

Huaxin Cement Co., Ltd

Announcement on Amending Accounting Policies and Accounting Estimates of the Company According to the New Accounting Standards

To the best of our knowledge, the Board of Directors of the Company and its members confirm that there is no material false or misleading statement or material omission in this announcement and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its content.

Highlights:

Impacts of correction of accounting mistakes, changes of accounting policies and accounting estimates on the profit or loss, total assets, net assets and so on.

I. Summary of the amendments of accounting policies and accounting estimates

(I) Reasons of the amendment

In March 2017, the Ministry of Finance revised and issued “Accounting Standards for Enterprises No.22-Financial Instrument Recognition and Measurement”, “Accounting Standards for Enterprises No.23-Transfer of Financial Assets”, “Accounting Standards for Enterprises No.24-Hedge Accounting” and “Accounting Standards for Enterprises No. 37-Presentation of Financial Instruments”, and required domestic listed companies to implement them from January 1, 2019.

In April 2019, the Ministry of Finance issued the Notice on Revising 2019 General Enterprise Financial Report Format (No.6 2019 Financial Accounting). The regulations apply to 2019 half year report and annual report and following financial reports of non-financial enterprises implementing Enterprise Accounting Standards.

In order to correspond to the changes of national accounting calculation and financial reports, the Company made amendments accordingly in accordance with the above new standards. The amendments are based on the actual operation of the Company and targeted at accounting policies, accounting estimates including financial instruments, accounts receivable, other receivables and financial reports format.

(II) Review of the Board

On August 22, 2019, the Eleventh Meeting of the Ninth Board of Directors reviewed the *Proposal on Amending the Accounting Policies and Accounting Estimates of the Company According to the New Accounting Standards*. The result of the proposal is: affirmative 9, negative 0, abstention 0.

The above matter does not require approval from the shareholders’ general meeting.

II. Specific amendments and impacts on the Company

(I) Main amendments

Old accounting policy	New accounting policy
Financial instruments	
1. Effective interest method 2. Classification, recognition and measurement of financial assets 3. Impairment of financial assets 4. Transfer of financial assets 5. Classification, recognition and measurement of financial liabilities 6. Derecognition of financial liabilities 7. Offset of financial assets and financial liabilities 8. Equity instruments	1. Classification and measurement of financial assets 2. Impairment of financial instruments 3. Transfer of financial assets 4. Classification of financial liabilities and equity instruments 5. Offset of financial assets and financial liabilities
Receivables	
(1) receivables that are individually significant and for which bad debt provision is individually assessed (2) receivables for which bad debt provision is collectively assessed on a portfolio basis (3) receivables that are not individually significant but for which bad debt provision is individually assessed	For receivables, expected credit losses in respect of a receivable is measured at an amount equal to lifetime expected credit losses whether receivables include significant financing. Increased or reversal amount in loss provision is included in profit and loss as impairment loss or profit.
	The Group combines receivables based on similar credit risk characteristics (aging of debt), as well as reasonable and sound information including prospective information, estimates the provision ratio of bad debt of receivables.
	Other receivables The impairment loss measurement of other receivables, long term receivables apply impairment test method of financial assets and accounting methods.

II. Impacts on amendments of the accounting policies

1. Implement “Accounting Standards for Enterprises No.22-Financial Instrument Recognition and Measurement”, “Accounting Standards for Enterprises No.23-Transfer of Financial Assets”, “Accounting Standards for Enterprises No.24-Hedge Accounting” and “Accounting Standards for Enterprises No. 37-Presentation of Financial Instruments”(2017 revision)

Revised standards regulate that financial instruments that have not been derecognized yet on the first day of implementation should be adjusted retrospectively if the recognized and measurement formerly is not consistent with the new standards. Previous financial data that are not consistent with new standards do not require

retrospective adjustment. The Company will adjust the retained earnings and other comprehensive incomes based on the cumulative affected amount due to retrospective adjustment. Main impacts are as followed:

Adjusted items	Affected item or amount
Reclassify financial assets at fair value through profit or loss into "financial assets held for trading"	Financial assets at fair value through profit or loss: reduce 207,144,438 RMB; Tradable financial assets: increase 207,144,438 RMB;
Reclassify credit investment measured at amortized cost into "Credit investment"	Available for sale financial assets: reduce 19,055,500 RMB; Credit investment: increase 19,055,500 RMB;
Designate available-for-sale equity instrument as "financial assets at fair value through profit or loss"	Available for sale financial assets: reduce 29,707,153 RMB; Other non-current financial assets: increase 29,707,153 RMB; Other comprehensive income: reduce 19,384,071 RMB; Retained profit: increase 19,384,071 RMB;
Non-tradable available-for-sale equity instrument investment is designated as "financial assets at fair value through other comprehensive incomes"	Available for sale financial assets: reduce 11,724,667 RMB; Other equity instrument investment: increase 48,269,862 RMB; Deferred tax liability: increase 9,136,299 RMB; Other comprehensive income: increase 24,633,296 RMB; Retained profit: increase 2,775,600 RMB

2. Implementation of the "Notice on Revising and Issuing 2019 Financial Statements Formats for General Enterprises by Ministry of Finance"

"Notice on Revising and Issuing 2019 Financial Statements Formats for General Enterprises (Financial Accounting (2019) No. 6)" was issued by the Ministry of Finance on April 30, 2019, and financial statements formats for general enterprises were revised.

Adjusted item	Affected item and amount
"Notes receivable and accounts receivable" in the balance sheet were divided into "notes receivable" and "accounts receivable", and the comparative figures were adjusted accordingly.	"Notes receivable and accounts receivable" were divided into "notes receivable" and "accounts receivable", "notes receivable" in the current period was RMB1,062,229,718, and the amount in the previous period was RMB1,548,929,075; "accounts receivable" in the current period was

RMB820,008,936, and the amount in the previous period was RMB524,536,351;

“Notes payable and accounts payable” were divided into “notes payable” and “accounts payable”, and the comparative figures were adjusted accordingly.

“Notes payable and accounts payable” were divided into “notes payable” and “accounts payable”.

“Notes payable” in the current period was RMB 166,393,593, and the amount in the previous period was RMB 0; “accounts payable” in the current period was RMB 3,729,377,972, and the amount in the previous period was RMB 3,789,324,068.

III. Opinions of Independent Directors

Independent Directors of the Company believe that the amendments on company accounting policies and accounting estimates are reasonable in accordance with the No.22, No.23, No.24 and No.37 of Accounting Standards for Enterprises issued by the Ministry of Finance. Revised accounting policies and accounting estimates conform with regulations in new standards. Implementation of revised accounting policies and accounting estimates can objectively and fairly reflect financial situation and operation results of the Company. Amending procedures are in line with related laws, regulations and stipulations in the Articles of Association. There is no such circumstance as damaging the interests of the Company or shareholders. Therefore, we give our consent to the amendment of the accounting policies and accounting estimates.

IV. Opinions of Supervisors

Supervisors of the Company believe that the amendments on company accounting policies and accounting estimates are reasonable in accordance with the latest Accounting Standards for Enterprises issued by the Ministry of Finance. Revised accounting policies and accounting estimates conform with regulations in new standards. Implementation of revised accounting policies and accounting estimates can objectively and fairly reflect financial situation and operation results of the Company. Amending procedures are in line with related laws, regulations and stipulations in the Articles of Association. There is no such circumstance as damaging the interests of the Company or shareholders. Supervisors have no objection to the amendment of accounting policies and accounting estimates.

V. Documents for reference

- (1) Resolution of the Eleventh Meeting of the Ninth Board of Directors
- (2) Resolution of the Fifth Meeting of the Ninth Board of Supervisors
- (3) Independent Opinions of Independent Directors on Amending Accounting Policies and Accounting Estimates of the Company According to the New Accounting Standards

It is herewith announced.

Huaxin Cement Co., Ltd
Board of Directors
August 24, 2019