	Kiln inlet	<20	20	60.39296	262.763	No
					Kiln outlet					
4	Huaxin Cement (Xiangyang) Ltd.	SO2	Organized	2	Kiln inlet	<100	100	56.12	120	No
		NOX	Organized	2	Kiln inlet	<320	320	1194.05	2424	No
		Particulate matters	Organized	4	Kiln inlet	<20	20	64.75	338.52	No
					Kiln outlet					
5	Huaxin Cement (Xinyang) Ltd.	SO2	Organized	1	Kiln inlet	<35	35	6.04	120	No
		NOX	Organized	1	Kiln inlet	<100	100	146.76	1100	No
		Particulate matters	Organized	2	Kiln inlet	<10	10	25.7	154.7	No
					Kiln outlet					
6	Huaxin Jinlong Cement (Yunxian) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	72.32	100	No
		NOX	Organized	2	Kiln inlet	<400	400	690.31	1285	No
		Particulate matters	Organized	4	Kiln inlet	<30	30	52.09	275.05	No
					Kiln outlet					
7	Huaxin Cement (Fangxian) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	13.23	120	No
		NOX	Organized	1	Kiln inlet	<400	400	413.93	687.5	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	29.59	88.69	No
					Kiln outlet					
8	Huaxin Cement (Yichang) Ltd.	SO2	Organized	2	Kiln inlet	<100	100	17.76	1138.5	No
		NOX	Organized	2	Kiln inlet	<320	320	957.71	2277	No
		Particulate matters	Organized	4	Kiln inlet	<20	20	55.06	282.6	No
					Kiln outlet					
9	Huaxin Cement (Zigui) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	24.25	682	No
		NOX	Organized	1	Kiln inlet	<320	320	868.02	1327	No
		Particulate matters	Organized	2	Kiln inlet	<20	20	49.96	169.3	No
					Kiln outlet					
10	Huaxin Cement (Enshi) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	11.41	80	No
		NOX	Organized	1	Kiln inlet	<400	400	376.08	564.25	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	19.39	72.79	No
					Kiln outlet					
11	Huaxin Cement (Changyang) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	12.3	756.26	No
		NOX	Organized	1	Kiln inlet	<320	320	475.5	1512.5	No
		Particulate matters	Organized	2	Kiln inlet	<20	20	24.2	195.15	No
					Kiln outlet					
12	Huaxin Cement Co., Ltd. Huangshi Branch	SO2	Organized	2	Kiln inlet	<100	100	34.3	914.93	No
		NOX	Organized	2	Kiln inlet	<320	320	656.6	1829.85	No
		Particulate matters	Organized	4	Kiln inlet	<20	20	66.7	157.38	No
					Kiln outlet					
13	Huaxin	SO2	Organized	1	Kiln inlet	<200	200	9.13	41	No

	Cement (Hefeng) Minzu Building Materials Ltd.	NOX	Organized	1	Kiln inlet	<400	400	135.57	275	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	13.33	35.48	No
14	Huaxin Cement (Zhuzhou) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	161.69	620.09	No
		NOX	Organized	1	Kiln inlet	<320	320	906.74	1996.5	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<20	20	46.58	165.17	No
15	Huaxin Cement (Chenzhou) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	93.48	248.34	No
		NOX	Organized	1	Kiln inlet	<320	320	961.02	1200	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<20	20	18.21	191.57	No
16	Huaxin Cement (Daoxian) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	75.3	167.4	No
		NOX	Organized	1	Kiln inlet	<320	320	568.7	992	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<20	20	26.7	159.96	No
17	Huaxin Cement (Lengshuijiang) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	4.14266	225	No
		NOX	Organized	1	Kiln inlet	<320	320	453.36331	1296	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<20	20	19.39	247.75	No
18	Huaxin Cement (Sangzhi) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	12.58	331.25	No
		NOX	Organized	1	Kiln inlet	<320	320	392.9	662.5	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<20	20	12.32	85.47	No
19	Huaxin Cement (Chibi) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	35.47	130	No
		NOX	Organized	1	Kiln inlet	<400	400	820.73	1452	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	44.72	180.18	No
20	Huaxin Cement (Enping) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	90.01	211.1	No
		NOX	Organized	1	Kiln inlet	<320	320	775.8	992	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<20	20	70.88	112.84	No
21	Huaxin Cement (Quxian) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	120.06	137.53	No
		NOX	Organized	1	Kiln inlet	<400	400	717.46	1280	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	48.65	165.12	No
22	Huaxin Cement Chongqing Fuling Ltd.	SO2	Organized	1	Kiln inlet	<200	200	164.8	771.65	No
		NOX	Organized	1	Kiln inlet	<350	350	901.97	1350.39	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	8.91	191.51	No
23	Huaxin Cement (Wanyuan) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	6.41	67.3	No
		NOX	Organized	1	Kiln inlet	<400	400	530.49	541.54	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	25.31	109.2	No
24	Huaxin Cement	SO2	Organized	3	Kiln inlet	<200	200	224.47	620.27	No
		NOX	Organized	3	Kiln inlet	<400	400	1401.72	1732	No

	(Tibet) Ltd.	Particulate matters	Organized	6	Kiln inlet	<30	30	136.11	223.428	No
					Kiln outlet					
25	Chongqing Huaxin Diwei Cement Ltd.	SO2	Organized	1	Kiln inlet	<100	100	96.32	426.25	No
		NOX	Organized	1	Kiln inlet	<320	320	294.88	560	No
		Particulate matters	Organized	2	Kiln inlet	<20	20	28.36	105.79	No
					Kiln outlet					
26	Chongqing Huaxin Yanjing Cement Ltd.	SO2	Organized	1	Kiln inlet	<100	100	53.324043	545.6	No
		NOX	Organized	1	Kiln inlet	<320	320	339.7481834	716.8	No
		Particulate matters	Organized	2	Kiln inlet	<20	20	27.92	135.41	No
					Kiln outlet					
27	Huaxin Guizhou Dingxiao Special Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	20.45	160	No
		NOX	Organized	1	Kiln inlet	<400	400	297.93	320	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	13.15	41.28	No
					Kiln outlet					
28	Guizhou Shuicheng Shui On Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	12.63	79.14	No
		NOX	Organized	1	Kiln inlet	<400	400	482.65	825	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	21	106.43	No
					Kiln outlet					
29	Yunnan Huaxin Dongjun Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	9.23	140	No
		NOX	Organized	1	Kiln inlet	<400	400	961.8	1240	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	52.76	159.96	No
					Kiln outlet					
30	Huaxin Cement (Fumin) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	14.46	81.84	No
		NOX	Organized	1	Kiln inlet	<400	400	616.58	682	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	30.96	84.63	No
					Kiln outlet					
31	Huaxin Cement (Honghe) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	42.99	59.67	No
		NOX	Organized	2	Kiln inlet	<400	400	1131.06	1220	No
		Particulate matters	Organized	4	Kiln inlet	<30	30	72.77	82.52	No
					Kiln outlet					
32	Huaxin Cement (Zhaotong) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	12.11	120	No
		NOX	Organized	1	Kiln inlet	<400	400	538.05	1200	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	50.68	119.86	No
					Kiln outlet					
33	Huaxin Cement (Kunming Dongchuan) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	10.46	72.06	No
		NOX	Organized	1	Kiln inlet	<400	400	577.18	600	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	46.56	77.4	No
					Kiln outlet					
34	Huaxin Cement (Diqing) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	17.95	22	No
		NOX	Organized	1	Kiln inlet	<400	400	608.49	655	No
		Particulate matters	Organized	2	Kiln inlet	<30	30	49.42	90.23	No
					Kiln outlet					
35	Huaxin	SO2	Organized	1	Kiln inlet	<200	200	18.04	130.69	No

	Hongta Cement (Jinghong) Ltd.	NOX	Organized	1	Kiln inlet	<400	400	590.78	620	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	49.15	79.98	No
36	Huaxin Cement (Yunlong) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	5.97	63.24	No
		NOX	Organized	1	Kiln inlet	<400	400	652.06	720.94	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	17.9	96.75	No
37	Huaxin Cement (Jianchuan) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	5.59	45.31	No
		SO2	Organized	1	Kiln inlet	<400	400	369.39	740.35	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	43	96.75	No
38	Huaxin Cement (Lijiang) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	3.71	63.54	No
		NOX	Organized	1	Kiln inlet	<400	400	554.5	620	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	40.13	79.98	No
39	Huaxin Cement (Lincang) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	39.44812	82.63	No
		NOX	Organized	1	Kiln inlet	<400	400	594.57923	620	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	48.42614	79.98	No
40	Tibet Shigatse High-tech Snow Lotus Cement Ltd.	SO2	Organized	2	Kiln inlet	<200	200	78.06	676.94	No
		NOX	Organized	2	Kiln inlet	<400	400	879.89	1360.49	No
		Particulate matters	Organized	4	Kiln inlet Kiln outlet	<30	30	63.73	193.83	No
41	Chongqing Huaxin Cantian Cement Co., Ltd.	SO2	Organized	1	Kiln inlet	<200	200	201.02	790	No
		NOX	Organized	1	Kiln inlet	<350	350	852.28	1030.4	No
		Particulate matters	Organized	1	Kiln inlet	<30	30	41.07	205.76	No
42	Kunming Chongde Cement Co.Ltd	SO2	Organized	1	Kiln inlet	<200	200	42.00	140.08	No
		NOX	Organized	1	Kiln inlet	<400	400	667.00	1168.49	No
		Particulate matters	Organized	2	Kiln outlet、Kiln inlet	<30	30	37	157.06	No
43	Yunwei Baoshan Organic Chemical Co., Ltd.	SO2	Organized	1	Kiln inlet	<200	200	0.9	292.09	No
		NOX	Organized	1	Kiln inlet	<400	400	441.15	1240	No
		Particulate matters	Organized	2	Kiln outlet、Kiln inlet	<30	30	20	294.44	No
44	Huaxin Environmental Ezhou Co., Ltd.	NH3	Organized	1	Biological filter	<35kg/h	35 kg/h	-	Implement emission rate control without performing total accounting	No
		H2S	Organized	1	Biological filter	<2.3kg/h	2.3 kg/h	-		No
45	Wuhan Wugang Huaxin Cement Limited	SO2	Organized	2	Hot-blast furnace	<400	400	0.047	341	No
		NOX	Organized	2	Hot-blast furnace	<300	300	60.91	255.75	No



	Liability	Particulate matters	Organized	2	Hot-blast furnace	<20	20	5.849	22.55	No
46	Huaxin Cement (Ezhou) Ltd.	Particulate matters	Organized	3	Cement grinding mill	<10	10	8.24	Implement concentrati on control without quotas	No
47	Huaxin Cement (Xiantao) Ltd.	Particulate matters	Organized	2	Cement grinding mill	<20	20	4	Implement concentrati on control without quotas	No
48	Huaxin Cement Suizhou Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	0.148	Implement concentrati on control without quotas	No
49	Huaxin Cement (Jingzhou) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<10	10	2.014	Implement concentrati on control without quotas	No
50	Panzhihua Huaxin Cement Ltd.	SO2	Organized	1	Furnace in fluid bed	<600	600	0.47	Implement concentrati on control without quotas	No
		NOX	Organized	1	Furnace in fluid bed	<400	400	10.5		No
		Particulate matters	Organized	1	Cement grinding mill	<20	20	5.58		No
51	Huaxin Cement (Chuxiong) Ltd.	SO2	Organized	1	Furnace in fluid bed	<600	600	0.82	Implement concentrati on control without quotas	No
		NOX	Organized	1	Furnace in fluid bed	<400	400	2.22		No
		Particulate matters	Organized	3	Furnace in fluid bed	<30	30	5.71		No
Cement grinding mill										
52	Huaxin Cement (Honghe) Ltd. Kunming Branch	Particulate matters	Organized	2	Cement grinding mill	<20	20	1.92	Implement concentrati on control without quotas	No
53	Huaxin Cement (Yueyang) Ltd.	Particulate matters	Organized	2	Cement grinding mill	<10	10	49.8	Implement concentrati on control without quotas	No
54	Huaxin Cement (Honghe) Ltd. Gejiu Branch	Particulate matters	Organized	1	Cement grinding mill	<20	20	6.05	Implement concentrati on control without quotas	No
55	Huaxin Cement (Macheng) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	64.97	Implement concentrati on control without quotas	No

56	Huaxin Cement Xiangyang Xiangcheng Ltd.	Particulate matters	Organized	1	Cement grinding mill	<10	10	93.93	Implement concentration control without quotas	No
57	Huaxin Cement (Danjiangkou) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	0.38	Implement concentration control without quotas	No

## (2) Construction and operation of pollution prevention facilities

During the reporting period, the Company strictly abided by the requirements of national and local environmental protection laws and regulations, strengthened management on eco related work. The Company continued to implement pollutants emission reduction program of NO<sub>x</sub>, particles, SO<sub>2</sub>, promoted management of hazard wastes, solid wastes, standardized environment monitoring, optimized water treatment facility, control unorganized particles emission, manage noise control, thus performance in eco continuously improved.

## (3) Environmental impact assessment on construction projects and other environmental protection administrative licenses

During the reporting period, CIPs of the Company were implemented in accordance with the requirements of the EIA Law and put “Three Simultaneous in Eco” into practice. The Company conducted clean production audit in strict accordance with the requirements of the Clean Production Law and the Departments of clean production.

During the reporting period, the company strictly follows the pollutants discharge permit management rules, each subordinate unit strictly implements the pollutant discharge permit system and becomes certified to discharge pollutants.

## (4) Emergency plan for emergent environmental incidents

During the reporting period, all subsidiaries of the Company strictly implemented and improved the emergency plans and drills according to the requirements of the Law of PRC on Response to Emergencies and the Interim Administrative Measures for Emergency Management of Environmental Emergencies. On the basis of the requirements of the emergency plan for environmental emergencies, the Company implemented emergency drills to ensure that the Company can respond quickly and in a timely manner after the environmental incident, and to prevent environmental events from affecting the environment and the public.

## (5) Environment self-monitoring Plan

During the reporting period, branches and subsidiaries carried out self-monitoring in strict accordance with the *Requirements of National Environmental Monitoring Technical Specifications-Cement Industry (HJ848-2017)* and Pollution Emission Monitoring Guidance General Principles (HJ 819-2017). Self-monitoring projects included smoke, sulfur dioxide, nitrogen oxides, etc. Self-monitoring method combined automatic monitoring and manual monitoring. Automatic monitoring equipment used has passed the acceptance test of the environmental protection department, and the smoke and gas comparison monitoring was carried out regularly to ensure the normal operation of the equipment and the normal transmission of data. Manual monitoring was entrusted with a qualified third-party monitoring company to truly reflect the level of pollutant emissions.

(6) Other environmental information that should be disclosed

During the reporting period, the Company's subsidiaries, in accordance with the requirements of the national and local governments on off-peak production and heavy pollution weather emergency suspended production or restricted production to minimize the impacts on the environment.

In accordance with the requirements of the environmental protection department, each branch and subsidiary regularly published emission data on the environmental monitoring information release platforms of provinces and cities and accepts public supervision through LED screens in plants.

During the reporting period, there were no environmental incidents that had a significant impact on the Group. During the reporting period, the company's subsidiaries were punished by ecological environment as follows:

1) Huaxin Concrete Xiangyang Co., Ltd. Donjin Branch failed to implement the environmental protection inspection and acceptance of the construction project as required. In March 2020, it was fined 350,000 yuan by the Xiangyang Environmental Protection Bureau ([Xianghuan (East) Ring Penalty (2020) )number 1);

2) On May 5, 2020, the Chongyang County Environmental Protection Bureau found during an on-site inspection that the Chongyang Mixing Station did not take measures such as airtightness and enclosure during production to reduce the discharge of dust and gaseous pollutants the storage, transmission, loading and unloading of internal materials, was fined 20,000 yuan (Chonghuan Penalty No. 2020 [3]);

3) On September 2, 2020, the law enforcement of Huangshi City Ecological Environmental Protection Bureau found that Huangshi Branch of Huaxin Cement Co., Ltd. was fined 104,000 by Huangshi City Ecological Environment Bureau for failing to adopt airtight measures for unorganized discharge (Huanghuan Punishment [2020] No. 11);

4) On September 23, 2020, during the inspection of Huangshi City, it was discovered that the Huaxin Cement (Huangshi) Co., Ltd. terminal had not obtained the environmental assessment approval to resume construction. On November 30, the Huangshi City Ecological Environment Bureau issued a penalty document and was fined 120,000 yuan. (Huanghuan Penalty Notice (2020) Yang 027);

5) On October 14, 2020, the Zaoyang Branch of the Ecological Environment Bureau of Zaoyang City found that the material storage yard of Zaoyang Huaxin Concrete Co., Ltd. had not been completely hardened, the washing tank had not been built, and the dust was raised during the on-site material transfer process. Was fined 20,000 yuan (Xianghuan (zao) penalty word [2020] No. 27).

**2. Description on environmental protection of other subsidiaries besides the key pollutant discharge units**

☒ Applicable ☐ Not applicable

The subsidiaries of the Company that are not included in the list of the national key pollutant discharge units strictly implemented the environmental self-monitoring system in accordance with relevant requirements of national laws and regulations, and continuously optimized and improved pollution control facilities to achieve continuous and stable emission of pollutants.

**3. Explanation on reasons for non-disclosure of environmental information of other subsidiaries besides the key pollutant discharge units**

☐ Applicable ☒ Not applicable

**4. Explanation on the follow-up progress or changes of the disclosure of environmental information during the reporting period**

☐Applicable    ☒ Not applicable

**XVIII. Convertible Corporate Bond**

☐Applicable    ☒ Not applicable

## Chapter 6 Changes in Common Share Capital and Shareholders

### I. Changes in Common Share Capital Structure

#### (I) Changes in the Common Share Capital

##### 1. Changes in the Common Share Capital

During the reporting period, the total number of the common share capital and the share capital structure of the Company did not change.

##### 2. Changes of Shares Subject to Conditional Sales

☐Applicable    ☒ Not applicable

##### 3. Impact of changes in common shares on financial indicators including earnings per share and net asset value per share of the latest year and latest period (if any)

☐Applicable    ☒ Not applicable

### II. Securities Issuance and Listing

#### (I) Securities Issuance in the reporting period

☒ Applicable    ☐ Not applicable

On November 19, 2020, Huaxin Cement International Finance Company Limited, a wholly-owned overseas subsidiary of Huaxin Cement Co.,Ltd., completed the issuance of bonds with a total amount of \$300 million overseas. The issuance has been approved to be listed in Singapore Stock Exchange on November 20, 2020. Securities Code: HUAXIN CEM US\$300M2.25%B251119. ISIN: XS2256737722. Ticker: HXCEME.

#### (II) Change in Total Common Shares, Shareholders, Assets and Liabilities Structures

☐Applicable    ☒ Not applicable

#### (III) There is no Staff Shares during the Reporting Period

☐Applicable    ☒ Not applicable

### III General Information of Shareholders and Actual Controller

#### (I) Total Number of Shareholders

Total number of shareholders at the end of reporting period	93,907
Total numbers of ordinary shareholders at the date of disclosure as of the end of last month	98,719

**(II) Top Ten Shareholders and Top Ten Holders of Shares not subject to conditional sales**

Unit: share

Top ten shareholders							
Full Names of Shareholders	Change during the reporting period	Shares amount at the end of the period	%	The amount of shares subject to conditional sales	Mortgage or frozen		Shareholder type
					Status	Amount	
HOLCHIN B.V.	0	835,543,825	39.85	0	nil	0	Foreign corporation
Huaxin Group Co., Ltd.	2,500,739	338,060,739	16.12	0	nil	0	State-owned corporation
Hong Kong Securities Clearing Company Ltd.	-26,760,853	95,135,308	4.54	0	nil	0	Unknown
HOLPAC LIMITED	0	41,691,843	1.99	0	nil	0	Foreign corporation
Central Huijin Investment Ltd	0	30,476,180	1.45	0	nil	0	Unknown
Huaxin Cement Co., Ltd - 2020-2022 Core Employees Stock Ownership Plan	19,963,855	19,963,855	0.95	0	nil	0	Other
China Railway Wuhan Bureau Group Co., Ltd.	0	11,289,600	0.54	0	nil	0	Unknown
Dai Deming	-2,865,947	10,554,053	0.50	0	nil	0	Domestic natural person
Industrial and Commercial Bank of China Limited - RongTong ZhongguoFeng 1 Flexible Allocation of Hybrid Securities Investment Fund	1,530,656	7,513,229	0.36	0	nil	0	Unknown
MORGAN STANLEY & CO. INTERNATIONAL PLC	5,580,309	6,578,189	0.31	0	nil	0	Unknown
Top ten holders of shares not subject to conditional sales							
Names of Shareholders		The amount of shares	Shares type and amount		Type	Amount	
HOLCHIN B.V.		835,543,825	RMB ordinary shares			451,333,201	
			Domestic listed foreign investment shares			384,210,624	
Huaxin Group Co., Ltd.		338,060,739	RMB ordinary shares			338,060,739	
Hong Kong Securities Clearing Company Ltd.		95,135,308	RMB ordinary shares			95,135,308	

HOLPAC LIMITED	41,691,843	Domestic listed foreign investment shares	41,691,843
Central Huijin Investment Ltd	30,476,180	RMB ordinary shares	30,476,180
Huaxin Cement Co., Ltd - 2020-2022 Core Employees Stock Ownership Plan	19,963,855	RMB ordinary shares	19,963,855
China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	RMB ordinary shares	11,289,600
Dai Deming	10,554,053	RMB ordinary shares	10,554,053
Industrial and Commercial Bank of China Limited - RongTong ZhongguoFeng 1 Flexible Allocation of Hybrid Securities Investment Fund	7,513,229	RMB ordinary shares	7,513,229
MORGAN STANLEY & CO. INTERNATIONAL PLC	6,578,189	Domestic listed foreign investment shares	6,578,189
Remarks on relationship or concerted actions of the above shareholders	1. Holpac Limited is the party act in concert with Holchin B.V. 2. It is unknown to the Company whether there is any relationship among the shareholders or any concerted persons referred in the "Administrative Measures of Disclosing Changes in Shareholding for Listed Companies".		

#### IV. General Information of the Largest Shareholder and Its Actual Controller

##### (I) Largest Shareholder

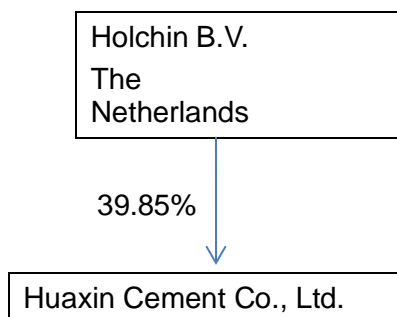
##### 1. Corporation

Name	Date of incorporation	Business range	Other controlling and shareholding situation in other listed companies both in and abroad during the reporting period
Holchin B.V.	Jun 16, 1998	Setting up companies and other enterprises; acquiring, administrating, monitoring and transferring equity and other rights and interests of corporations, companies or enterprises.	During the reporting period, the largest shareholder, Holchin B. V. had no new shareholding activity in other listed companies both in and abroad during the reporting period

##### 2. Index and the date of the modification of the largest shareholder during the reporting period

☐Applicable ☒ Not applicable

##### 3. Ownership and Controlling Relationship between the Company and the Controller



**(II) Actual controller of the largest shareholder**

**1. Legal representative**

Name	Date of incorporation	Business range	Other controlling and shareholding situation in other listed companies both in and abroad during the reporting period
LafargeHolcim Ltd	July 15, 2015	Production and sales of cement, concrete(gravel and sand) and concrete	

**2. Natural person**

☐Applicable ☒ Not applicable

**3. Special statement on non-existed actual controller**

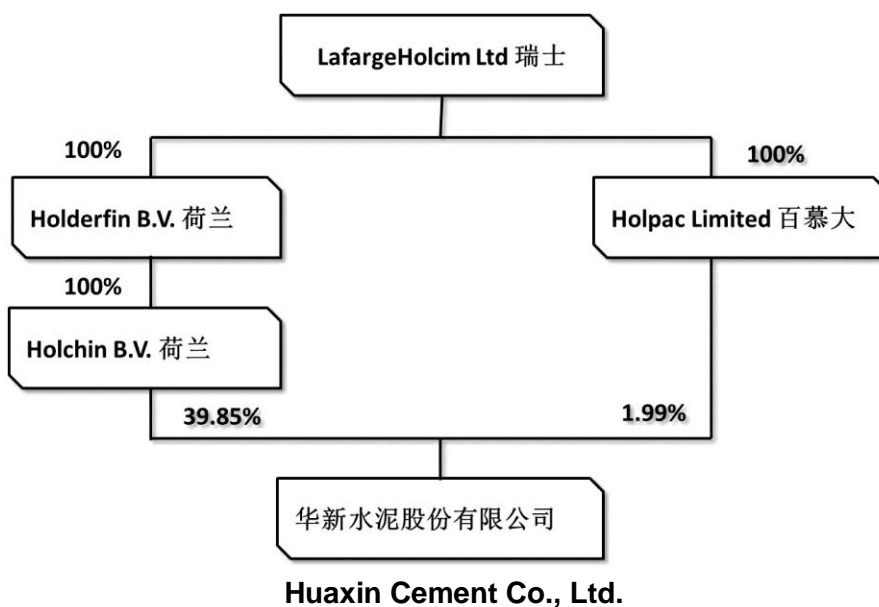
☐Applicable ☒ Not applicable

**4. Index and the date of the modification of the controller of the largest shareholder during the reporting period**

☐Applicable ☒ Not applicable

**5. Property right and controlling relationship between the Company and the controller of the largest shareholder**





## V. Other Corporate Shareholders Holding over 10% Shares

Unit: Yuan

Name	Legal Representative	Registered capital	Date of incorporation	Registered Number of the Representative Business License	Business range
Huaxin Group Co., Ltd.	Mr. Liu Fengshan	340,000,000	Nov 14, 1996	17843892—3	Manufacture and sales of cement product, parts of machines, development of real estate, commerce, service, etc.

## VI.Explanation on the Restricted Shareholding Reduction

☐Applicable ☒Not applicable

## Chapter 7 Preferred Stock

☐Applicable ☒ Not applicable

## Chapter 8 Directors, Supervisors, Senior Management and Employees

### I. Shareholding and Remuneration Information

#### (I) Shareholding and Remuneration Information of Directors, Supervisors and Senior Management

Unit: Share

Name	Position	Gender	Age	Starting	Ending	Shares held at year begin	Shares held at year end	change	Reason for change	Payment from the Company (10k Yuan) before tax	Remuneration/allowance from shareholder company or other related Company
Xu Yongmo	Chairman	M	64	April, 2018	April, 2021					82.8	No
Li Yeqing	Director/CEO	M	56	April, 2018	April, 2021	482,460	649,630	167,170	purchase shares on 2nd market	845.83	No
Liu Fengshan	Director/VP	M	55	April, 2018	April, 2021	112,000	200,700	88,700	purchase shares on 2nd market	389.01	No
Geraldine Picaud	Director	F	50	April, 2018	April, 2021					21.6	Yes
Chi Kong Lo	Director	M	57	December, 2018	April, 2021					21.6	Yes
Tan Then Hwee	Director	F	49	September, 2020	April, 2021					5.4	Yes
Liu Yan	Independent Director	F	47	April, 2018	April, 2021					36	No
Simon Mackinnon	Independent Director	M	59	April, 2018	April, 2021					36	No
Wang Liyan	Independent Director	M	63	April, 2018	April, 2021					36	No
Peng Qingyu	Chairman to the Board of	M	60	April, 2018	April, 2021	304,032	381,932	77,900	purchase shares on	420.28	No

	Supervisor								2nd market		
Fu Guohua	Supervisor	M	57	April, 2018	April, 2021		18,200	18,200	purchase shares on 2nd market	64.00	No
Yu Yousheng	Supervisor	M	57	April, 2018	April, 2021					88.31	No
Yang Xiaobing	Supervisor	M	50	April, 2018	April, 2021					70.00	No
Zhang Lin	Supervisor	M	48	April, 2018	April, 2021		45,300	45,300	purchase shares on 2nd market	181.32	No
Wang Ximing	Secretary to the Board	M	61	April, 2018	April, 2021	283,544	377,344	93,800	purchase shares on 2nd market	360.17	No
Kong Lingling	CFO	F	56	April, 2018	April, 2021	275,453	375,853	100,400	purchase shares on 2nd market	429.87	No
Ke Youliang	VP	M	55	April, 2018	April, 2021	220,472	289,072	68,600	purchase shares on 2nd market	402.42	No
Chen Bing	VP	M	53	April, 2018	April, 2021		34,400	34,400	purchase shares on 2nd market	386.01	No
Du Ping	VP	M	50	April, 2018	April, 2021		81,400	81,400	purchase shares on 2nd market	397.04	No
Liu Yunxia	VP	F	52	April, 2018	April, 2021	58,240	133,440	75,200	purchase shares on 2nd market	378.44	No
Mei Xiangfu	VP	M	48	April, 2018	April, 2021	26,460	88,460	62,000	purchase shares on 2nd market	368.51	No
Xiong Guangwei	VP	M	57	April, 2018	April, 2021		35,300	35,300	purchase shares on 2nd market	355.70	No
Yuan Dezu	VP	M	57	April, 2018	April, 2021		76,720	76,720	purchase shares on 2nd market	385.57	No

Yang Hongbing	VP	M	48	April, 2018	April, 2021		74,864	74,864	purchase shares on 2nd market	370.16	No
Xu Gang	VP	M	42	April, 2018	April, 2021		60,600	60,600	purchase shares on 2nd market	311.30	No
Roland Koehler	Director	M	67	April, 2018	July, 2021					12.6	Yes
Total	/	/	/	/	/	1,762,661	2,923,215	1,160,554	/	6,455.94	/

Note: In addition, 14 senior management personnel, including the CEO and the vice presidents, received vesting and cashing in “Phantom Performance Stock (PPS) Incentives” reward of RMB 30,058,500 in 2017.

Name	Main work experience
Mr. Xu Yongmo	Mr. Xu Yongmo, born in April 1956, Master of Engineering, Doctor and Post Doctorate who had studied in UK. 1982 ~ 1983, assistant engineer of Plasterboard Subsidiary of Beijing New Building Material Plant; 1986 ~ 1988, the principal of RMX laboratory of Concrete and Housing Building Materials Institute of China Building Materials Academy; 1988~1991, vice director of Technical Information Centre of China Building Materials Academy; 1998 ~ 2002, VP of China Building Materials Academy; from April 2002 to April 2017, VP of China Building Materials Federation; from June 2006 to December 2016, president of China Concrete & Cement Product Association; from December 2016 till now, executive president of China Concrete & Cement Product Association; from March 2007 till now, director-general of China Construction Units Association; from October 2007 to July 2019, VP of China Cement Association; from December 2011 to March 2019, director-general of China Silicate Association. He was Independent Director of the Company from April 2009 to March 2012. He became the Chairman of the Company from April 2012.
Mr. Li Yeqing	Mr. Li Yeqing, born in February 1964, doctor, senior engineer. He currently takes the positions of CEO, Secretary of the Party committee of both the Company and Huaxin Group Co., Ltd.. From July 1984, Mr. Li Yeqing successively graduated from Silicate Major of Wuhan Building Material Institute as Bachelor of Engineering, Industrial Management Major of Wuhan University of Technology as Master of Engineering; and Management Science and Engineering Major of Huazhong University of Science and Technology as Doctor of Business Administration. July 1984 ~ October 1987, Wuhan University of Technology Portland Engineering Department, teacher, League Committee vice secretary. He entered Huaxin Cement Plant (former name of the Company) in November 1987, taking position of quality control engineer of Central Lab, vice manager of Limestone Quarry, vice director of Extension Office and manager of production technology, and became vice manager of Huaxin Cement Plant in January 1993, he became Deputy General Manager of the Company at June 1994, General Manager of the Company in December 1999 (he was renamed as CEO of the Company since March 2004). He took the position of Director of the Company from April 1994. He concurrently took the positions of Vice Chairman of China Building Materials Federation since March 2009 and Vice Chairman of China Cement Association since May 2000. He concurrently took the positions of Chairman of Hubei Building Materials Association since January 2014. He concurrently served as Executive Vice Chairman of the Sixth Council of China Building Materials Association since October 2020.
Mr. Liu Fengshan	Mr. Liu Fengshan, born in November 1965, master degree of public relations from Singapore Nanyang Technological University. Mr. Liu graduated from Kunming Engineering College in July 1987 and got bachelor degree of engineering. From 1987 to August 1998, he took the position of technician of Chimashan Quarry, workshop manager, deputy quarry manager, quarry manager and secretary of the Party Committee of

	<p>Daye Non-ferrous Metal Company successively. From August 1998 to August 1999, he took the positions of quarry manager of Tonglushan Quarry and secretary of Party Committee of Daye Non-ferrous Metal Company. From August 1999 to January 2002, he was deputy secretary of Party Committee and secretary of Discipline Inspection Committee of Daye Non-ferrous Metal Company. From January 2002 to April 2004, he took the position of deputy secretary of Discipline Inspection Commission of Huangshi City. From April 2004 to October 2006, he was the deputy secretary of Daye Municipal Party Committee and Mayor of Daye. From October 2006 to November 2006, he was deputy secretary general of Huangshi Municipal Party Committee. From November 2006 to September 2011, he took the positions of director general and secretary of Leading Party Group of Bureau of Civil Affairs of Huangshi City. Since September 2011, he took the positions of Chairman and General Manager of Huaxin Group Co., Ltd., as well as deputy secretary Party Committee of both Huaxin Group Co., Ltd. and Huaxin Cement Co., Ltd.. He became Director of the Company from April 2012. He became VP of the Company from June 2012.</p>
Ms. Liu Yan	<p>Ms. Liu Yan, born in January 1973, received her Bachelor law degree and LL.M. degree from Peking University Law School. She also received her second LL.M. degree from New York University School of Law. Ms. Liu is admitted to practice law in China and in the State of New York, U.S.A. She joined Tian Yuan Law Firm in 1995 and became a partner in 2002. Ms. Liu's main practice areas are: domestic and overseas public offerings and listings, PE, mergers and acquisitions, foreign direct investment. She became Independent Director of the Company from Sep 2014. In addition, Ms. Liu also acts as Independent Director in Wuxi App Tec and Huatai Securities Co., Ltd.</p>
Mr. Simon Mackinnon	<p>Mr. Simon Mackinnon, born in January 1961, British, Oxford University BA, MA, University of Pennsylvania MA MS. He was the Chairman of Sinophi Healthcare since 2010, Non-Executive Chairman of Modern Water PLC, MW China since 2011, Non-Executive Chairman of Xeros Technology Group PLC, Xeros China since 2012, Vice Chairman of Governors of Wellington College International Tianjin and Shanghai since 2009, Non-Executive Director of London Bridge Capital and Venture Partner of SMC Capital China, part of Simon Murray Capital since 2008.; He became Independent Director of the Company from Sep 2014.</p>
Mr. Wang Liyan	<p>Mr. Wang Liyan, born in Feb. 1957, Professor of Accounting at Guanghua School of Management, Peking University. Chief Editor of China Management Accounting Journal, Head of the Environment Audit Committee of Chinese Society for Environmental Sciences, Associate Director of Environmental Accounting Committee, the Accounting Society of China, Member of Professional Ethics Committee of China CPA Association. He became an Independent Director of the Company in April 2015. In addition, Mr. Wang also acts as Independent Director in Shandong Gettop Acoustics Co., Ltd, Da Bei Nong Group and Guoxin Micro.</p>
Ms. Geraldine Picaud	<p>Ms. Geraldine Picaud, French national, born in Feb 1970, Geraldine Picaud became Chief Financial Officer for LafargeHolcim in January 2018. She holds a Master Degree in Business Administration from Reims Business School. In 2011, Geraldine Picaud joined the Group from CAC 40-listed ophthalmic optics company Essilor International, where she was Group CFO. Prior to that she was CFO of Volcafe Holdings, the Switzerland-based coffee business of ED&amp;F Man. Geraldine initially joined ED&amp;F Man in London in 2007 as Head of Corporate Finance in charge of M&amp;A. This followed 13 years as CFO at international specialty chemicals group, Safic Alcan as Head of Business Analysis and then as CFO. She became Director of the Company from Apr 2018.</p>
Mr. Chi Kong Lo	<p>Mr. Chi Kong Lo, born in July 1963, MBA of Purdue University, CPA certified in Ohio USA. From 1987 to 1991, MIS Manager and Executive Assistant in Ohio government agency Lake Metroparks, From May 1991 to August 1998, successively held the post of Financial Manager of Carrier Taiwan Co., Ltd and CFO of Shanghai Yileng Carrier Air Conditioning Co., Ltd. From 1998 to 2002, CFO of Switzerland Suzhou Schindler Elevator Co. From 2003 to 2005, Executive Vice President of Schindler China. From 2005 to 2018, successively held the post of Area Manager of Sika AG Greater China, President/Chairman of Sika China, Vice President/Head of M&amp;A of Sika AG Asia Pacific, Co-head Corporate M&amp;A of Sika AG. Since August 2018, he has been the Country Head Greater China of LafargeHolcim Group. He became Director of the Company from Dec 27, 2018.</p>

Ms. Tan Then Hwee	Ms. Tan Then Hwee, a Singapore national born in December 1972, holds an MBA and BBA in Marketing from Wichita State University, Kansas, USA. She has over twenty years of human resources management experience in an international business environment across Asia Pacific including leadership development, talent & succession management, employee engagement, organizational development and compensation & benefits management. From Feb 1996 to Feb 2000, she was HR manager of Lucent Technologies, USA. From November 2000 to Feb 2007, she served as project manager and HR business partner respectively in Philips, Hong Kong. From Apr 2007 to Mar 2019, she served as VP HR in Sika Asia Pacific. She concurrently took the position of VP HR of LafargeHolcim Group since Mar 2019 and she was elected to the Board of Directors of Ambuja Cements Ltd and a member of the Compliance Committee since April 2019. She became Director of the Company from September 25, 2020.
Mr. Peng Qingyu	Mr. Peng Qingyu, born in June 1960, Senior Economist. He graduated from Western Economics Major of Huazhong University of Science and Technology and got Master degree of Economics at April 2004. Mr. Peng Qingyu entered Huaxin Cement Plant at January 1979 and used to be Chief in Sales Department, Vice Manager and Manager of Huaxin Nantong Trading Company, Director of Shanghai Office, Manager of Sales Department of the Company and vice manager of Sales Company. He took position of DGM of the Company and manager of Sales Company from April 2000. He had been the Vice Present of the Company from March 2004 to April 2015. From April 2015 to July 2020, he had been the Discipline Inspection Commission Secretary. Since April 2015, he has been the Chairman of the Union and the Chairman of the Board of Supervisors.
Mr. Fu Guohua	Mr. Fu Guohua, born in July 1963, Bachelor, Statistician, China Commerce Operating Manager (CCOM). He entered Huaxin Cement Plant (former name of the Company) in July 1983, he successively took the positions of comprehensive statistician and investment planner of the Planning Department, Chief of Assets Management Division of the Planning and Development Department. He joined Huaxin Group Co., Ltd. in January 2001 and successively took the positions of vice director and director of the General Office, general vice manager, Secretary of the General Party Branch. He once concurrently took the position of Manager of the Huaxin Group Real Estate Development Co., Ltd.. He is now the Vice President of Huaxin Group Co., Ltd. and Vice Chairman of the Labor Union of Huaxin Cement Co., Ltd. He took the position of Supervisor from April 2012.
Mr. Yu Yousheng	Mr. Yu Yousheng, born in July 1963, Bachelor, Political Engineer. He entered the Company in October 1989, served as secretary to the Party Committee Office, secretary to the Company Office, Chief of Policy Research Office; assistant administration manager, administration manager, vice Party secretary, Chairman of labor union of Xiangfan Company; vice director of Party Office, director of Labor Union Office, manager of corporate social responsibility team. Currently, he is the deputy secretary to the Discipline Committee, director of Supervisory Office, chairman of Labor Union of the Headquarter. He took the position of Supervisor from April 2012.
Mr. Yang Xiaobing	Mr. Yang Xiaobing, born in July 1970, bachelor's degree, Human Resources Professional. He joined the Company in March 1992, he once served as investigator of the Planning & Development Department; deputy chief and chief of the Business Administration Division of the Corporate Office; chief of the Human Resources Development of Huaxin Golden Cat Company, human resources manager of the Company, Professional Assistant Deputy Director of Southwest BU, the Chief of the Labor Union Office. He currently takes the position of vice chairman of the Labor Union. He took the position of Supervisor from April 2013.
Mr. Zhang Lin	Mr. Zhang Lin, born in September 1972, MBA, CPA. He graduated from Hangzhou Business School, Zhejiang Business Administration University, majoring in accounting in June 1995; graduated from Huazhong University of Science and Technology, majoring in Business Administration in December 2002. He joined the company in July 1995, served as the Company's accountant, Chief of Plan and Finance Department of Xiantao Company and Yichang, Financial Manager of Zhaotong Company, member of HARP project, vice manager of ERP Department, Financial Director of Overseas BU, Chief of Internal Audit and Internal Control. He took the position of Supervisor from Apr 2012 to

	Apr 2015. He became Internal Audit Director(AVP) of the Company since May 2018. He took the position of Supervisor from Mar 2017.
Mr. Wang Ximing	Mr. Wang Ximing, born in October 1959, MBA, Senior Economist. He graduated from Chemistry Major of Wuhan Steel Institute (Wuhan University of Science) and got Bachelor of Science in February 1982; he graduated from Business Administration Major of Renming University of China and got MBA degree in 1993. Mr. Wang Ximing entered Huaxin Cement Plant in 1982 and used to be teacher in Huaxin Technique School, vice secretary of Youth League Committee of Huaxin Cement Co., Ltd., cadre of Organization Department of CPC Huangshi Committee, Vice manager of Labor and Personnel Department of Huaxin Cement Plant, Vice Manager of Planning Department, Vice Manager, Manager of Securities Department of the Company, Secretary to the Board. He took position of DGM and Secretary to the Board of the Company from April 2000. He has become Vice Present and Secretary to the Board of the Company from March 2004 to Apr 2018. He served as Secretary to the Board and Chief of Securities and Investor Relations since April 2018.
Ms. Kong Lingling	Ms. Kong Lingling, born in June 1964, Master of Economics, Senior Economist. She graduated from Wuhan University of Technology and got Bachelor degree of Science in 1985; and graduated from Enterprise Administration Major of Fudan University and got Master degree of Economic in 1992. Ms. Kong Lingling entered Huaxin Cement Plant at July 1985 and used to be engineer in Research Firm of Huaxin Cement Plant, vice secretary of Youth League Committee, Vice Manager of Financial Department, Vice Manager of Planning Department and Manager of Financial Department. She became DGM of the Company from April 2000 and VP of the Company from March 2004. She served as CFO of the Company since Apr 2018.
Mr. Ke Youliang	Mr. Ke Youliang, born in April 1965, Doctor of Management, Senior Economist. He graduated from Industry and Corporate Administration major of Huangshi University of Technology in July 1985, and graduated from Industry Economy Administration major of Zhongnan University of Finance and Economics in 1992, graduated from Industry Economy Administration major of Wuhan University of Science and got Master Degree of economy, graduated from Management Science and Engineering of Wuhan University of Science and got Doctor Degree of Management in 2007. Mr. Ke Youliang entered Huaxin Cement Plant in 1985 and used to be assistant manager of Investment Department, manager of Engineering Administration Department, vice manager of Comprehensive Administration Department of Engineering Division and manager of Planning and Development Department. He was appointed Assistant GM and Manager of Planning and Development Department at November 2001 and DGM of the Company from April 2003. He became VP of the Company from March 2004.
Mr. Chen Bing	Mr. Chen Bing, born in Dec 1967, MBA. In 1989, he graduated from the School of Water Resources and Hydropower Engineering of Wuhan University, majored in industrial and civil construction, bachelor's degree. In 2000, he graduated from Huazhong University of Science and Technology, master's degree in business administration. He entered Huaxin Cement Plant (predecessor of the Company) in 1987. From Sep 1989 to Mar 2000, he successively took the positions of civil technician of the Extension and Restructuring Office of the Company, Head of Engineering Department of Huaxin Cement Nantong Co., Ltd., chief engineer of Engineering Department of Huaxin Cement Co., Ltd, manager of Technical Service Department and chief of clinker section of Huaxin Cement Sales Company. From Mar 2000 to Feb 2003, he was the manager of Wuhan Market Department of Huaxin Cement Sales Company. From February 2003 to Jan 2009, he concurrently took the positions of DGM of Huaxin Cement Sales Company, GM of Wugang Huaxin Cement Co., Ltd. and Huaxin Cement Wuhan Company. From Jan 2009 to Oct 2011, he concurrently took the positions of Executive DGM of RMC&AGG Business Unit of the Company and GM of Aggregate Company. Since Mar 2014, he is the GM of RMC&AGG Business Unit of the Company. He is vice chairman of China Concrete and Cement Products Association since 2014. Since 2011, He serves as vice chairman of Hubei Concrete and Cement Products Association. In 2015, he serves as vice chairman of China Aggregates Association. He became VP of the Company from Jan 2016.
Mr. Du Ping	Mr. Du Ping, born in Aug 1970, Master of Management. In 1993, he graduated from Zhongnan University of Economics, majored in Investment Principles. In 2003, he graduated from Zhongnan University of Economics and Law, majored in Enterprise Management and got Master of Management. He entered Huaxin Cement Co., Ltd in Jul 1993 and successively took positions in Investment and Development Department,

	Advisory Department and Technical Centre, Planning and Development Department and then he was assistant to the Manager and Vice Manager of Planning and Development Department. From Jan 2003 to Jan 2011, he successively took positions of executive DGM and GM in Huaxin Cement (Tibet) Co., Ltd., GM of Tabei Gaoxin Building Materials Group, Administration Manager of Southwest Region of Huaxin. In Sep 2012, he was selected in "123 Key Talent Program of Hubei Province" (first batch). Since Feb 2011, he was AVP of the Company, GM of Hubei East Cement Business Unit. Now he is also a member of Hubei Youth Federation. He became VP of the Company from Jan 2016.
Ms. Liu Yunxia	Ms. Liu Yunxia, born in September 1968, MBA, Senior Engineer. In 1989, she graduated from Wuhan University of Technology, majored in cement of silicate engineering, Bachelor of Engineering. In 2006, she graduated from Wuhan University of Technology and got MBA degree. She entered the Huaxin Cement Plant (predecessor of the Company in July 1989 and was a teacher of technology in the Trade School of Huaxin. From Feb 1993 to Jan 2000, she was an engineer of the Engineering Department. From Jan 2000 to Jun 2012, she successively took the positions of vice manager and manager of the Development Department, and the GM of Tajikistan Plant. Since Jul 2012, she became an AVP of the Company, vice director of the Strategy and Development Center and GM of the Hong Kong Investment Company. She became VP of the Company from Jan 2016. Since April 2018, she concurrently served as the Chief of marketing and procurement business of the Company.
Mr. Mei Xiangfu	Mr. Mei Xiangfu, born in Jul 1972, Master of Engineering and MBA. He graduated from Nanchang Institute of Aeronautical Technology, majored in Machine Manufacturing Processes and Equipment and got Bachelor of Engineering. In 2002, he graduated from Wuhan University of Technology, majored in Mechanical and Electrical Engineering and got Master of Engineering. In 2011, he graduated from Huazhong University of Science and Technology and got MBA. He entered Huaxin Cement Co., Ltd. in 1994, and took the positions of technician, vice manager of Equipment and Power Department, DGM of Yangxin Company, DGM and GM of Wuxue Company, GM of Southeast Region, GM of Zhuzhou Company, GM of Maintenance Company. Since Feb 2011, he is AVP of the Company, GM of Hunan and Guangdong Cement Business Unit, Head of the Growth and Innovation Business. He became VP of the Company from Jan 2016. Since April 2018, he concurrently served as the General Manager of the New Business Unit of the Company.
Mr. Xiong Guangwei	Mr. Xiong Guangwei, born in Mar 1963, Doctor of Civil Engineering. He graduated from Tsinghua University and got Bachelor of Engineering in 1984. In Apr 1995, he graduated from Swiss Federal Institute of Technology and got Doctor of Civil Engineering. From May 1995 to Dec 2004, he successively took positions of assistant engineer, business development and market assistant director and project director in Swiss Holcim Cement Group. From Jan 2005 to Dec 2006, he was Director GM of Topmost China AGG Business in Anglo American. From Feb 2007 to Dec 2015 he successively took the positions of Director of Lafarge Guizhou Project, GM of Lafarge Chongqing Operation Unit and GM of Lafarge Yunnan Operation Unit, GM of Hunan BU. He became VP of the Company from Jan 2016.
Mr. Yuan Dezu	Mr. Yuan Dezu, born in Sep 1963, Bachelor degree. In 1986, he graduated from Central TV University Huaxin Branch Campus, junior college education majored in Industrial Accounting. In 1997, he graduated from Hubei Communist Party School, majored in Enterprise Management and got Bachelor of Management. From 1998 to 2000, he had a correspondence course in Party School of Central Committee of the Communist Party. In Jul 1981, He entered Huaxin Cement Plant (predecessor of the Company), and successively took the positions of planner in Sales Department, deputy chief of Administration Section of Sales Department, vice manager of Sales Management Department, manager of Logistics Department, DGM of Sales Company, Marketing GM of Hubei East Region, Marketing Director of Hubei East Region. Since Feb 2011, he has been an AVP of the Company. From Feb 2011 to Apr 2015, he was GM of Hubei Northwest Cement Business Unit. Since Apr 2015, he became the GM of Hubei West Cement Business Unit. He is now the Executive Vice Chairman and Secretary General of Hubei Cement Association. He became VP of the Company from Jan 2016.
Mr. Yang Hongbing	Mr. Yang Hongbing, born in September 1972, Bachelor of Engineering. In 1995, he graduated from School of Mechanics of Huazhong University of Science and Technology majored in Forging and Pressing, and then joined in Huaxin Cement Co., Ltd., he successively took the positions of engineer in Mechanics and Power Department, chief engineer in Dry Processing plant, assistant of the General Manager in Yichang



	Company, Deputy General Manager in Yichang Company and Project Manager for the phase II construction, Executive General Manager of Yichang Company, Executive General Manager of Zigui Company, Regional Production Director in Hubei West, General Manager of Hubei West Region. Since Jan 2012, he has been an AVP of the Company and General Manager of Hubei Southwest Cement Business Unit. Since May 2015, he has been the GM of Huaxin Environmental Engineering Co., Ltd. He became VP of the Company from Jan 2016. Since April 2018, he concurrently served as the chairman of the Environmental Engineering Company and Head in charge of the Eco business of CIP maintenance of headquarter.
Mr. Xu Gang	Mr. Xu Gang, born in March 1978, Master of Business Administration of Tsinghua University. He graduated from Safety Engineering major of China University of Geosciences in July 2000 and got the degree of Bachelor of Engineering. In the meantime, he majored in Financial Management in Huazhong University of Science and Technology and got the bachelor degree. From 2000 to May 2005, he successively took the positions of Safety Engineer, Safety Manager and Technique Manager in Beijing Xingfa Cement Company Ltd. and Beijing Shunfa Cement Company Ltd. From May 2005 to May 2009, he successively took the positions of Integration Manager of Lafarge Shui On Cement China Region Merger & Acquisition Project, Project Manager of Organization Structure Optimization and Strategic Manager of China region. From December 2015 to April 2016, he took the position of Marketing Director of Yunnan BU of Huaxin Cement. Since April 2016, he became the AVP of Huaxin Cement Co., Ltd, successively took in charge of Growth and Innovation, Strategy Development and Procurement businesses. Since April 2018, he served as the VP in charge of Overseas Business and Strategy of the Company.
Mr. Roland Koehler	Mr. Roland Koehler, born in Dec 1953, Swiss national, a graduate in business administration from the University of Zurich, joined building materials group Hunziker (Switzerland) in 1988 as Head of Finance and Administration and has transferred to Holcim as a management consultant in 1994. From 1995 to 1998, he was Head of Corporate Controlling and from 1999 to end 2001 Head of Business Risk Management. Since 2002, he has headed Corporate Strategy & Risk Management. Effective January 1, 2005, Roland Kohler has been promoted to Corporate Strategy & Risk Manager. Roland Kohler became a member of the EXCO of Holcim since March 1, 2010 and was in charge of the service and support functions of the Holcim Group Support Ltd. organization. From 2012 to 2015 Roland served on the Executive Committee of Holcim responsible for the European Region. From August 2015 to Dec 2017, Roland was member of the Executive committee of the combined company, LafargeHolcim, responsible for Europe, Oceania region as well as Trading. Since July 2017, after the departure of the CEO's until arrival of a new CEO, Roland has assumed the role of ad interim COO of the LafargeHolcim Group. In 2018 Roland has been nominated for Chairman of LafargeHolcim Foundation for Sustainable Construction. He was Director of the Company from Apr 2018 to July 2020..

## II. Positions of Director, Supervisor and Senior Management

### (I) Position at Shareholder Company

Name	Name of shareholder Company	Position	Starting	Ending
Li Yeqing	Huaxin Group Co., Ltd.	Party Secretary	Sep. 7, 2001	
Liu Fengshan	Huaxin Group Co., Ltd.	Chairman/GM	Sep. 21, 2011	
Peng Qingyu	Huaxin Group Co., Ltd.	Chairman of Labor Union	Apr. 23, 2015	
Fu Guohua	Huaxin Group Co., Ltd.	DGM	Feb. 8, 2006	

### (II) Positions at Other Companies/Units

Chairman Mr. Xu Yongmo, Independent Directors Ms. Liu Yan, Mr. Simon Mackinnon and Mr. Wang Liyan, Directors Ms. Geraldine Picaud, Mr. Chi Kong Lo, Ms. Tan Then Hwee and Mr. Roland Koehler, have their positions respectively at other companies/units (please see the above career experiences).

## III. Remuneration for Directors, Supervisors and Senior Management

Decision procedures of remuneration for Directors, Supervisors and Senior Management	Remunerations for Senior Management shall be proposed by the Remuneration and Assessment Committee of the Board, discussed and decided by the Board of Directors; annual remuneration for Directors and Supervisors shall be approved by the Shareholders' General Meeting.
Basis for deciding remunerations for Directors, Supervisors and Senior Management	On April 27, 2020, the Sixteenth Meeting of the Ninth Board of Directors approved <i>Proposal on Cashing in 2019 Short-term Incentives for the Top Management, 2020 KPI Assessment Plan for Top Management, Vesting and Cashing in "Phantom Performance Stock (PPS) Incentives" 2017 for the Top Management</i> , defined key performance index of 2019 short term incentive remuneration, 2020 basic salary and short term incentive and the results for cashing in 2017 PPS. On August 11, 2020, the Eighteenth Meeting of the Ninth Board of Directors approved <i>Proposal on Adjusting the Mid-term Evaluation Method of "Special Incentive"</i> , <i>Adjusting the Mid-term Evaluation Method of "Special Incentive"</i> , the Board agreed that the mid-term evaluation for EBITDA target by 2022 is adjusted, namely, add a new performance of 80% of the target and implementing the Company's Core

	<p>Employee Stock Ownership Plan for 2020-2022, including the Company's senior management personnel.</p> <p>On September 25, 2020, the Second Extraordinary General Meeting of Shareholders in 2020 approved <i>Proposal on the Company's 2020-2022 Core Employee Stock Ownership Plan (Draft) and Its Summary</i>.</p> <p>On October 12, 2020, the Twenty-Second Meeting of the Ninth Board of Directors approved <i>Proposal on the Grant Date, Grant Price and Grant Quantity of A-0 and B-0 in 2020 of the 2020-2022 Core Employee Stock Ownership Plan</i>, specified the grant date, grant price and grant quantity of A-0 and B-0 in 2020 of the 2020-2022 Core Employee Stock Ownership Plan.</p>
Remuneration payable of Directors, Supervisors and Senior Management	At the end of the reporting period, remuneration payable (before tax) of Director, Supervisor and Senior Management is 94,617,900 Yuan.
Actual Payment of Remuneration of Directors, Supervisors and Senior Management	At the end of the reporting period, actual payment (before tax) of remuneration of Directors, Supervisors and Senior Management is 94,617,900 Yuan.

#### IV. Changes of Directors, Supervisor or Senior Management

☒ Applicable ☐ Not applicable

Name	Position	Position Changes	Reason of Changes
Roland Koehler	Director	Resign	Resignation due to a job change
Tan Then Hwee	Director	Elected	By-election

#### V. Punishments from securities supervising authorities

☐ Applicable ☒ Not applicable

## VI. Employees of the Parent Company and Subsidiaries

### (I) Employees

Employees at Parent Company	939
Employees at major subsidiaries	15,921
Total Employees	16,860
Pension Employees	0
Major Structure	
Type	Number
Production staff	6,334
Sales staff	1,200
Technique staff	6,276
Financial staff	545
Administrative staff	2,505
Total	16,860
Education	
Education level	Number
Master Graduate and above	255
Bachelor	2,221
Junior College	4,276
Others	10,108
Total	16,860

### (II) Remuneration Policy

During the reporting period, the Company adopted overall remuneration system to give play to the incentive role of remuneration distribution and to realize common achievement among targets and employees' individual targets. In the meantime, through total remuneration evaluation, the Company designed reasonable conversion price between performance results and remuneration, linked corporate performance with employee remuneration to make employees feel the elevation of incomes with the rise of corporate performance.

### (III) Training Plan

In 2020, the Company overcame the impact of COVID-19 and continued to carry out professional training in management, technology, marketing, procurement, finance and safety through a combination of online and offline methods, so as to promote the construction of a learning organization.

Management training: continuously enhanced the leadership of managers at all levels through Mini-MBA, intermediate management, newly promoted managers, cement industry production cost management and basic management training programs.

Technical training: the Company organized to carry out the process, quality, maintenance and other key positions and certification training programs, kiln grinding machinery, electrical instrumentation automation, lubrication, control engineer training projects, and technical workers and comprehensive training projects such as the junior/intermediate/senior mechanic and electric engineering, production maintenance, fitter, welding, electrical engineering, lubrication, supervisors, effectively promoted employees' theoretical level and developed the professional skills.

Marketing training: through the implementation of the second session of marketing senior management training and intermediate management training, "marketing digital axis" promotion, key project meditation study, marketing audit, brand white paper and other related training, further improved the professional quality and business ability of the Company's marketing staff.

Procurement training: Organized and carried out Elite Plan - High Potential Talents Program, the first network knowledge training, the compliance training, the integration concept training and the non-cement product knowledge training to expand the vision of purchasers.

Financial training: continued to implement the financial system "Nirvana Training Plan", organized the training of financial personnel and business personnel in leadership, taxation, accounting and other professional knowledge, and organized the head of the financial department in the headquarter and the financial director of the business department to participate in the exchange and the study of financial cutting-edge theoretical knowledge and practical technology.

Safety training: comprehensively improved the professional quality and the management ability of all levels of work safety management personnel by organizing and implementing the training of health and safety field expert trainers, the company's improvement and development of safety ability program, the coaching of registered safety engineers examination and the plant management training of "I grow up" project.

#### **(IV) Labor outsourcing**

Unit: Yuan

Total remuneration paid for outsourcing labor	56,122,510
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#### **VII. Others**

☐Applicable ☒ Not applicable

## Chapter 9 Corporate Governance

### I. Company Governance Information

Corporate governance structure of the Company was in accordance with the requirements of the modern enterprise system and the Code of Corporate Governance for Listed Companies. In strict compliance with the requirements of the rules and regulations in the Company Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and other normative documents, and combined with the actual situation, the Company continuously improved its corporate governance structure and operated regularly.

### II. Shareholders' General Meeting

Meeting	Convening Date	Disclosure website	Disclosure Date
The First Extraordinary Shareholders' General Meeting 2020	January 7, 2020	www.sse.com.cn	January 8, 2020
Annual Shareholders' General Meeting 2019	June 3, 2020	www.sse.com.cn	June 4, 2020
The Second Extraordinary Shareholders' General Meeting 2020	September 25, 2020	www.sse.com.cn	September 26, 2020

### III. Duty Performance of Directors

#### (I) Directors Present at Board Meetings and Shareholders' General Meetings

Name	Independent Director or not	Present at BM						Present at SGM
		Meeting number should attend	Present in person	Present in circular resolution	Present by proxy	Absent	Absent or present by proxy successively for 2 times or not	Present at SGM
Xu Yongmo	No	10	10	6	0	0	No	3
Li Yeqing	No	10	10	6	0	0	No	3

Liu Fengshan	No	10	10	6	0	0	No	3
Liu Yan	Yes	10	10	6	0	0	No	3
Simon Mackinnon	Yes	10	10	6	0	0	No	3
Wang Liyan	Yes	10	10	6	0	0	No	3
Geraldine Picaud	No	10	10	6	0	0	No	1
Chi Kong Lo	No	10	10	6	0	0	No	3
Tan Then Hwee	No	3	3	2	0	0	No	0
Roland Koehler	No	3	3	2	0	0	No	0

Board Meetings convened in 2020	10
Including: on-site Meetings	1
Meetings convened by circular resolution	6
On-site Meetings plus video conferences	3

## **(II) Objection from Independent Directors on Relevant Issues of the Company**

☐ Applicable    ☒ Not applicable

## **(III) Others**

☐ Applicable    ☒ Not applicable

## **IV. Important Opinions and Suggestions proposed by Special Committees to the Board of Directors during their duty performance, issues with objections and detailed situation that shall be disclosed**

During the reporting period, the Special Committees to the Board of Directors have proposed important opinions and suggestions and diligently performed their duties.

### **(1) Duty performance of the Audit Committee**

During the reporting period, the Audit Committee convened meetings for three times, reviewed the Financial report 2019 of the Company (draft), 2019 Internal Control Assessment Report, Work Report 2019 of the Audit Committee, 2020 Half Year Financial Report of the Company, Proposal on the Modification of Corporate Accounting Policy, 2020 Audit Planning Report and formed relevant resolutions or reviewing opinions. The Audit Committee also provided professional opinions and suggestions on adjusting 2020 financial budget report, overseas bonds issuance, internal audit and internal control planning and summary, major risk estimation, reappointment of the accounting firm for 2020 financial audit and internal control audit, and major related transactions.

(2) Duty performance of the Nomination Committee

During the reporting period, the Nomination Committee convened one meeting but organized more than 10 interview meetings or communication meetings, a lot of work for selection of independent director candidates for the Tenth Board of Directors of the Company has been done. After careful study and cautious consideration, the committee members raised questions to each candidate from different perspectives, comprehensively considered their time commitment for duty performance, profession competence matching and contribution to the Company, etc. The committee members also provided professional opinions and suggestion on selection of an independent director candidate who should be Hong Kong resident in consideration of the B-H share conversion project that the Company pushes, and on compliance with the State's administrative regulations on part-time job of leaders.

In addition, due to the resignation of director Roland Koehler during his tenure of office, the Nomination Committee put professional opinions to the Board of Directors by email and WeChat to nominate Ms. Tan Then Hwee as a director candidate of the Company in July 2020.

(3) Duty performance of the Remuneration and Assessment Committee

During the reporting period, the Remuneration and Assessment Committee held a meeting to review the Proposal on Cashing in 2019 Short-term Incentives for the Top Management, 2020 KPI Assessment Plan for Top Management, and Proposal on Vesting and Cashing in "Phantom Performance Stock Incentives" 2017 for the Top Management. Considering that the Company. The Committee followed closely on the company, especially Hubei suffered from the Covid-19 in 2020, the Committee decided to appropriately adjust the KPI weight of the Top Management in 2020 after careful study, and formed a resolution before submitting to the Board of directors for approval. In addition, the Remuneration and Assessment Committee also put professional opinions and suggestions on Core Employee Stock Ownership Plan and adjusting the total fund for the A Share repurchase.

(4) Duty performance of the Governance and Compliance Committee

During the reporting period, the Governance and Compliance Committee held a meeting. On the basis of reviewing the results in corporate governance improvement in 2020, the Committee members put their opinions, suggestions and requirements on strengthening production base investigations, new project information reporting, and establishing regular communication mechanisms with Internal Audit and Control as well as Discipline Inspection and supervision function system of the Company.

(5) Duty performance of the Strategy Committee

The Strategy Committee meticulously formulated 2020-2025 "milestone" long-term development plan and the blueprint and goals of "multiple development", which becomes a powerful driving force for the rapid and efficient development of the Company in the next few years!

**V. Risks of the Company Discovered by the Board of Supervisors**

☐Applicable    ☒ Not applicable



**VI. Explanation on the inability to keep independence in business, personnel, assets, organization or finance related to the controlling shareholder.**

☐ Applicable    ✓ Not applicable

Horizontal competition, counter measures, progress and follow up plan.

☐ Applicable    ✓ Not applicable

## **VII. Senior Management Assessment and Incentive Mechanism**

During the reporting period, in accordance with the “Proposal on Cashing in 2019 Short-term Incentives for the Top Management” approved by the Board of directors, 2019 short-term incentive remuneration for the Top Management was clarified and cashed in. In addition, the Board also approved “2020 KPI Assessment Plan for Top Management”, clarifying 2020 KPIs for the Top Management and calculation methods of assessment.

On April 20, 2017, the Annual Shareholders’ General Meeting 2016 of the Company reviewed and approved “2017-2019 Long Term Incentive Plan for the Core Management of Huaxin Cement Co., Ltd.”. On April 27, 2020, the Sixteenth Meeting of the Ninth Board of Directors of the Company reviewed and approved the Proposal on Vesting and Cashing in “Phantom Performance Stock (PPS) Incentives” 2017 for the Top Management, clarifying the amount of PPS incentives for the Top Management in 2017 and such incentives was cashed in.

In order to support the implementation of the 2020-2025 Development Strategy Plan of the Company and to establish and improve the benefit-sharing mechanism targeting at employees and shareholders of the Company, the company formulated “2020-2022 Core Employee Stock Ownership Plan of Huaxin Cement Co., Ltd.”, which was reviewed and approved by the Board of Directors and Shareholders’ General Meeting on August 11, 2020 and September 25, 2020 respectively.

On October 12, 2020, the Twenty Second Meeting of the Ninth Board of Directors of the Company reviewed and approved “Proposal on the Grant Date, Grant Price and Grant Quantity of A-0 and B-0 in 2020 of the 2020-2022 Core Employee Stock Ownership Plan”. According to the authorization of the shareholders general meeting, the Board of Directors clarified the grant date, grant price, grant amount and quantity of A-0 and B-0 shares for the target grantees in 2020.

## **VIII. Disclosure on internal control self-assessment report**

Detailed information of 2020 Internal Control Assessment Report please refers to the website of Shanghai Stock Exchange: [www.sse.com.cn](http://www.sse.com.cn).

## **IX. Statement of Internal Control Audit Report**

Deloitte Touche Tohmatsu Certified Public Accountants LLP appointed by the Company conducted audit on the effectiveness of internal control focusing on financial reports, and issued a standard audit report with unreserved opinion.

The Annual Internal Control Audit Report was disclosed at the same time as the Annual Report 2020. For detailed information, please log on the website of Shanghai Stock Exchange: [www.sse.com.cn](http://www.sse.com.cn).

Disclosure of the Internal Control Audit Report: Yes

## **X. Others**

☐ Applicable    ☒ Not applicable

## Chapter 10 Corporate Bonds

### I. Basic information of the corporate bonds

Unit: 100 million Yuan

Name	Abbreviation	Code	Issuing date	Date of expiry	Bond balance	Coupon rate	Principal and interest payment	Trading place
Huaxin Cement Co., Ltd. 2016 Corporate Bonds (tranche 1) (5 years)	16 Huaxin 01	136647	Aug. 19, 2016	Aug. 22, 2021	12.00	4.79%	Adopt annually counted simple interest rather than compound interest. The interest shall be paid once per year, and the principal of the bonds shall be repaid in one time when matured. The last tranche of interests shall be paid together with the principal as the principal matured.	Shanghai Stock Exchange
2020 overseas bonds	HXCEME	XS2256737722	Nov.19, 2020	Nov.18, 2025	19.73	2.25	simple interest calculation on a monthly basis, payment on a half year basis	Singapore Stock Exchange

#### Corporate bond redemption and interest payment

On August 13, 2020 the Company paid on time the interest and principle for 2016 Huaxin Cement Co., Ltd. corporate bonds tranche 1. (Please refer to related announcement at [www.sse.com.cn](http://www.sse.com.cn) released on August 13, 2020 ).

### II. Contact information of the corporate bond trustee and credit rating organization

Trustee of Corporate (16 Huaxin 01)	Name	Essence Securities Co., Ltd.
	Address	A02 at the 35th floor and 28th floor of Anlian Tower, Jintian Road 4018#, Futian District, Shenzhen
	Contacts	Xiao Jun
	Number	010-83321292
Trustee of Corporate (Overseas Bonds)	Name	China Construction Bank (Asia) Corporation Limited
	Address	20th Floor, China Construction Bank Building, 3 Connaught Road Central, Hong Kong
	Contacts	Chen Yanxu

	Number	+85255797097
Credit rating organization (16 Huaxin 01)	Name	China Chengxin Securities Rating Co., Ltd
	Address	8th Floor, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai
Credit Rating Agencies (Overseas Bonds)	Name	MOODY'S INVESTORS SERVICE
	Address	24th Floor, One Pacific Place, 88 Queensway, Hong Kong

### III. Use of the raised funds from the corporate bonds

Issuance amount of 2016 first tranche of corporate bonds totaled 1.2 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raised funds from 2016 first tranche of corporate bonds have been used up.

Scale of overseas bonds in 2020 is 300 million USD, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus.

### IV. Information of the credit rating

On June 20, 2020, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Rating Report", maintained the main credit rating and bond credit rating of the Company as AAA.

The periodic tracking rating report is issued once a year, and the results of the rating and the report are released within two months after the disclosure of the Company's annual report. The sustained tracking rating result is announced at the website of the rating organization ([http: // www. ccxr.com.cn/index.asp](http://www.ccxr.com.cn/index.asp)) within 10 working days after the rating report is issued.

### V. Credit updating mechanism for the corporate bonds, the repayment plan and other relevant information during the reporting period

During the reporting period, there is no change on the credit updating mechanism for the corporate bonds, the repayment plan and other safeguards for the repayments. In order to sufficiently and effectively safeguard the interests of the bondholders, the Company has made a series of arrangements for the timely and full repayment to the bonds, including the appointing specialized departments and personnel, arranging funds for the repayment, establishing and strictly implementing the fund management plan.

### VI. Meeting held for the bondholders

☐Applicable    ☒Not applicable

### VII. Performance of duties of the corporate bond trustee

The bond trustee of 2016 corporate bonds (the first tranche) was Essence Securities Co., Ltd., it had disclosed "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Trustee's Report (2019)" on the website of Shanghai Stock Exchange on June 24, 2020. Profiles of corporate bonds, annual operations and financial condition of the issuer in 2019, use of the raised funds, interest repayment and meetings for the holders were disclosed.

## VIII. Financial highlights for the last 2 years by the reporting period end

Unit: Yuan

Item	2020	2019	Change over last year (%)	Reason for the change
EBITDA	9,763,239,728	10,619,624,448	-8.06	
Liquid ratio	1.30	1.12	16.07	
Quick ratio	1.07	0.87	22.99	
Asset-liability ratio (%)	41.4%	36.0%	5.4%	
EBITDA/total liabilities	0.54	0.80	-32.5	
Interest Protection Multiples	33.76	30.16	11.94	
Cash Interest Protection Multiples	44.10	34.19	28.99	
EBITDA Interest Protection Multiples	41.36	35.89	15.24	
Loan repayment rate (%)	100%	100%	-	
Interest repayment rate (%)	100%	100%	-	

## IX. Interest repayment of other bonds and debt financing instruments

☐Applicable    ☒Not applicable

## X. Bank credit of the Company during the reporting period

By end of the reporting period, bank credit amount of the Company was 16.09 billion CNY, and the usable credit amount was 10.46 billion CNY. The Company has timely and sufficiently repaid both principal and interest of the bank loans in 2020

## XI. Execution of the relevant stipulations or commitments in the Prospectus of Corporate Bonds during the reporting period

During the reporting period, the Company strictly fulfilled the relevant contents in the Prospectus of Corporate Bonds, used the raised funds compliantly, timely repaid the interest, and there was no harm to the interests of bond investors.

## XII. Major issues and the impact on operations and repayment ability of the Company

☐Applicable    ☒Not applicable

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## **Chapter 11 Financial Report**

Please refer to the attachment- FINANCIAL STATEMENTS AND AUDITOR'S REPORT.

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## **Chapter 12 Documents for Inspection**

1. Financial Statements carrying the signatures of the legal representative, administrative leader of accounting and chief of accounting department.
2. Original Auditor's Report, audited and signed by the CPAs.
3. All original copies of the public notice and documents that were published on presses designated by CSRC.

Chairman: Xu Yongmo  
Legal Representative: Li Yeqing  
Huaxin Cement Co., Ltd.  
March 25, 2021

HUAXIN CEMENT CO., LTD.

Financial Statements and Auditor's Report  
For the year ended 31 December 2020



FINANCIAL STATEMENTS AND AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020

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[English Translation for Reference Only]

## AUDITOR'S REPORT

De Shi Bao (Shen) Zi (21) No.P00926  
(Page 1 of 6)

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 are prepared and 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 Accounting Standards for Business Enterprises ("ASBEs").

### **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 Code of Ethics for Chinese 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.

[English Translation for Reference Only]

## AUDITOR'S REPORT (CONTINUED)

De Shi Bao (Shen) Zi (21) No.P00926  
(Page 2 of 6)**III. Key Audit Matters - continued****(i) Impairment of goodwill****(1) Description of the matter**

As set out in Note (V) 16, the Company has carrying amount of goodwill of RMB 476,084,798 in the consolidated balance sheet as at 31 December 2020, which has deducted the goodwill impairment of RMB 91,049,903. Referring to Note (III) 19 and 30 to the consolidated financial statements, the Company's goodwill arising from business combination is tested for impairment at the end of each year. The recoverable amount of related assets (or asset groups), for which goodwill has been allocated, is determined by the management based on the present value of expected future cash flow. In the calculation of present value of future cash flow, the Company needs to forecast the future revenue growth rate and future gross margin of related assets (or asset groups) and the discount rate appropriately, which are all subject to management's estimates and judgements. Therefore, we consider the impairment of goodwill as a key audit matter.

**(1) 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 spreadsheet of goodwill impairment test prepared by management, and compared management's expected data related to impairment testing in previous periods with actual conditions after the period and with other supporting evidence, compared future forecast data with the five-year budget approved by management, and evaluate the rationality of the basic data ;
- (c) Evaluate the appropriateness of management impairment testing methods and the reasonableness of key assumptions and judgments used in impairment testing;
- (d) Verified the accuracy on the calculation of the impairment test model of goodwill.

[English Translation for Reference Only]

## AUDITOR'S REPORT (CONTINUED)

De Shi Bao (Shen) Zi (21) No. P00926  
(Page 3 of 6)

### III. Key Audit Matters - continued

#### (ii) ECL of accounts receivable

##### (1) Description of the matter

As set out in Note (V) 4, as at 31 December 2020, the carrying amount of accounts receivable amounting to RMB 653,219,779 is included in the consolidated balance sheet of the Company, having deducted the provision for expected credit impairment of RMB 148,363,317. As set out in Note (III) 9 to the financial statements, accounts receivable are subsequently measured at amortized cost and the expected credit loss 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 Company is required to appropriately consider the Group's historical credit losses, macro-economic environment and other present conditions and reasonably predict the future economic conditions. As the amount of accounts receivable is significant and the determination of ECL requires significant judgement of the management, we consider the ECL of accounts receivable as a key audit matter.

##### (2) How our audit addressed the key audit matter

Our procedures in relation to accounts receivable mainly included:

- (a) Understood, tested and evaluated the key internal controls in relation to the ECL of accounts receivable;
- (b) Obtained the expected credit losses model for accounts receivable prepared by the management and tested the underlying data for model calculation such as selecting samples to test whether the aging of accounts receivable is correct and whether the calculation of historical credit losses is correct, understand 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 accuracy of the amount of ECL calculated by the management using the above ECL model;
- (d) Understood the Group management's special consideration for measurement of ECL in respect of the receivables for which bad debt provision is individually assessed, obtained the related supporting documents and evaluated the reasonableness of ECL determined by the management.

[English Translation for Reference Only]

## **AUDITOR'S REPORT (CONTINUED)**

De Shi Bao (Shen) Zi (21) No. P00926  
(Page 4 of 6)

### **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 consolidated 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 preparation and fair presentation of the financial statements in accordance with the ASBEs 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 assumption 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 is responsible for overseeing the financial reporting process of the Company.

[English Translation for Reference Only]

## AUDITOR'S REPORT (CONTINUED)

De Shi Bao (Shen) Zi (21) No. P00926  
(Page 5 of 6)**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 the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption 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.

[English Translation for Reference Only]

## AUDITOR'S REPORT (CONTINUED)

De Shi Bao (Shen) Zi (21) No. P00926  
(Page 6 of 6)

### **VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued**

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:  
(Engagement partner)

Chinese Certified Public Accountant:

25 March 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 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.*

FINANCIAL STATEMENTS  
AT 31 DECEMBER 2020

## CONSOLIDATED BALANCE SHEET

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



FINANCIAL STATEMENTS  
AT 31 DECEMBER 2020

## CONSOLIDATED BALANCE SHEET - continued

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
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 7 to 120 were signed by the following:

Legal representative

Principal in charge of accounting

Head of accounting department

FINANCIAL STATEMENTS  
AT 31 DECEMBER 2020

## BALANCE SHEET OF THE COMPANY

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

FINANCIAL STATEMENTS  
AT 31 DECEMBER 2020

## BALANCE SHEET OF THE COMPANY - continued

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	Balance at 31 December 2020	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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## CONSOLIDATED INCOME STATEMENT

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
V. Other comprehensive income, net of tax		(359,155,714)	(12,972,100)
Other comprehensive income attributable to shareholders of the parent 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 parent 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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## INCOME STATEMENT OF THE COMPANY

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 income, 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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED CASH FLOW STATEMENT

RMB

ITEM	NOTES	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		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
<b>II. Cash Flows from Investing Activities:</b>			
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 from Investing Activities		(5,008,041,912)	(4,486,704,451)
<b>III. Cash Flows from Financing Activities:</b>			
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 Financing Activities		187,685,399	(5,506,921,128)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		(83,166,330)	(3,485,968)
<b>V. Net Increase in Cash and Cash Equivalents (decrease presented with "-")</b>		3,501,949,917	(317,925,682)
Add: Opening balance of Cash and Cash Equivalents		4,918,296,452	5,236,222,134
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	V(55)(4)	8,420,246,369	4,918,296,452

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FOR THE YEAR ENDED 31 DECEMBER 2020

## CASH FLOW STATEMENT OF THE COMPANY

RMB

ITEM	NOTE	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		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 Operating Activities	XIV(6)	269,504,744	(760,585,344)
<b>II. Cash Flows from Investing Activities:</b>			
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
<b>III. Cash Flows from Financing Activities:</b>			
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 from Financing Activities		(593,638,887)	(1,197,712,219)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		(13,615,201)	2,023,354
<b>V. Net Increase in Cash and Cash Equivalents (decrease presented with "-")</b>		1,482,475,471	(302,179,190)
Add: Opening balance of Cash and Cash Equivalents		3,141,838,852	3,444,018,042
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		4,624,314,323	3,141,838,852

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

RMB

ITEM	Attributable to owners of the Company						Minority interests	Total shareholders' equity
	Share capital	Less: Treasury shares	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits		
	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 for 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					Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits		
	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 for 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



FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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 for 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 for 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**I. BASIC INFORMATION ABOUT THE COMPANY**

Huaxin Cement Co., Ltd. (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). In 1994, as approved by Hubei Provincial People's Government, the Company's shares were listed on the Shanghai Stock Exchange. In April 2019, based on its total share capital of 1,497,571,325 shares at the end of 2018, the Company allotted shares from its capital surplus at 4 shares for every 10 shares, amounting to RMB 599,028,530. 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 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, refer to Note VI "Changes in Scope of Consolidation".

**II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

Basis of preparation

The Group adopts the 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued**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 of which transaction prices are the fair value on initial recognition, and of which valuation technique involving unobservable input is used in subsequent measurement, the valuation technique in the course of valuation is adjusted to enable the result of initial recognition based on the valuation technique equal to the transaction price.

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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### 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 method of bad debt provision for receivables(Note III(9)), the depreciation of fixed assets and the amortization of intangible assets(Note III(15), (18)) and the time point of revenue recognition(Note III(25)) etc.

The key judgement made by the Group in determining significant policies are detailed in Note III (30).

#### 1. Statement of compliance with the ASBEs

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises ("ASBEs"), and present truly and completely, the Company's 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, Cambodian Cement Chakrey Ting Factory Co., Ltd., Yuzhno-Kyrgyzskiy 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****5. Business combination - continued****5.1 Business combinations not involving enterprises under common control and goodwill - continued**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****6. Preparation of consolidated financial statements - continued****6.1 Preparation of consolidated financial statements - continued**

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 net profit after tax of other comprehensive income attributable to shareholders of the parent company line item.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****7. Recognition criteria of cash and cash equivalents**

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

**8. Translation of transactions and financial statements denominated in foreign currencies****8.1 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****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 purchase or sale of financial assets, assets to be received or liabilities to be assumed are recognized on the date of transaction, or assets already sold are derecognized on the date of transaction.

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

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

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

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

**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 hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost, which include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments, and long-term receivables etc.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued****9.1 Classification, recognition and measurement of financial assets - continued**

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

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

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

- It has been acquired principally for the purpose of selling in the near term; 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.
- It is a derivative that is not designated as a financial guarantee contract and effective as a hedging instrument.

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

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

**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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued**9.1 Classification, recognition and measurement of financial assets - continued9.1.1 Financial assets measured at amortized cost - continued

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

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

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

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

9.1.3 Financial assets designated as at fair value through other comprehensive income

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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued**9.1 Classification, recognition and measurement of financial assets - continued9.1.4 Financial assets at fair value through profit or loss ("FVTPL")

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

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 ECL.

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

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of lifetime ECL; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVTOCI in other comprehensive income and recognizes 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 at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as 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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued****9.2 Impairment of financial instruments - continued****9.2.1 Significant increase in credit risk - continued**

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 payment holidays, 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 considers that when the contractual payment for the financial instruments is overdue for 180 (inclusive) days, it indicates that the credit risk on the financial instruments has increased significantly.

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

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued****9.2 Impairment of financial instruments - continued****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 delinquency in interest or principal payments;
- (3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (4) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

**9.2.3 Determination of expected credit loss**

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 expected credit losses 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 account balance of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

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

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued**9.2 Impairment of financial instruments - continued9.2.4 Write-off of financial assets

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

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 assets and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. If the financial assets transferred by the Group are designated as equity instrument investments at fair value through other comprehensive income that are not held for trading, the cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

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

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

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

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contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments.



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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued**9.4 Classification of liabilities and equity - continued9.4.1 Classification and measurement of financial liabilities

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

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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****9. Financial instruments - continued**9.4 Classification of liabilities and equity - continued9.4.3 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 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. 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(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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****11. Inventories - continued**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 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.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

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. Held-for-sale asset**

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

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

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****13. Held-for-sale asset - continued**

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

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

**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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****14. Long-term equity investments - continued**14.3 Subsequent measurement and recognition of profit or loss14.3.1. 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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**14. Long-term equity investments - continued**

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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****15. Fixed assets - continued****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.

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

**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.



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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****19. Impairment of long-term assets**

The Group reviews the long-term equity investments, fixed assets, construction in progress, 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 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 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. if the previous impairment factors change, make the difference between them is higher than the book value of assets, it will back to the original provision for assets impairment provision, and included in the current profits and losses, but turned back to the book value of assets after no provision shall be made for less than assumed case the book value of the asset return in a day.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****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 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.

**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 wages, bonuses, allowances and subsidies, employee welfare, medical insurance, employment injury insurance, maternity insurance, housing provident fund, trade unions and education funds. 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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****22. Employee benefits - continued**22.2 Accounting treatment of post-employment benefits - continued

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. What recognized in other comprehensive income are 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.

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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****22. Employee benefits - continued**22.3 Accounting treatment of termination benefits - continued

## 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 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.

**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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****24. Share-based payment - continued**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 shall recognize revenue based on transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services. Performance obligations refer to commitment of the Group to transfer a distinct good or service to the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****25. Revenue - continued**25.1 Accounting policies used for revenue recognition and measurement - continued

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 obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods in progress during the Group's performance; (iii) goods generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

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

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

In case of the existence of variable consideration (such as sales discount etc.) in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most probably occurred amount. The transaction price including variable consideration shall not exceed the amount of the cumulative recognized revenue which is the most probably to be significantly reversed when elimination of relevant uncertainty. At each balance sheet date, the Group re-estimate the amount of variable consideration which should be included in transaction price.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****25. Revenue - continued**25.1 Accounting policies used for revenue recognition and measurement - continued

For sales attached with quality warranty terms, if such quality warranty provides an individual service other than that the Group have made commitments that the sold goods or services meet the established criteria, such quality warranty constitutes a single performance obligation, otherwise, the Group will make accounting treatment for quality warranty liability 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 shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group would not consider the significant component in the contract.

Where the Company receives receipts in advance from a customer for sales of goods, the amount is first recognized as a liability and then transferred to revenue when the related performance obligation has been satisfied. When the Company's receipts in advance are not required to be refunded and it is probable that the customer will waive all or part of its contractual rights, the Company recognizes the said amounts as revenue on a pro-rata basis in accordance with the pattern of exercise of the customer's contractual rights, if the Company expects to be entitled to the amounts relating to the contractual rights waived by the customer; otherwise, the Company reverses the related balance of the said liabilities to revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****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) which are expected to be collected shall be recognize as an asset, amortized on the same basis as the revenue recognition of goods or services associated with the asset and charged to profit or loss for the period. If the amortization period of the asset is less than one year, it will be included in profit or loss when incurred. Other expenditures incurred to obtain the contract are included in profit or loss when incurred, except for expenditures clearly borne by the customer.

26.2 Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other accounting standards for business enterprises the new revenue standards as well as satisfies the following conditions at the same time, the costs will be recognized as an asset: (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 shall be amortized on the same basis as the revenue recognition of goods or services associated with the asset and charged to profit or loss for the period.

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



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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****27. Government grants - continued**27.1 Determining basis and accounting treatment for government grants related to assets - continued

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 refer to 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)

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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.

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FOR THE YEAR ENDED 31 DECEMBER 2020

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****28. Deferred tax assets/ deferred tax liabilities - continued**28.2. Deferred tax assets and deferred tax liabilities - continued

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

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****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 leases29.1.1 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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****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 estimated future cash flows expected to be derived from the related asset groups or asset group portfolio, including the prediction of the future cash flows of the asset groups or asset group portfolio, and apply the appropriate pre-tax discount rate, which is able to reflect the time value of money and specific risks related to assets. The management reviews the significant estimates and assumptions at the end of each year, and recognizes the impairment of goodwill in profit or loss of the period.

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

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

**(2) Provision for ECL of accounts receivable**

The group in the evaluation of the ECL of accounts receivable need to summarize the existing information and using the significant accounting estimates, such as accounts receivable aging, history and recovery rates, etc., and combined with the current external market environment, customer situation such as the change of the forward-looking information review expectations throughout the duration of the accounts receivable credit losses to estimate the amount of accounts receivable credit loss amount. The Group regularly monitors and reviews assumptions relating to the calculation of expected credit losses.

**(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 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.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**30. Other significant accounting policies and accounting estimates - continued**

(4) 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. 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 January 1, 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 to revenue recognition 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 (25). The new revenue rule requires that the cumulative impact of the first execution of the rule be adjusted for the amount of retained earnings and other related items in the financial statements at the beginning of the first execution year (i.e. January 1, 2020) without adjustment for comparable period information.	The accounting policy changes were reviewed and approved by the Board of Directors of the Company on August 26, 2020.	Note III. (31).2

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**31. Changes in significant accounting policies and accounting estimates - continued**

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

**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 input VAT for the period)	3%, 9%, 10%, 12%, 13%, 15%, 18%

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**IV. TAXES - continued**

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

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-Kyrgyzskiy 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-Kyrgyzskiy 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.



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**IV. TAXES - continued**

**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%.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**IV. TAXES - continued**

**2. Tax preferences - continued**

2.1 Enterprise income tax - continued

The Group's subsidiary Huaxin Cement Dzizak Co., Ltd. is located in Uzbekistan. According to local tax laws, it is exempt 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 exempt from enterprise income tax in the first three years starting from date of firstly generating revenue, and followed by 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%.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	Closing balance	Opening balance
Cash on hand	620,098	518,847
Bank deposits	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, restricted cash include letter of guarantee security deposits of RMB 30,938,600 notes and L/C security deposits of RMB 145,161,196 finance lease deposits of RMB 15,000,000 and security deposits of other nature of RMB 30,266,682 amounting to RMB 221,366,478 in total (31 December 2019: RMB 189,217,971). The restricted cash is not regarded as cash 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: Monetary fund (Note)	1,004,581,752	-
Total	1,004,581,752	-

Note: Monetary 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 Company pledged at the end of the period

RMB

Item	Amount pledged at the end of the period
Bank acceptance	7,000,000

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. Notes receivable - continued

3.1 Notes receivable - continued

(3) Notes receivable 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	Unrecognized amount
Bank acceptance - endorsed but not yet expired 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) Disclosure by aging

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

Category	Closing balance					Opening balance				
	Account balance		Bad debt provision		Carrying amount	Account balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Accounts receivable - continued

(2) Disclosure by provision method for bad debt provision - continued

Receivables for which bad debt provision is individually assessed:

Accounts receivable (by client)	Closing balance			
	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 collectively assessed on a portfolio basis:

Category of cement receivable:

RMB

Name	Closing balance		
	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	

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

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	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Accounts receivable - continued

(2) Disclosure by provision method for bad debt provision - continued

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

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			Closing balance
		Provision	Reversal	Write-off	
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 RMB 215,883 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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 Company 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 of prepayments is as follows:

RMB

Item	Closing balance		Opening balance	
	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) Prepayments from top five suppliers are summarized as below:

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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) Disclosure by aging

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) Classification by nature

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			Closing balance
		Provision	Recovery or reversal	Write-off or elimination	
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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. Other receivables - continued

7.2 Other receivables - continued

(4) Write-off of other receivables in the current period

RMB

Item	Write-off amount
Other receivables written off	3,588,168

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

RMB

Company name	Nature of receivables	Closing balance	Aging	(%) of total balance	Closing balance of ECL provision
Client 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) Inventories are classified as follows:

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

(1) 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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 profit 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
Zhangjiagie 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 reduction in investment is the result of the Group's disposal of the company in the current year.

11. Other equity instrument investments

(1) Other equity instrument investments

RMB

Item	Closing balance	Opening balance
Equity investment projects of unlisted companies No.1	33,774,995	38,230,101
Equity investment projects of unlisted companies No.2	2,775,600	2,775,600
Subtotal	36,550,595	41,005,701
Less: Impairment provision for equity investment projects of 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
Investments in equity instruments of unlisted companies	1,133,360	22,050,329	2,775,600	-	/
Total	1,133,360	22,050,329	2,775,600	-	/

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
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 Summary of fixed assets

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) Transfer 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 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	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	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. Impairment provision					
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	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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13. Fixed assets - continued

13.2 Fixed assets - continued

(1) Fixed assets - continued

As at 31 December 2020, buildings and machinery and equipment with carrying amount of RMB 5,896,890 (cost of RMB 8,083,098) (31 December 2019: the carrying amount of RMB 208,437,226 and the cost of RMB 399,733,642) 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 held under finance lease

RMB				
Item	Cost	Accumulated depreciation	Impairment provision	Carrying amount
Machinery and equipment	290,000,000	193,055,556	-	96,944,444

(1) Fixed assets leased under operating lease

RMB	
Item	Carrying amount at 31 December 2020
Concrete batching plant	17,714,993

14. Construction in progress

14.1 Summary of construction in progress

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 14. Construction in progress - continued

## 14.2 Construction in progress

## (1) Construction in progress

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

RMB

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 14. Construction in progress - continued

## 14.2 Construction in progress - continued

## (2) Movements of 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 (%) (Note)	Construction progress (%) (Note)	Accumulated capitalized interest	Including: Capitalized interest for the period	Interest capitalization rate for the period	Source of funds
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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Construction in progress - continued

14.2 Construction in progress - continued

(3) Impairment provision for construction in progress in the current period

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 the 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

Item	Closing balance			Opening balance		
	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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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) Transfer 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	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 RMB 6,254,797 (the cost of RMB 8,497,487) (31 December 2019: the carrying amount of RMB 9,660,241 and the cost of RMB 12,997,487) are treated as collaterals for short-term and long-term bank borrowings. Details are set out in Note V, 19.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Goodwill

(1) Original carrying amount of goodwill

RMB

Name of investee	Opening balance	Addition	Reduction	Closing balance
		Goodwill arising from business combinations	Goodwill arising from deregistration subsidiaries	
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 December 31, 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 flow based on the company's past performance, current production situation and management for the development of the market expectations, estimates that one part of the next five years, is determined based on the financial budget management to approve the cash flow after 2025 calculated according to 0% growth rate, gross margins remain unchanged, and discount the future cash flow uses the discount rate of 16%. In the opinion of the Group's management, any reasonable change in the above assumptions will not cause the carrying value of the Group's goodwill to exceed the recoverable amount of the asset group to which the goodwill belongs, and it is determined that there has been no impairment of the goodwill.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Goodwill - continued

On 31 December 2020, the Group assessed the recoverability of the goodwill associated with 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 terms of the present value of the expected future cash flows. Future cash flow based on the company's past performance, current production situation and management for the development of the market expectations, estimates that one part of the next five years, is determined based on the financial budget management to approve the cash flow after 2025 calculated according to 0% growth rate, gross margins remain unchanged, and uses the discount rate of 18% to discount the future cash flow. In the opinion of the Group's management, any reasonable change in the above assumptions will not cause the carrying value of the Group's goodwill to exceed the recoverable amount of the asset group to which the goodwill belongs, and it is determined that there has been no impairment of the goodwill.

On December 31, 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 according to the present value of the expected future cash flows. Future cash flow based on the company's past performance, current production situation and management for the development of the market expectations, estimates that one part of the next five years, is determined based on the financial budget management to approve the cash flow after 2025 calculated according to 0% growth rate, gross margins remain unchanged, and uses the discount rate of 16% to discount the future cash flow. In the opinion of the Group's management, any reasonable change in the above assumptions will not cause the carrying value of the Group's goodwill to exceed the recoverable amount of the asset group to which the goodwill belongs, and it is determined that there has been no impairment of the goodwill.

At 31 December 2020, the Group assessed the recoverability of goodwill in relation to the asset groups of Netnix Limited and its subsidiaries. The recoverable amount of Netnix Limited and its subsidiaries' asset groups was determined by the present value of the expected future cash flows. Future cash flow based on the company's past performance, current production situation and management for the development of the market expectations, estimates that one part of the next five years, is determined based on the financial budget management to approve the cash flow after 2025 calculated according to 0% growth rate, gross margins remain unchanged, and uses the discount rate of 18% to discount the future cash flow. In the opinion of the Group's management, any reasonable change in the above assumptions will not cause the carrying value of the Group's goodwill to exceed the recoverable amount of the asset group to which the goodwill belongs, and it is determined that there has been no impairment of the goodwill.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible 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 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) Deferred tax liabilities before offsetting

RMB

Item	Closing balance		Opening balance	
	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) Deferred tax assets and deferred tax liabilities that are presented at the net amount 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Deferred tax assets/Deferred tax liabilities - continued

(4) Details of unrecognized deferred tax assets

RMB

Item	Closing balance	Opening balance
Deductible temporary differences	2,891,063,013	3,039,336,630
Deductible losses	794,131,021	883,645,739
Total	3,685,194,034	3,922,982,369

(5) Deductible losses for which no deferred tax assets are recognized 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 RMB 13,000,000 (31 December 2019: RMB 13,000,000).

Note 2: As at 31 December 2020, unsecured bank borrowings included RMB 612,000,000 (31 December 2019: RMB 84,000,000) 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 20. Notes payable

RMB

	Closing balance	Opening balance
Bank acceptance	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		616,086,758
Total		616,086,758

## 23. Contract liabilities

	Closing balance	Opening balance
Advance from clients	830,492,042	
Total	830,492,042	

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. Employee benefits payable

(1) 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 RMB 50,769,493 and RMB 1,720,543 (2019: RMB 214,474,239 and RMB 7,432,225) 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 RMB 10,920,195 and RMB 771,941 (31 December 2019: RMB 3,685,183 and RMB 731,572). The relevant outstanding expenses have been paid after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

26. Other payables - continued

26.4 Other payables

(1) Other payables by nature

RMB

Item	Closing balance	Opening balance
Payables for acquisition of equity interests	218,043,450	113,940,515
Amounts due to/from 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) Significant other payables aged over 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

28. Long-term borrowings - continued

(1) Categories of long-term borrowings - continued

Note 1: As at 31 December 2020, unsecured bank borrowings include long-term borrowings of RMB 930,341,766 guaranteed by the Company for subsidiaries of the Group and dollar loans equivalent to RMB 156,261,623 (31 December 2019: long-term borrowings of RMB 1,149,638,888 and dollar loans equivalent to RMB 347,465,733). 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 RMB 526,140,000 (31 December 2019: RMB 639,000,000) are equity of part of the Group's 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 RMB 45,000,000).

Note 4: As at 31 December 2020, long-term borrowings are DKK borrowings equivalent to RMB 722,662 (31 December 2019: RMB 2,102,259), 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	-	1,198,058,176
Overseas bonds issued in 2020	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 RMB 1.2 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

29. Bonds payable - continued

(2) Changes in bonds payable - continued

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 RMB 84,155,203 which were guaranteed by finance lease deposits of RMB 15,000,000 (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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31. Long-term employee benefits payable

(1) Long-term employee benefits payable by nature

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

RMB

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 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))

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 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	Reasons
Government grants	317,140,694	19,097,236	34,838,164	301,399,766	Government grants related to assets	Receipts of 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

RMB

Item	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 RMB 610,051,971 for the employee incentive plan.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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
Transfer 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				Closing balance
		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	
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)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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 RMB 159,194,595). 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 RMB 2,530,436,948 of cash dividends to the whole shareholders.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Operating income and operating costs

(1) Operating income and operating costs

RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Costs	Income	Costs
Main 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 generated from contracts

RMB

Item	Amount for the current period		Amount for the prior period	
	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

Analysis of other operations by product is set out as below:

RMB

Item	Amount for the current period		Amount for the prior period	
	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 self-pickup business, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of deliver the goods; for distribution business, 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

For the year ended 31 December 2020, the amount of revenue for which the contracts have been signed by the Group but have not been fulfilled or completely fulfilled is RMB 830,492,042, which will totally be recognized as revenue within one year in the future.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 40. Operating income and operating costs - continued

(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 outsourced 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 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 RMB 101,603,494 in the current year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 51. Non-operating income

RMB

Item	Amount for the current period	Amount for the prior period	Amount 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	Amount 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) Reconciliation between accounting profits and income tax expenses

RMB

Item	2020	2019
Total profit	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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 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
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
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
<b>2. Net changes in cash and cash equivalents:</b>		
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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

55. Supplementary information to the cash flow statement - continued

(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: ash 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 or use right

RMB

Item	Closing balance	Opening balance
Cash and bank balances (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 RMB 4,526,129,297. (31 December 2019: approximately RMB 4,904,996,818).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

57. Foreign currency monetary items

(1) Foreign currency monetary items

RMB

Item	Closing balance of foreign currency	Exchange rate	RMB balance
<b>Cash and bank balances</b>			
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
<b>Accounts receivable</b>			
Including: USD	228,455	6.5249	1,490,643
RMB	19,430	1.0000	19,430
<b>Other receivables</b>			
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
<b>Non-current liabilities due within one year</b>			
Including: USD	16,510,000	6.5249	107,726,099
DKK	670,000	1.0786	722,662
<b>Long-term borrowings</b>			
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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## VI. CHANGES IN SCOPE OF CONSOLIDATION

### 1. Business combinations not involving enterprises under common control

#### (1) Business combinations not involving enterprises under common control

RMB

Name of acquiree	Equity acquisition cost	Proportion acquired (%)	Acquisition approach	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 cost and goodwill

RMB

Acquisition cost	Maweni Limestone Ltd
-Cash	21,500,793
-Amounts expected to be paid (Note)	128,027,464
Total combination cost	149,528,257
Less: Share of fair value of identifiable net asset acquired	149,528,257
Amount of acquisition cost 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 RMB 236,071,742) (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 RMB 128,027,464)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## VI. CHANGES IN SCOPE OF CONSOLIDATION - continued

## 1. Business combinations not involving enterprises under common control - continued

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

Item	Maweni Limestone Ltd	
	Fair value at the acquisition date	Carrying amount at 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 RMB 210,000,000. 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 RMB 37,521,174 are recognized in investment income.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 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 (%)		Acquisition method
				Directly	Indirectly	
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
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.	Lengshui Jiang	Lengshui Jiang	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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## VII. EQUITY INTERESTS IN OTHER ENTITIES - continued

### 1. Equity interests in subsidiaries - continued

#### (1) Components of the Group - continued

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Directly	Indirectly	
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
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 (Ezhou) 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 (Chongyang) Co., Ltd.	Xianning	Xianning	Production and sale of cement	0	51	Business combination
Huaxin Concrete (Daxian) Co., Ltd.	Daxian	Daxian	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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## VII. EQUITY INTERESTS IN OTHER ENTITIES - continued

### 1. Equity interests in subsidiaries - continued

#### (1) Components of the Group - continued

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Direct	Indirect	
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
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 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 (Ezhou) 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

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VII. EQUITY INTERESTS IN OTHER ENTITIES - continued

1. Equity interests in subsidiaries - continued

(1) Components of the Group - continued

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Direct	Indirect	
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
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
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
HXInternational (Tanzania) Limited.	Tanzania	Tanzania	Investment	0	100	Set up
NETNIX LIMITED	Cyprus	Cyprus	Investment	0	100	Business combination
Yuzhno-Kyrgyzskiy 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

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FOR THE YEAR ENDED 31 DECEMBER 2020

**VII. EQUITY INTERESTS IN OTHER ENTITIES - continued**

**1. Equity interests in subsidiaries - continued**

**(1) Components of the Group - continued**

Subsidiaries	Place of business	Place of registration	Nature of business	Proportion of ownership interest (%)		Acquisition method
				Direct	Indirect	
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
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 Limited. The approval mechanism of the board of directors of Huaxin Hong Kong (Central Asia) Investment is simple majority, and the Group is eligible to assign three out of the five directors. Hence, the Group obtains control of Huaxin Hong Kong (Central Asia) Investment Limited.

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 Limited	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

NOTES TO THE FINANCIAL STATEMENTS  
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**VII. EQUITY INTERESTS IN OTHER ENTITIES - continued**

**1. Equity interests in subsidiaries - continued**

(3) Key financial information of significant non-wholly subsidiaries

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 Limited	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
Cambodia 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 Limited	855,278,792	213,684,099	79,537,210	351,253,662	849,347,632	239,833,541	234,610,488	446,728,565
Cambodia 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



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**VII. EQUITY INTERESTS IN OTHER ENTITIES - continued**

**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 (%)		Accounting treatment for investment in associate
				Direct	Indirect	
Tibet High-tech Building Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	43	0	Equity method

(2) Key financial information of significant associate

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 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**VII. EQUITY INTERESTS IN OTHER ENTITIES - continued**

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

(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	-

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

# 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. 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 restricted at a certain level.

RMB

	Closing balance	Opening balance
<b>Financial assets</b>		
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
<b>Financial liabilities</b>		
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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

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

**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 monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1. Currency risk

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

The Finance Department of the Head Office of the Group monitors the Group's foreign currency transactions and the scale of foreign currency assets and liabilities, to reduce the foreign exchange risks to the greatest extent; therefore, the Group is likely to avoid foreign exchange risks by signing forward exchange contracts or currency swaps. For 2020 and 2019, the Group did not enter into any forward 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

**1. Risk management objectives and policies - continued**

1.1 Market risk - continued

1.1.1. Currency risk - continued

Sensitivity analysis on currency risk

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

RMB

Item	Change in exchange rate	Current period		Prior period	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on 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 floating-rate bank borrowings. As at 31 December 2020, the balance of the Group's long-term borrowings at floating rate was RMB 4,107,824,221(31 December 2019: RMB 2,038,842,443) (please refer to Note V, 28 for details). Financial liabilities with floating rates expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Finance Department of the Head Office of the Group continues to monitor the Group's interest rate level. Increase in interest rates will increase the costs of new interest-bearing liabilities and the interest expenses with respect to the Group's outstanding floating rate liabilities, and therefore have a material adverse effect on the Group's financial results. The management will make adjustments which are likely to mitigate interest rate risks through interest rate swaps in accordance with the latest market conditions. For 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 and the borrowing rate determined at floating rate increases or decreases by 100 base points, the reasonably possible changes in the interest rate may have the following effect on the pre-tax profit and shareholders' equity:

RMB

Change in interest rate	Current period		Prior period	
	Effect on profit before tax	Effect on shareholders' equity	Effect on profit before tax	Effect on shareholders' equity
Benchmark interest rate increased by 1%	(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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

**1. Risk management objectives and policies - continued**

**1.1 Market risk - continued**

**1.1.3. Other price risk**

The Group's investments classified as other equity instrument investments and other non-current financial assets are measured at fair value at each balance sheet date. As at 31 December 2020, the other equity instrument investments and other non-current financial assets held by the Group were not significant, therefore, the risk level of changes in the security market the Group exposed to was not significant.

**1.2 Credit risk**

At 31 December 2020, the maximum exposure to credit risk which will cause a financial loss to the Group is arising from the failure to discharge an obligation by the counterparties, which specifically includes cash and bank balances (Note 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 clients, 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 clients is amounted to 111,267,028 (31 December 2019: RMB 118,781,603), representing 14% (31 December 2019: 17%) of the balance of the Group's accounts receivable. In addition, the Group has no other credit risk exposure concentrated on a single financial asset or a portfolio of financial assets sharing similar characteristics.

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

RMB

Item	Note	12-month or lifetime ECL	
		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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**

**1. Risk management objectives and policies - continued**

**1.2 Credit risk- continued**

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

**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 Head Office 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 commitment to be provided sufficient reserve fund from the major financial institutions to meet short-term and long-term capital demands.

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

RMB

	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 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	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) Monetary 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 continuous and non-continuous level 1 fair value measurement items

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 parameters adopted for continuous and non-continuous Level 2 fair value measurement items

The fair value of the aforesaid monetary market fund is determined based on its transaction price in the near term.

### 4. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous Level 3 fair value measurement items

For fair value of the above other equity instrument investment, the Group refers to the price-to-book ratio of the listed controlling shareholder of the investee and considers a liquidity discount for valuation.

### 5. The reconciliation information of opening and closing carrying amounts of items measured at Level 3 fair value continuously and discontinuously

RMB

Item	1 January 2020	Total losses for the period	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
		Included in other comprehensive income		
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 Company's financial assets and financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 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 shareholding of the major shareholders in the Company	Proportion of voting rights of major shareholders in the Company
Holchin B.V.	Amsterdam, Holland	Establishing companies and other enterprises; acquiring, managing, supervising, and transferring the equity and other interests of legal persons, companies, and enterprises	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.	RMB 340,000,000	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, the voting rights of Holchin B.V. in the Company is 41.84%.

### 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**  
- continued

**5. Related party transactions**

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

Purchases of goods/receipts of services

RMB

Related parties	Related party transactions	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	Related party 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.	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	Related party 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**  
- continued

**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	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 the estimate in the current period and that in the prior period	None
Amounts of equity-settled share-based payments accumulated in capital reserve	29,227,385
Total expenses recognised arising from equity-settled share-based payments	29,227,385

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**XI. SHARE-BASED PAYMENTS - continued**

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

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 RMB 26.88 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
Accumulated amounts of the liabilities arising from cash-settled share-based payments	171,757,079
Total expenses recognised arising from cash-settled share-based payments in the current period	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.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

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**XII. COMMITMENTS AND CONTINGENCIES - continued****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 has applied for issuance of many bank acceptances via online supply chain of Ping'an Bank and Zhuzhou Cement has issued the confirmation of the commercial acceptances received. Ping'an Bank required Zhuzhou Cement to assume refund liability for the principal of RMB 41, 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's 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 RMB 22,369,475. 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.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

### 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 RMB 2,093,874,372 to all shareholders. The above proposal is pending approval by the shareholders' meeting.

#### 2. Notes to other events after the balance sheet date

On February 4, 2021, the Group entered into an equity transfer agreement with Lin Minwu, Ou Xiaobiao, He Minzhen and Zeng Dexin etc. to purchase 100% equity interests of Hainan Xin Hong Da Building Materials Co., LTD. at a consideration of RMB 186,696,200. As of the approval date for the issue of the financial statements, the group has paid the entire consideration, and completed the industrial and commercial change registration on February 9, 2021.

On February 7, 2021, the Group entered into an equity transfer agreement with Peng Anfu, Peng Min, and Huo Qi etc. to purchase 100% equity interests of Yidu Hong Hua Xin Tong Logistics Co., LTD. at a consideration of RMB 58,800,000. As of the approval date for the issue of the financial statements, the group has paid the entire consideration, and completed the industrial and commercial change registration on March 9, 2021.

### XIV. SEGMENT REPORTING

#### 1. Determination basis and accounting policies of reporting segments

Operating income, expenses, assets and liabilities of the Group are primarily attributable to manufacturing and sales of cement and related products. No segment information of the Group is presented considering the internal organization structure, management requirement and the internal financial reporting system, and similar business nature of various subsidiaries within the Group.

#### 2. Financial information of reporting segments

Non-current assets by geographical location

		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.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**

**1. Accounts receivable**

(1) Disclosure by aging

RMB

Aging	31 December 2020	31 December 2019
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

Category	Closing balance					Opening balance				
	Account balance		Bad debt provision		Carrying amount	Account balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
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

Name	Closing balance		
	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

Name	Closing balance		
	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	



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued**

**1. Accounts receivable - continued**

(3) Bad debt provision

Changes in bad debt provision for accounts receivable:

RMB

Category	Opening balance	Changes for the period		Closing balance
		Provision	Recovery or reversal	
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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued**

**2. Other receivables - continued**

**2.3 Other receivables**

(1) Disclosure by aging

RMB

Aging	31 December 2020	31 December 2019
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

Category	Opening balance	Changes for the period			Closing balance
		Provision	Recovery or reversal	Write-off or elimination	
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	-

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

## 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		Closing balance	Balance of impairment provision
		Additional investment	Decrease in investment		
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	-
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	-
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	-
Mauritius 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

**XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued**

**3. Long-term equity investments - continued**

(2) Associates

RMB

	Balance at 31 December 2018	Changes for the period				Balance at 31 December 2020
		Decrease in investment	Investment profit or loss recognized under equity method	Other equity changes	Declared cash dividends	
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		Amount for the prior period	
	Income	Costs	Income	Costs
Main 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
Income 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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

6. Supplementary information to the cash flow statement

RMB

Supplementary information	Amount for the current period	Amount for the prior period
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
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 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 operating activities	269,504,744	(760,585,344)
<b>2. Net changes in cash and cash equivalents:</b>		
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)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

**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