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Huaxin Cement Co., Ltd.*

華新水泥股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 6655)

**RESULTS ANNOUNCEMENT FOR THE YEAR ENDED
31 DECEMBER 2021**

HIGHLIGHTS

- Revenue of the Company for the year 2021 amounted to approximately RMB32.464 billion, representing an increase of 10.59% over that of 2020;
- Net profit attributable to equity shareholders of the Company for the year 2021 amounted to approximately RMB5.364 billion, representing a decrease of 4.74% over that of 2020;
- Earnings per share for the year 2021 were RMB2.58, representing a decrease of 4.09% over that of 2020.

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

I. BASIC CORPORATE INFORMATION OF THE COMPANY

1. Basic information

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

2. Contact persons and means of contact

Title	Secretary to the board of directors	Securities Affairs Representative
Name	YE Jiaying	WANG Lu
Contact address	Block B, Huaxin Building No. 426, Gaoxin Avenue Donghu New Technology Development Zone Wuhan, Hubei Province	Block B, Huaxin Building No. 426, Gaoxin Avenue Donghu New Technology Development Zone Wuhan, Hubei Province
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II. SUMMARY OF ACCOUNTING DATA AND OPERATIONAL INFORMATION

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

Table I:

(Unit: RMB)

Item	2021	2020	Year-on-year change (%) between 2021 and 2020	2019
Revenue	32,464,083,379	29,356,515,691	10.59	31,439,214,600
Net profit attributable to equity shareholders of the Company	5,363,525,692	5,630,598,812	-4.74	6,342,304,317
Net profit after extraordinary items attributable to equity Shareholders of the Company	5,304,878,118	5,553,708,292	-4.48	6,179,988,412
Basic earnings per share (RMB/share)	2.58	2.69	-4.09	3.03
Diluted earnings per share (RMB/share)	2.58	2.69	-4.09	3.03
Basic earnings per share after extraordinary items (RMB/share)	2.55	2.65	-3.77	2.95
Weighted average return on net assets (%)	21.30	25.03	Decreased by 3.73 percentage points	33.63
Diluted return on net assets after extraordinary items (%)	21.07	24.68	Decreased by 3.61 percentage points	32.77
Net cash flow generated from operating activities	7,594,957,122	8,405,472,760	-9.64	9,679,185,865

III. SHAREHOLDERS

1. Shareholders

- (1) To the best knowledge of the Company, as at 31 December 2021, the total number of registered shareholders of the Company was 88,708; as at 28 February 2022, the total number of registered shareholders of the Company was 81,804.
- (2) To the best knowledge of the Company, as at 31 December 2021, the shareholdings of the top 10 registered shareholders of the Company are set out as follows:

No.	Full name of shareholders	Number of shares held	Proportion (%)	Class of shares	Pledged, marked or locked-up		Shareholder type
					Status	Quantity	
1	HOLCHIN B.V.	451,333,201 384,210,624	39.85	A share B share	None	0	Overseas legal person
2	Huaxin Group Co., Ltd.	338,060,739	16.12	A share	None	0	State-owned legal person
3	Hong Kong Securities Clearing Company Limited	59,787,210	2.85	A share	None	0	Overseas legal person
4	HOLPAC LIMITED	41,691,843	1.99	B share	None	0	Overseas legal person
5	Huaxin Cement Co., Ltd. – 2020-2022 Core Employee Stock Ownership Plan	21,039,361	1.00	A share	None	0	Others
6	China Railway Wuhan Bureau Group Co., Ltd.	11,289,600	0.54	A share	None	0	Domestic legal person
7	Dai Deming	8,850,000	0.42	A share	None	0	Domestic natural person
8	National Social Security Fund 413 Portfolio	8,700,000	0.41	A share	None	0	Others
9	GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	7,998,584	0.38	B share	None	0	Overseas legal person
10	Bank of China Limited – ICBC Credit Suisse Core Hybrid Securities Investment Fund	7,505,734	0.36	A share	None	0	Others

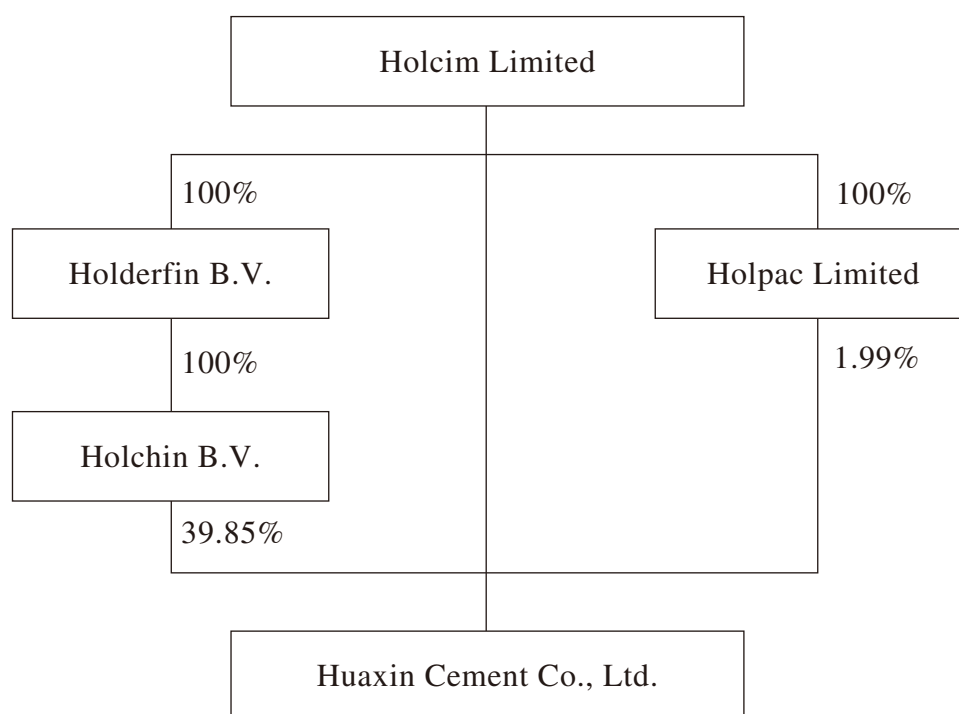
Notes:

- (1) During the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”), there was no change in the number of the shares of the Company held by Holchin B.V. and Holpac Limited. The shares held by Holchin B.V. and Holpac Limited were not subject to any pledge, freezing order or trust.
- (2) The shares mentioned above are not subject to any trading moratorium.
- (3) Saved that Holchin B.V. and Holpac Limited are wholly-owned subsidiaries of Holcim Limited, the board (the “**Board**”) of directors (the “**Directors**”) of the Company is not aware of any other connected relationship among the top ten shareholders.

2. Information on the controlling shareholder and de facto controller

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

As at 31 December 2021, Holcim Limited was the controlling shareholder as well as the de facto controller of the Company. The following chart sets out the shareholding relationship structure between the Company and Holcim Limited:



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

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

IV. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

VI. REVIEW OF RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises five Directors, being Mr. XU Yongmo, as Chairman and non-executive Director, and Ms. Geraldine PICAUD, as non-executive Directors, Mr. WONG Kun Kau, Mr. ZHANG Jiping and Mr. JIANG Hong, as independent non-executive Directors. The financial report and results announcement of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Board. All of the Directors agree and confirm their individual and collective responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the financial status, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2021, applicable accounting policies have been adopted and applied consistently.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Deloitte Touche Tohmatsu Certified Public Accountants LLP in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte Touche Tohmatsu Certified Public Accountants LLP on the preliminary announcement.

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

(1) Overview of operation development

2021 marks the beginning of Fourteenth Five Year Plan, also the first year of Carbon Neutrality and Carbon Peak Initiative. Under the circumstances of overcapacity, overweight on low carbon, energy supply crunch and drastic fluctuation of supply and demand, the Group still anchored the established target of Doubling Performance in Five Years, adhered to green and low carbon development. During the Reporting Period, the Group further implemented the strategy of “Integrated Transformation Development, Overseas Expansion, High-tech Building Materials Expansion and Traditional Industry + Digital Innovation”, contributing to the significant expansion of the non-cement business capacity. The Group adjusted the organization structure, thus accelerating the integrated transformation development; intensified efforts in compliance of resources, safety and environment, and strictly controlled the risks of asset, product quality, compliance and corruption to ensure the enterprise development; adhered to the business strategy of “stable price and quality, stable operation” to maintain the stability of business performance. In 2021, the Group has made breakthroughs in various aspects and achieved high quality, high speed and high efficiency development, revealing a good start for the Fourteenth Five Year Plan.

During the Reporting Period, the Company accelerated the layout of its non-cement business, aiming to transform to an intergrated industrial chain of aggregates, concrete, wall materials, environmental protection business, packaging and equipment engineering, on the basis of its core business – cement. In relation to the cement business, the acquired cement assets in Zambia and Malawi were successfully delivered during the year, increasing the capacity of cement by 1.75 million tons. The Company also completed the renovation of the cement grinding line in Maveni plant in Tanzania during the Reporting Period. Moreover, a cement and clinker line with the capacity of 2,800 ton per day was officially put into operation in Narayani, Nepal on 8 January 2022, against all the odds. As to aggregate business, 12 aggregate production lines including Zhaotong, Chibi Phase II and Hefeng were put into operation; 10 aggregate projects are under construction, including the Yangxin 100 million tons machine-made sand project, proceeding steadily. After all the projects are put into operation, the aggregate production capacity is expected to reach 270 million tons per year, which will significantly enhance the Group’s competitiveness. In addition, the concrete integration business has been rapidly expanded, where 20 concrete integration sites such as Chibi, Chenzhou, Shuicheng, and Zhaotong were completed and put into operation, and Yueyang and Jingzhou grinding stations were upgraded to concrete integration stations. The Company firmly implemented the integration strategy along the Yangtze River and added two new sites based on the launch of Changzhou project, increasing the capacity of concrete production by 16.7 million cubic meters per year. Regarding the eco business, Shiyan domestic wastes disposal (phase II) was successfully expanded; Shannan household wastes (phase II), Chongqing

Shuangqiao hazardous wastes, Shigatse hazardous wastes and other projects passed the environmental impact assessment and obtained approval. The Company also launched the alternative fuel project and completed standardized design in a short period, where 16 relevant projects passed the environmental impact assessment and obtained approval. More than 10 projects including Sangzhi, Diqing, Dongchuan, and Fangxian are under civil engineering construction. In terms of the emerging business, the production lines of Zhuzhou eco bricks and Jianchuan eco bricks were put into operation, increasing the capacity of eco bricks by 180 million. The acquisition of the first aerated block brick/board plant in Hainan was successfully completed and the operation of Yunxian aerated block production line was put into operation, adding 850,000 cubic meters per year. Changyang ceramicsite, Xiangyang lime and Wanyuan lime projects were put into operation, together increasing the capacity of lime by 390,000 tons per year. In terms of resource acquisition, the Company acquired 1.49 billion tons of lime and sand shale during the Reporting Period, and obtained mining licenses for a total of 3.6 billion tons of resource reserves.

(2) Major operational information during the Reporting Period

1. Analysis of revenue and cost

Principal activities by product and area

(Unit: RMB)

Major business performance according to products

Product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
Cement	24,067,650,740	15,924,573,208	33.83	1.84	10.72	Decreased by 5.31 percentage points
Concrete	3,175,398,379	2,578,492,840	18.8	68.94	70.31	Decreased by 0.65 percentage points
Aggregate	2,053,535,770	706,001,928	65.62	73.57	59.52	Increased by 3.03 percentage points
Commercial clinker	1,606,353,621	1,314,106,783	18.19	22.36	45.59	Decreased by 13.05 percentage points
Others	1,561,144,869	869,319,706	44.32	15.73	9.56	Increased by 3.14 percentage points
Total	32,464,083,379	21,392,494,465	34.10	10.59	18.61	Decreased by 4.46 percentage points

Major business performance in different areas

(Unit: RMB)

Areas	Operating revenue	Operating revenue over last year (%)
Hubei	10,937,873,007	23.43
Hunan	2,608,969,488	-7.27
Sichuan	2,098,820,692	3.38
Yunnan	4,982,708,654	-13.16
Tibet	950,722,504	-38.45
Chongqing	1,937,854,607	-19.48
Henan	773,585,456	31.34
Jiangsu	2,111,605,491	149.05
Jiangxi	303,685,930	1.41
Anhui	715,944,446	46.79
Shanghai	533,505,245	78.90
Guangxi	157,822,179	-19.42
Guangdong	1,153,205,610	32.12
Guizhou	331,729,079	-3.23
Overseas	2,582,895,534	36.67
Others	283,155,457	104.81
Total	32,464,083,379	10.59

In 2021, operating revenue amounted to RMB32.464 billion, representing an increase of RMB3.108 billion or 10.59% as compared with the same period of the preceding year, of which the sales volume of cement and clinker amounted to 75.27 million tons, representing a decrease of 732,600 tons or 0.96% as compared with the same period of the preceding year, due to the impact from significant increase in steel prices and insufficient infrastructure construction. However, as the National Development and Reform Commission issued the Plan for Improving the System of Dual Control over Energy Consumption Intensity and Total Consumption (《完善能源消費強度和總量雙控制度方案》), power rationing policy led to a significant increase in upstream coal prices, resulting in the rise of the average cement price increasing by RMB12.00 per ton, representing a year-on-year increase of 3.62%, and the average clinker price increased by RMB29.97 per ton, representing a year-on-year increase of 10.60%, thereby the sales revenue of cement and clinker increased by 729 million. The sales volume of concrete increased by 4.4461 million cubic meters year on year to 9.05 million cubic meters, representing a year-on-year increase of 96.49%, which offset the influence of price decline by RMB57.2 per cubic meters or a year-on-year decrease of 14.02%. The revenue of concrete still soared RMB1.296 billion. The sales of aggregate creased by 11.919 million tons to 34.97 million tons, representing a year-on-year increase of 51.71%, price of which also rose by RMB7.4 per ton, representing a year-on-year increase of 14.41%. The revenue of aggregate increased by RMB870 million.

Operating costs in 2021 increased by RMB3.357 billion as compared with the same period of the preceding year. Fuel and power costs for cement and clinker increased significantly due to the increase in coal prices, of which the unit costs of cement and clinker products increased by RMB25.72 per ton and RMB61.44 per ton, respectively, as compared with the same period of the preceding year. The sales volume of concrete and aggregate increased year on year, resulting an increase in operating costs by RMB1.461 billion and RMB229 million, respectively.

The increase in the cement and clinker price can not fully offset the adverse impact of the increase of the cost and decline in the sales of cement. During the Reporting Period, the gross profit margin of cement decreased by 4.46 percentage points year-on-year.

Due to the decrease in the cement prices in Yunnan, Tibet, Chongqing and other western regions, the operating income dropped by more than 10% as compared with the same period of the preceding year. Due to the overseas acquisitions and equipment renovation, the overseas income increased by more than 35%.

2. Analysis of costs and expenses

According to products

(Unit: RMB)

Product	Cost item	Current period amount	Proportion of the total cost (%)	Same period of last year	Proportion of the total cost (%)	Change over the same period of last year (%)
Cement	Raw materials	2,012,104,613	12.6	2,158,493,336	15.0	-6.8
	Fuel and power	9,270,191,489	58.2	7,616,675,608	53.0	21.7
	Depreciation and amortization	1,211,460,257	7.6	1,106,969,144	7.7	9.4
	Labor and Others	3,430,816,849	21.5	3,500,466,491	24.3	-2.0
Clinker	Raw materials	90,614,072	6.9	80,070,006	8.9	13.2
	Fuel and power	849,282,754	64.6	555,480,364	61.5	52.9
	Depreciation and amortization	94,608,433	7.2	68,380,556	7.6	38.4
	Labor and Others	279,601,524	21.3	198,696,612	22.0	40.7
Concrete	Raw materials	2,163,471,714	83.9	1,255,315,311	82.9	72.3
	Fuel and power	11,509,840	0.4	6,919,526	0.5	66.3
	Depreciation and amortization	60,258,048	2.3	30,362,877	2.0	98.5
	Labor and Others	343,253,238	13.3	221,398,597	14.6	55.0

Due to the significant rise in the coal costs, the fuel and power cost of cement and clinker increased by 5.2 and 3.1 percentage points in terms of proportion of costs, respectively, as compared with the same period of the preceding year.

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

(Unit: RMB)

Items	2021	2020	Change (%)
Selling and distribution expenses	1,331,208,970	1,427,678,136	-6.76
General and administrative expenses	1,634,697,607	1,604,700,517	1.87
Finance expenses	170,259,608	305,705,509	-44.31

Finance costs decreased by 44.31% year-on-year, mainly attributable to the decrease in foreign exchange loss, and increase in interest income from deposits.

3. Profitability

(Unit: RMB)

Items	2021	2020	Change (%)
Operating revenue	7,444,360,170	7,698,941,776	-3.31
Total profit	7,372,995,844	7,663,645,289	-3.79
Net profit attributable to shareholders of the Company	5,363,525,692	5,630,598,812	-4.74

As a result of the decrease in sales volume of cement and clinker, and increase in the fuel costs, the gross profit of cement and clinker decreased by RMB15 per ton. The Group recorded total profit of RMB7.373 billion, net profit attributable to shareholders of the Company of RMB5.364 billion, representing a year-on-year decrease of 3.79% and 4.74%, respectively.

4. *Financial positions*

Assets and Liabilities

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

(Unit: RMB)

Items	Amount at the end of current period	Percentage of amount at the end of current period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Change of the amount at the end of current period compared with that of last period (%)	Description
Notes receivable	145,430,152	0.28	79,939,117	0.18	81.93	Increase in the collection of notes receivable
Accounts receivable	956,580,152	1.82	653,219,779	1.49	46.44	Increase in amounts due from customers for contract work because of the rapid increase of concrete business
Inventory	3,541,954,674	6.74	2,349,156,189	5.35	50.78	Combined effect of the expansion of the Company's operation scale and increase in coal price and finished products costs
Other equity instrument investment	55,867,066	0.11	33,774,995	0.08	65.41	Increase in the valuation of the unlisted equity investment
Construction in progress	4,199,141,042	7.99	3,104,429,340	7.07	35.26	Increase in the number of new items such as aggregate and concrete projects and continuous investment in the ongoing projects
Intangible assets	7,377,964,445	14.04	4,267,008,181	9.71	72.91	Combined effect of the acquisition of additional mining rights and the increase in mergers and acquisition projects
Goodwill	643,192,969	1.22	476,084,798	1.08	35.10	M&A increase in Hainan and Zambia
Long-term prepaid expenses	582,072,668	1.11	363,760,774	0.83	60.02	Increase in the expense of mining development
Other non-current assets	951,124,092	1.81	341,608,498	0.78	178.43	Increase in Prepayment of construction projects and the investment in M&A
Notes payable	670,993,082	1.28	472,696,537	1.08	41.95	Increase in note payments for fuel
Accounts payable	7,112,302,355	13.53	5,297,633,770	12.06	34.25	Increase in procurement amount due to the expansion of the Company's operation scale

Items	Amount at the end of current period	Percentage of amount at the end of current period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Change of the amount at the end of current period compared with that of last period (%)	Description
Current portion of non-current liabilities	1,213,650,184	2.31	1,874,484,159	4.27	-35.25	Corporate bonds due for repayment
Long-term borrowings	5,081,924,506	9.67	3,504,279,973	7.98	45.02	Increase in project loans
Debentures payable	3,327,860,620	6.33	1,943,763,447	4.42	71.21	New issuance of corporate bonds of RMB1.3 billion
Long-term payables	463,257,160	0.88	191,011,663	0.43	142.53	Increase in installment payments for mining rights
Long-term employee benefits payable	54,458,394	0.10	127,205,104	0.29	-57.19	Due to the upcoming grant of the long-term incentives, the amount of the incentive was transferred to current liabilities
Provisions	347,473,462	0.66	233,393,286	0.53	48.88	Increase in environmental restoration and management fees for mines
Deferred income tax liabilities	572,865,342	1.09	284,920,603	0.65	101.06	Increase in deferred income tax liabilities due to the increase in the valuation on M&A in Africa

Analysis of cash flow

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

(Unit: RMB)

	Amount for current period	Amount for same period of last year	Changes (%)
Net cash flow from operating activities	7,594,957,122	8,405,472,760	-9.64
Net cash flow from investing activities	-6,794,063,625	-5,008,041,912	-35.66
Net cash flow from financing activities	-632,252,873	187,685,399	-436.87

The net cash flows generated from investing activities decreased by 35.66% as compared with the same period of the preceding year, primarily due to the increase in investment in aggregate and concrete projects.

The net cash flows generated from financing activities decreased by 436.87% as compared with the same period of the preceding year, primarily due to settlement of maturing corporate bonds.

Analysis of liquidity

(Unit: RMB)

Items	As at 31 December 2021	As at 31 December 2020	Changes (%)
Interest-bearing liability	9,926,870,636	7,880,750,123	25.96%
Current ratio	1.27	1.3	-2.31%
Asset-liability ratio	44.10%	41.40%	Up by 2.69 percentage points

As at the end of the Reporting Period, the amount of interest-bearing liabilities increased by 25.96% as compared with the beginning of 2021, mainly due to the increase in long term borrowings of projects. The overall asset-liability ratio increased by 2.69 percentage points, and the current ratio decreased by 2.31% as compared with last year. As the total cash and bank balances of the Company is able to cover the existing current interest-bearing liabilities, the liquidity risk is relatively low.

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

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

(4) Connected Transactions

From the H Share Listing Date and up to the date of this announcement, the Group did not enter into any connected transactions required to be disclosed under the Listing Rules.

(5) Outlook for 2022

1. Industrial pattern and trend of development

The year 2022 is a critical year connecting the first year and initiating the second year of “Fourteenth Five Year Plan”. Current economy will keep operating within a reasonable range, social fundamentals will be stable. The government fully implements “3060” carbon peak, carbon neutrality. 2022 presents both opportunities and challenges for China’s cement industry. The industry outlooks are as followed:

Differentiated demand of cement in different regions, overall the demand is stable. As Chinese economy faces mounting pressure, it's stated in the central economic conference that the economy work in 2022 should be stable first, progress amid stability and policy stimulus ahead of schedule at an appropriate time. As for infrastructure, central government put forward that properly invest in infrastructure ahead, accelerate to issue special bonds, coordinate regional development. For real estate, central government stay on the track of "houses are for living, not for speculation" and "stabilize land price, housing price and expectation", boosted the basic-need housing construction, driving virtuous circle and healthy development of real estate industry under policies aligning with local conditions. Cement demand in 2022 is expected to differentiate in regions, while demand for cement in regions with economic dynamism and continuous urbanization will remain steady.

"Cutting output" remains the key note in the industry. Demand shrink led to more acute overcapacity. Cement industry is still the key industry of supply side structure reform. As the dual carbon advances, low carbon expectation continuous to be rampant, normalization of off-peak production, electricity limit and dual control on energy consumption and intensity will be the major means to cut supply and effectively solve and phase out overcapacity. In addition, strict control on high consumption and high intensity projects including cement project will facilitate the merge and acquisition of the industry, hence the industry structure will be optimized further.

Energy conservation, carbon reduction, industry chain expansion has become the new battlefield for industry competition. Dual carbon, dual control on consumption and intensity will accelerate the upgrade and transformation of green, intelligent and digital development. The leading enterprises of cement industry will keep expanding the industry chain, increase investment in technology innovation, stimulate synergy of the industry, digital and intelligence and layout of new energy to significantly improve the energy efficiency and comprehensive utilization of resources, while the inefficient cement capacity that can't meet the efficiency bar will be phased out.

Cement price under pressure and cost is to rise, stabilize industry performance is more difficult. The coal price keeps surging dramatically. With the the Market-oriented Reform On Grid Electricity Price Of Coal-fired Power Generation, the price of electricity produced by coal increased as well. As the standards in energy consumption, safety, eco, transportation overload restriction and quarry treatment are intensified, cement enterprises needs to add technology investment in compliance, leading to the rise of production cost. Against the backdrop of overcapacity, the only way to maintain demand supply balance is to step up efforts in off-peak production, eco and output limit. Otherwise, cement price will face mounting pressure and fluctuation will be aggravated.

2. *Development strategy of the Company*

2022 is the turning point for the double performance plan of the Group. The Group 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 capacity increase, profit increase and high quality to embrace the test.

3. *Business Plan*

In 2022, the Company plans to sell 74.46 million tons cement and clinker, 18.07 million cubic meters of concrete, 78.22 million tons of aggregate and eco disposal of 3.94 million tons. Total operating revenue of the Company is expected to be RMB37 billion.

In 2022, the Company plans to invest RMB12.2 billion, mainly goes to aggregate business, overseas cement and integration business, among which RMB6 billion for mining licenses and RMB4 billion for fixed assets.

In 2022, total assets of the Company are predicted to be about RMB58.6 billion 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) Adhere to the lifeline of “safety and environmental protection”, and establish a benchmark for clean and civilized production in the industry. Implement health and safety improvement plans, carry out on-site safety audits, and build dual prevention mechanisms in all plants to meet the requirements of the new requirements of the Safety Production Law; carry out environmental audits in a targeted manner, establish a model for ultra-low emissions based on proprietary technologies, and is used for internal promotion.

- (2) Continue to strengthen compliance supervision to guard against and eliminate potential business risks. Organize production in strict accordance with national product quality standards to ensure 100% qualified products; promote plants to obtain mining resources at a reasonable price; introduce digitalization to speed up the intelligent management of legal affairs and prevent legal risks in operation; further promote the creation of “clean and honest Huaxin” activities, to create a clean and upright corporate culture.
- (3) Constantly launch marketing innovation to promote integration development. Expand market along Yangtze River, increase clients layout; optimize the brand system to ensure unified and standard brand; fully utilize digital advantages to extend intelligent marketing to aggregate, concrete and logistics.
- (4) Optimize energy consumption indicators through AFR collaborative utilization, and continue to reduce procurement costs by means of centralized procurement and unified procurement. Increase the proportion of alternative fuel synergy utilization, and the company’s overall TSR will reach more than 10% in 2022. Continue to implement cost benchmarking, formulate targeted cost improvement plans with the help of the best practice share; gradually expand the scope of centralized procurement in the central and western regions, continue to source and carry out cooperation, and purchase high-quality coal resources for overseas plants.
- (5) Unswervingly launch the integrated development of the industry chain. Promote the integrated development of the industrial chain of aggregate, concrete, wall materials, eco disposal, packaging, and equipment engineering with cement as the core.
- (6) Promote the implementation of industrial intelligent products, continue to improve and enhance the industrial intelligence level of plants; realize the upgrade of business intelligence systems such as marketing, procurement, and logistics; further refine monitoring indicators and monitor and analyze early warning conditions.

4. *Potential Risks*

Risks of safe production and compliant operation of low carbon. The Company's production operations cover quarry exploitation, cement and cement product production, hazardous waste, household garbage, sludge disposal and other businesses. With ever more strict requirements for enterprise safety production and environmental protection discharge, once there are any safety and eco accidents, they will bring losses to the Company's reputation and property, and adversely affect the Company's operations. Additionally, against the backdrop of "carbon reduction", the quota for energy consumption will be elevated and more stringent. As the key industry of dual control, cement plants that fail to reach the bar will be deemed as inefficient capacity and phased out.

Overcapacity domestically and price pressure lead to downward performance. Cement demand is highly relevant to national economic development and fixed asset investment and is cyclical. China is accelerating to construct a new landscape, intensifying control on the real estate, coupled with price rise of bulk raw material and fuel, cement demand of China is likely to slide. Unless the overcapacity improves, the competition in the market will continue to intensify and price will be under pressure.

Surging production cost. The cost of fuel ranks the first in the cement production. Demand and policy pushed the coal and power price to rise in 2021. With the goal of carbon peak and carbon neutrality, energy consumption, safety, eco protection, transportation overload and quarry treatment requirements are being elevated. Therefore, enterprises needs to invest more in technology upgrade, contributing to the cost rise. In addition, the concept of "green mountains and lucid waters are gold and silver" gaining momentum, the cost of obtaining quarry right is surging as well.

Risk of operating overseas. Overseas development is one of the four strategies of Huaxin. Different countries have various political, economic, social and religious environment as well as legal systems. Professionals reserve, the epidemic, fluctuated foreign exchange, trade conflict and other uncertainties will pose challenges to the international operation.

To cope with the above risks, the Company shows the sense of responsibility of a large enterprise to actively implements national policies and measures such as "carbon reduction", "dual control of energy consumption and intensity", and local government off-peak production to promote the healthy development of the industry. Apart from that, Huaxin adheres to "innovation, compliance operation, integrated development" to enhance the competitiveness of enterprises. It also adheres to the concept of "safe and environmental discharge as the lifeline of production", increase investment in safe and eco protection to further eliminate/prevent potential environmental risks. By adhering to the customer-centric concept, innovating products, focusing on differentiated competition strategies, and building a digital

marketing ecosystem, Huaxin tries to create differentiated advantages. Huaxin also optimizes energy consumption indicators through AFR collaborative utilization, and continue to reduce procurement costs by means of centralized procurement and unified procurement. Through technological transformation and digital technology innovation, we will build a highly intelligent “unmanned plant” to improve operational efficiency and reduce production costs. Strengthen the cultivation and introduction of compound talents to provide a strong guarantee for “going global”.

VIII. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement, the Group did not have material subsequent events after the Reporting Period to the date of this announcement.

IX. SUGGESTED PROFIT DISTRIBUTION

The net profit of the Company in 2021 amounted to RMB3,256,784,379, and the consolidated net profit attributable to the shareholders amounted to RMB5,363,525,692. The profits of the Company available for distribution was RMB8,364,839,311 as at the end of 31 December 2021.

Based on the Company’s total share capital of 2,096,599,855 shares less the shares stored in the repurchased securities account on the record date for the implementation of the profit distribution for year 2021, a cash dividend of RMB1.00 per share (tax inclusive) was proposed to be distributed to all shareholders. The undistributed amount will be retained as undistributed profit for distribution in future years. No public reserve capitalization is provided in the profit distribution plan for the current financial year.

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

The profit distribution plan is subject to consideration and approval at the 2021 annual general meeting of the Company (the “AGM”). Notice of the 2021 AGM will announce the date of the Company’s 2021 annual general meeting and the related book closure arrangement, as well as the the arrangement of book closure for the final dividend, and will be published in due course.

X. FINANCIAL INFORMATION

Financial information extracted from the audited consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2021 and the audited consolidated balance sheet as at 31 December 2021, together with the 2020 comparative figures, which were prepared under the PRC Accounting Standards for Business Enterprises, are presented as follows:

1. CONSOLIDATED BALANCE SHEET

RMB

Items	Note	31 December 2021	31 December 2020
Current Assets:			
Cash and bank balances		8,836,439,385	8,641,612,847
Held-for-trading financial assets		711,964,323	1,004,581,752
Notes receivable		145,430,152	79,939,117
Accounts receivable	4(1)	956,580,152	653,219,779
Financing with receivables	4(2)	761,050,910	1,020,306,419
Prepayments		339,315,919	378,619,350
Other receivables		356,013,351	375,253,958
Inventories		3,541,954,674	2,349,156,189
Other current assets		477,967,711	631,922,798
Total Current Assets		16,126,716,577	15,134,612,209
Non-current Assets:			
Debt investments		7,500,000	7,500,000
Long-term receivables		35,934,266	29,141,216
Long-term equity investments		523,612,871	512,281,201
Other equity instrument investments		55,867,066	33,774,995
Other non-current financial assets		26,343,260	32,827,254
Fixed assets		21,326,030,410	19,185,630,257
Construction in progress		4,199,141,042	3,104,429,340
Right-of-use assets		273,191,262	–
Intangible assets		7,377,964,445	4,267,008,181
Development expenditure		10,392,804	2,050,090
Goodwill		643,192,969	476,084,798
Long-term prepaid expenses		582,072,668	363,760,774
Deferred tax assets		410,534,318	437,800,338
Other non-current Assets		951,124,092	341,608,498
Total Non-current Assets		36,422,901,473	28,793,896,942
TOTAL ASSETS		52,549,618,050	43,928,509,151

RMB

Items	Note	31 December 2021	31 December 2020
Current Liabilities:			
Short-term borrowings		642,946,608	625,000,000
Notes payable		670,993,082	472,696,537
Accounts payable	4(3)	7,112,302,355	5,297,633,770
Contract liabilities		847,443,693	830,492,042
Employee benefits payable		409,092,005	529,877,921
Taxes payable		1,060,916,467	1,186,166,143
Other payables		756,194,670	786,246,239
Non-current liabilities due within one year		<u>1,213,650,184</u>	<u>1,874,484,159</u>
Total Current Liabilities		<u>12,713,539,064</u>	<u>11,602,596,811</u>
Non-current Liabilities:			
Long-term borrowings		5,081,924,506	3,504,279,973
Bonds payable		3,327,860,620	1,943,763,447
Lease liabilities		223,580,118	–
Long-term payables		463,257,160	191,011,663
Long-term employee benefits payable		54,458,394	127,205,104
Provisions		347,473,462	233,393,286
Deferred income		292,376,076	301,399,766
Deferred tax liabilities		572,865,342	284,920,603
Other non-current liabilities		<u>94,446,000</u>	<u>–</u>
Total Non-current Liabilities		<u>10,458,241,678</u>	<u>6,585,973,842</u>
TOTAL LIABILITIES		<u>23,171,780,742</u>	<u>18,188,570,653</u>
Shareholders' Equity:			
Share capital		2,096,599,855	2,096,599,855
Capital reserve		2,031,151,748	1,943,538,052
Less: Treasury shares		610,051,971	610,051,971
Other comprehensive income		(305,350,132)	(275,292,763)
Surplus reserve		1,111,880,257	1,111,880,257
Retained profits		<u>22,405,681,711</u>	<u>19,304,701,887</u>
Total equity attributable to shareholders of the Company		<u>26,729,911,468</u>	<u>23,571,375,317</u>
Minority interests		<u>2,647,925,840</u>	<u>2,168,563,181</u>
TOTAL SHAREHOLDERS' EQUITY		<u>29,377,837,308</u>	<u>25,739,938,498</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>52,549,618,050</u>	<u>43,928,509,151</u>

2. CONSOLIDATED INCOME STATEMENT

		<i>RMB</i>	
Items	Notes	2021	2020
I. Total operating income	4(4)	32,464,083,379	29,356,515,691
Including: Operating income		32,464,083,379	29,356,515,691
Less: Total operating costs		25,204,672,403	21,939,755,338
Including: Operating costs	4(4)	21,392,494,465	18,035,261,466
Taxes and levies		604,610,294	510,430,272
Selling and distribution expenses		1,331,208,970	1,427,678,136
General and administrative expenses		1,634,697,607	1,604,700,517
Research and development expenses		71,401,459	55,979,438
Financial expenses	4(5)	170,259,608	305,705,509
Including: Interest expenses		278,751,019	200,578,230
Interest income		155,781,766	63,827,091
Add: Other income		207,513,824	239,383,949
Investment income		27,449,280	118,572,236
Including: Income from investments in associates and joint ventures		10,506,995	77,037,487
(Losses) gains from changes in fair value		(4,495,795)	2,405,398
Impairment losses on credit		(27,661,442)	(13,997,491)
Impairment losses on assets		(35,100,858)	(78,195,751)
Gains on disposal of assets		17,244,185	14,013,082
II. Operating profit		7,444,360,170	7,698,941,776
Add: Non-operating income		23,182,968	65,267,816
Less: Non-operating expenses		94,547,294	100,564,303
III. Profit before tax		7,372,995,844	7,663,645,289
Less: Income tax expenses	4(6)	1,568,058,827	1,490,052,106

		<i>RMB</i>	
Items	<i>Notes</i>	2021	2020
IV. Net profit		5,804,937,017	6,173,593,183
(i) Classified by the continuity of operation			
1. Net profit from continuing operations		5,804,937,017	6,173,593,183
(ii) Classified by the ownership			
1. Net profit attributable to shareholders of the Company		5,363,525,692	5,630,598,812
2. Profit or loss attributable to minority interests		441,411,325	542,994,371
V. Other comprehensive income, net of tax		(37,150,809)	(359,155,714)
Other comprehensive income attributable to owners of the Company, net of tax		(30,057,369)	(257,876,551)
(i) Other comprehensive income that cannot be reclassified to profit or loss		16,569,053	(3,341,330)
1. Changes in fair value of other equity instrument investments		16,569,053	(3,341,330)
(ii) Other comprehensive income that will be reclassified to profit or loss		(46,626,422)	(254,535,221)
1. Exchange differences on translation of financial statements denominated in foreign currencies		(46,626,422)	(254,535,221)
Other comprehensive income attributable to minority interests, net of tax		(7,093,440)	(101,279,163)
VI. Total comprehensive income		5,767,786,208	5,814,437,469
Total comprehensive income attributable to owners of the Company		5,333,468,323	5,372,722,261
Total comprehensive income attributable to minority interests		434,317,885	441,715,208
VII. Earnings per share:	4(7)		
(i) Basic earnings per share (RMB)		2.58	2.69
(ii) Diluted earnings per share (RMB)		2.58	2.69

3. CONSOLIDATED CASH FLOW STATEMENT

		<i>RMB</i>	
Items	<i>Note</i>	2021	2020
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		31,749,395,997	30,838,524,919
Receipts of tax refunds		116,148,374	166,453,900
Other cash receipts relating to operating activities		364,745,201	219,373,958
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		32,230,289,572	31,224,352,777
		<hr/>	<hr/>
Cash payments for goods purchased and services received		17,548,873,242	16,116,106,584
Cash payments to and on behalf of employees		2,786,085,026	2,480,442,469
Payments of various types of taxes		3,323,615,276	3,372,065,119
Other cash payments relating to operating activities		976,758,906	850,265,845
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		24,635,332,450	22,818,880,017
		<hr/>	<hr/>
Net Cash Flow from Operating Activities		7,594,957,122	8,405,472,760
		<hr/>	<hr/>

		<i>RMB</i>	
Items	Note	2021	2020
II. Cash Flows from Investing Activities:			
Cash receipts from disposal and recovery of investments		2,300,000,000	650,070,000
Cash receipts from investment income		14,994,618	5,450,137
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		43,148,111	52,523,503
Net cash receipts from disposal of subsidiaries and other business units		22,000	171,932,839
Other cash receipts relating to investing activities		5,602,256	36,369,014
		<hr/> 2,363,766,985	<hr/> 916,345,493
Sub-total of cash inflows from investing activities			
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		6,229,454,258	3,589,696,674
Cash payments to acquire investments		2,000,000,000	1,650,000,000
Net cash payments for acquisition of subsidiaries and other business units		928,376,352	684,690,731
		<hr/> 9,157,830,610	<hr/> 5,924,387,405
Sub-total of cash outflows from investing activities			
Net Cash Flow from Investing Activities		<hr/> (6,794,063,625)	<hr/> (5,008,041,912)

		<i>RMB</i>	
Items	Note	2021	2020
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		153,333,766	112,310,000
Cash receipts from borrowings		3,220,124,455	2,914,266,422
Cash receipts from issue of bonds	18	1,297,504,000	1,959,330,026
Other cash receipts relating to financing activities		<u>124,507,075</u>	<u>–</u>
Sub-total of cash inflows from financing activities		<u>4,795,469,296</u>	<u>4,985,906,448</u>
Cash repayments of borrowings		2,499,908,822	1,115,347,517
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,828,550,460	2,975,872,170
Other cash payments relating to financing activities		<u>99,262,887</u>	<u>707,001,362</u>
Sub-total of cash outflows from financing activities		<u>5,427,722,169</u>	<u>4,798,221,049</u>
Net Cash Flow from Financing Activities		<u>(632,252,873)</u>	<u>187,685,399</u>
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		<u>(38,411,852)</u>	<u>(83,166,330)</u>
V. Net Increase in Cash and Cash Equivalents			
		130,228,772	3,501,949,917
Add: Opening balance of cash and cash equivalents		<u>8,420,246,369</u>	<u>4,918,296,452</u>
VI. Closing Balance of Cash and Cash Equivalents			
		<u>8,550,475,141</u>	<u>8,420,246,369</u>

4. FINANCIAL NOTES

(1). Accounts receivable

(a) Disclosure by aging

RMB

Aging	31 December 2021	31 December 2020
Within 1 year		
Within 6 months	778,062,044	563,211,099
6–12 months	115,293,052	44,891,100
Subtotal, within 1 year	893,355,096	608,102,199
1–2 years	87,456,302	55,070,681
2–3 years	29,814,904	43,490,378
Over 3 years	110,183,790	94,919,838
Less: Provision for credit loss	164,229,940	148,363,317
Total	956,580,152	653,219,779

(b) Disclosure by classification of bad debt provision method

RMB

Category	31 December 2021				31 December 2020					
	Account balance		Bad debt provision		Account balance		Bad debt provision		Carrying amount	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)		
Receivables for which bad debt provision is assessed on an individual basis	81,626,344	7	70,549,889	86	11,076,455	113,760,104	14	91,331,013	80	22,429,091
Receivables for which bad debt provision is assessed on a portfolio basis	1,039,183,748	93	93,680,051	9	945,503,697	687,822,992	86	57,032,304	8	630,790,688
Total	1,120,810,092	100	164,229,940	15	956,580,152	801,583,096	100	148,363,317	19	653,219,779

Receivables for which bad debt provision is individually assessed:

RMB

Name	Account balance	31 December 2021		Reasons for the provision
		Bad debt provision	Proportion of provision (%)	
Client A	10,192,131	10,192,131	100	Recoverability
Client B	9,028,779	9,028,779	100	Recoverability
Client C	6,047,509	6,047,509	100	Recoverability
Client D	5,254,652	5,254,652	100	Recoverability
Client E	4,756,441	4,756,441	100	Recoverability
Others	46,346,832	35,270,377	76	Recoverability
Total	<u>81,626,344</u>	<u>70,549,889</u>	<u>86</u>	/

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

Category of cement receivable:

RMB

Aging	31 December 2021		
	Accounts receivable	Bad debt provision	Expected average loss rate (%)
Within 6 months	189,453,476	9,935,675	5
6–12 months	7,867,491	982,483	12
1–2 years	3,710,932	1,254,295	34
2–3 years	5,119,910	2,687,953	53
Over 3 years	3,044,556	2,827,237	93
Total	<u>209,196,365</u>	<u>17,687,643</u>	

Category of concrete receivable:

RMB

Aging	31 December 2021		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
Within 6 months	342,087,880	20,607,166	6
6–12 months	73,909,837	5,910,241	8
1–2 years	69,110,442	17,352,610	25
2–3 years	12,716,789	5,513,756	43
Over 3 years	<u>19,688,229</u>	<u>14,746,636</u>	75
Total	<u>517,513,177</u>	<u>64,130,409</u>	

Portfolio provision: types of other receivables

RMB

Aging	31 December 2021		Expected average loss rate (%)
	Accounts receivable	Bad debt provision	
Within 6 months	246,600,903	246,601	–
6–12 months	33,071,724	66,143	–
1–2 years	14,720,105	839,046	6
2–3 years	7,376,174	1,995,805	27
Over 3 years	<u>10,705,300</u>	<u>8,714,404</u>	81
Total	<u>312,474,206</u>	<u>11,861,999</u>	

As part of the Group's credit risk management, the Group assesses the ECL 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.

(c) *Bad debt provision*

RMB

Category	31 December 2020	Changes for the period			31 December 2021
		Provision	Recovery or reversal	Write-off or elimination	
Bad debt provision for accounts receivable	<u>148,363,317</u>	<u>63,056,599</u>	<u>(36,523,855)</u>	<u>(10,666,121)</u>	<u>164,229,940</u>
Total	<u>148,363,317</u>	<u>63,056,599</u>	<u>(36,523,855)</u>	<u>(10,666,121)</u>	<u>164,229,940</u>

Accounts receivable of RMB1,649,698 written off in prior years were recovered in the current period.

(d) *Accounts receivable written off in the current year*

RMB

Item	Write-off amount
Accounts receivable written off	<u>10,666,121</u>

(e) *Top five closing balance of accounts receivable categorized by debtor*

Name	Closing balance of accounts receivable	Percentage of total closing balance of accounts receivable (%)	Closing balance of bad debt provision
Client F	22,229,831	2	4,969,942
Client G	19,316,527	2	1,158,992
Client H	15,999,285	1	1,614,930
Client I	15,394,268	1	880,524
Client J	<u>13,984,328</u>	<u>1</u>	<u>938,599</u>
Total	<u>86,924,239</u>	<u>7</u>	<u>9,562,987</u>

(2). *Financing with receivables*

(a) *Classification of financing with receivables*

RMB

Item	31 December 2021	31 December 2020
Bank acceptances	<u>761,050,910</u>	<u>1,020,306,419</u>
Total	<u>761,050,910</u>	<u>1,020,306,419</u>

(b) *Financing with receivables of the Company pledged at the end of the period*

RMB

Item	Pledged amount at the end of the period
Bank acceptances	<u>236,214,382</u>

(c) *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 at the end of the period	Non-derecognized amount at the end of the period
Bank acceptances – Endorsed but not yet expired as at the balance sheet date	<u>1,956,535,855</u>	<u>–</u>

(3). *Accounts payable*

(a) *Accounts payable disclosure by categories*

	<i>RMB</i>	
Item	31 December 2021	31 December 2020
Payables for construction	2,340,144,973	1,653,357,986
Payables for production	4,772,157,382	3,644,275,784
Total	<u>7,112,302,355</u>	<u>5,297,633,770</u>

(b) *Significant accounts payable aged over one year*

	<i>RMB</i>	
Item	31 December 2021	Reasons for being outstanding or carried forward
Payables for construction	491,878,632	The main project etc. has not performed acceptance procedures settled
Payables for production	53,989,990	The bill has not been cleared yet
Total	<u>545,868,622</u>	/

(c) *Disclosure by aging*

	<i>RMB</i>	
Aging	31 December 2021	31 December 2020
Within 1 year	6,238,836,617	4,696,332,236
1–2 years	503,909,807	415,045,035
2–3 years	214,470,142	38,622,777
Over 3 years	155,085,789	147,633,722
Total	<u>7,112,302,355</u>	<u>5,297,633,770</u>

(4). *Operating income and operating costs*

(a) *Operating income and operating costs*

RMB

Item	2021		2020	
	Income	Costs	Income	Costs
Principal operations	32,237,328,449	21,297,150,550	29,151,495,160	17,953,496,637
Other operations	226,754,930	95,343,915	205,020,531	81,764,829
Total	<u>32,464,083,379</u>	<u>21,392,494,465</u>	<u>29,356,515,691</u>	<u>18,035,261,466</u>

(b) *Income generated from contracts*

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

RMB

Item	2021		2020	
	Income	Costs	Income	Costs
Sales of cement	24,067,650,740	15,924,573,208	23,632,070,676	14,382,604,579
Sales of concrete	3,175,398,379	2,578,492,840	1,879,572,334	1,513,996,311
Sales of aggregate	2,053,535,770	706,001,928	1,183,140,339	442,572,944
Sales of clinker	1,606,353,621	1,314,106,783	1,312,805,606	902,627,538
Others	1,334,389,939	773,975,791	1,143,906,205	711,695,265
Total	<u>32,237,328,449</u>	<u>21,297,150,550</u>	<u>29,151,495,160</u>	<u>17,953,496,637</u>

(c) *Significant performance obligation*

The Group is mainly engaged in sales of building materials and products.

For the revenue arising from the business model which the customers pick up the goods by themselves from the Group, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of deliver the goods; for the revenue arising from the business model which the Group is responsible for delivering the goods to the customers, the Group recognizes revenue when control of the goods is transferred to the customer, which is the time of distributing goods to the place designated by the customer. Since the delivery of goods to the customer represents the right to receive the contract consideration unconditionally and the payment is due only depending on the passage of time, the Group acknowledges a receivable when the goods are delivered to the customer.

(d) *Explanations to allocation to residual performance obligation*

As at 31 December 2021, the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied was RMB847,443,693, which will be recognized as revenue during the next year.

(e) *External revenue by geographical area of source:*

		<i>RMB</i>
	2021	2020
China	29,881,187,845	27,555,709,343
Central Asia	1,622,706,576	1,215,963,422
Cambodia	570,279,926	513,508,171
Tanzania	321,121,441	71,334,755
Zambia	68,787,591	–
Total	<u>32,464,083,379</u>	<u>29,356,515,691</u>

(5). *Financial expenses*

		<i>RMB</i>
Item	2021	2020
Interest expenditure on loans	302,139,663	236,075,150
Interest expenses on lease liabilities	6,115,643	–
Less: Capitalized interest	29,504,287	35,496,920
Subtotal of interest expense	278,751,019	200,578,230
Less: Interest income	155,781,766	63,827,091
Exchange gains or losses	8,633,862	143,400,502
Others	38,656,493	25,553,868
Total	<u>170,259,608</u>	<u>305,705,509</u>

(6). *Income tax expenses*

(a) *Table of income tax expenses*

	<i>RMB</i>	
Item	2021	2020
Current tax expenses	1,522,117,310	1,407,809,653
Deferred tax expenses	45,941,517	82,242,453
Total	<u>1,568,058,827</u>	<u>1,490,052,106</u>

(b) *Reconciliations of profits before tax and income tax expense*

	<i>RMB</i>	
Item	2021	2020
Profit before tax	7,372,995,844	7,663,645,289
Income tax expenses calculated at 25% of tax rate	1,843,248,961	1,915,911,322
Effect of preferential tax rates applicable to subsidiaries	(247,703,732)	(343,053,455)
Effect of non-taxable income	(8,610,524)	(20,012,710)
Effect of non-deductible costs, expenses and losses	38,868,707	25,925,521
Effect of weighted deduction of research and development expenses	(14,574,946)	(8,264,337)
Effect of utilizing deductible losses of deferred tax assets not recognized for prior period	(104,760,492)	(130,836,559)
Effect of deductible temporary differences or deductible losses for which deferred tax assets are not recognized for the current period	76,065,156	70,159,199
Others	(14,474,303)	(19,776,875)
Income tax expenses	<u>1,568,058,827</u>	<u>1,490,052,106</u>

(7). *Calculation process of basic earnings per share and diluted earnings per share*

When calculating basic earnings per share, the current net profit attributable to ordinary shareholders was:

	<i>RMB</i>	
	2021	2020
current net profit attributable to ordinary shareholders	<u>5,363,525,692</u>	<u>5,630,598,812</u>

When calculating basic earnings per share, the expected future cash dividends to unlockable restricted stock holders were:

	<i>RMB</i>	
	2021	2020
expected future cash dividends to unlockable restricted stock holders	<u>16,587,352</u>	<u>17,901,026</u>

When calculating basic earnings per share, the denominator is the weighted average number of the outstanding ordinary shares, and the calculation process is as follows:

	2021	2020
Number of ordinary shares outstanding at the beginning of the year	2,073,910,517	2,096,599,855
Less: weighted number of ordinary shares repurchased during the year	–	9,953,384
Number of ordinary shares outstanding at the end of the year	2,073,910,517	2,086,646,471

Earnings per share:

	<i>RMB</i>	
	2021	2020
Net profit attributable to shareholders of the Company		
Basic earnings per share	2.58	2.69
Diluted earnings per share	<u>2.58</u>	<u>2.69</u>

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

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

The annual report of the Company for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Wuhan, Hubei, the PRC
29 March 2022

As of the date of this announcement, the Board of Directors of the Company comprises Mr. LI Yeqing (President) and Mr. LIU Fengshan (Vice President), as executive Directors; Mr. XU Yongmo (Chairman), Ms. Geraldine PICAUD, Mr. LO Chi Kong and Ms. TAN Then Hwee, as non-executive Directors; Mr. WONG Kun Kau, Mr. ZHANG Jiping and Mr. JIANG Hong, as independent non-executive Directors.

* *For identification purpose only*