西部水泥

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liabilty with registered number 94796)

Stock Code: 2233

ANNUAL REPORT
2019

CONTENTS

Corporate Information

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yaobai R&D Training Center
No. 336 4th Shenzhou Road
Aerospace Industrial Base
Chang'an District
Xi'an, Shaanxi Province, PRC

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD
Channel Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tower 6
The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui
Hong Kong

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*

Non-Executive Directors

Ma Zhaoyang
Liu Yan
Fan Changhong

Independent Non-Executive Directors

Lee Kong Wai Conway
Zhu Dong
Tam King Ching Kenny

COMPANY SECRETARY

Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES

Ma Weiping
Chan King Sau *HKICPA*

MEMBERS OF THE AUDIT COMMITTEE

Lee Kong Wai Conway *(Chairman)*
Zhu Dong
Tam King Ching Kenny

MEMBERS OF THE REMUNERATION COMMITTEE

Tam King Ching Kenny *(Chairman)*
Zhang Jimin
Zhu Dong
Lee Kong Wai Conway

MEMBERS OF THE NOMINATION COMMITTEE

Zhang Jimin *(Chairman)*
Lee Kong Wai Conway
Tam King Ching Kenny

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F One Pacific Place
88 Queensway
Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services (Channel Islands) Limited
Ordinance House
31 Pier Road
St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of Xi'an

Financial Highlights

RMB' Million (unless otherwise specified)	**Year ended 31 December 2019**	Year ended 31 December 2018	% Change
Total Cement and Clinker Sales Volume (million tons)	**19.3**	18.2	6.0%
Cement Sales Volume (million tons)	**18.8**	18.1	3.9%
Aggregates Sales Volume (million tons)	**1.98**	0.51	288.2%
Commercial Concrete sales volume (million cubic meters)	**0.90**	0.25	260.0%
Revenue	**7,247.4**	5,911.7	22.6%
Gross Profit	**2,440.5**	1,985.8	22.9%
EBITDA[1]	**3,083.4**	2,637.0	16.9%
Profit Attributable to Owners of the Company	**1,801.3**	1,159.4	55.4%
Basic Earnings Per Share	**33.1 cents**	21.3 cents	55.4%
Interim Dividend	**3.6 cents**	1.2 cents	200.0%
Proposed Final Dividend	**6.3 cents**	1.4 cents	350.0%
Gross Profit Margin	**33.7%**	33.6%	0.1 ppt
EBITDA Margin	**42.5%**	44.6%	(2.1 ppt)

	31 December 2019	31 December 2018	% Change
Total Assets	**14,579.8**	12,392.1	17.7%
Net Debt[2]	**1,613.0**	1,976.5	(18.4%)
Net Gearing[3]	**17.5%**	26.0%	(8.5ppt)
Net Assets Per Share	**170 cents**	140 cents	21.4%

Notes:

(1) EBITDA equal to profit before tax plus finance costs, depreciation and amortisation, share-based payments, net foreign exchange losses and impairment loss on amount due from non-controlling shareholder of a subsidiary less interest income.

(2) Net debt equal to total borrowings, senior notes, and medium-term notes less bank balances and cash, restricted/pledged bank deposits and financial assets at fair value through profit or loss ("FVTPL").

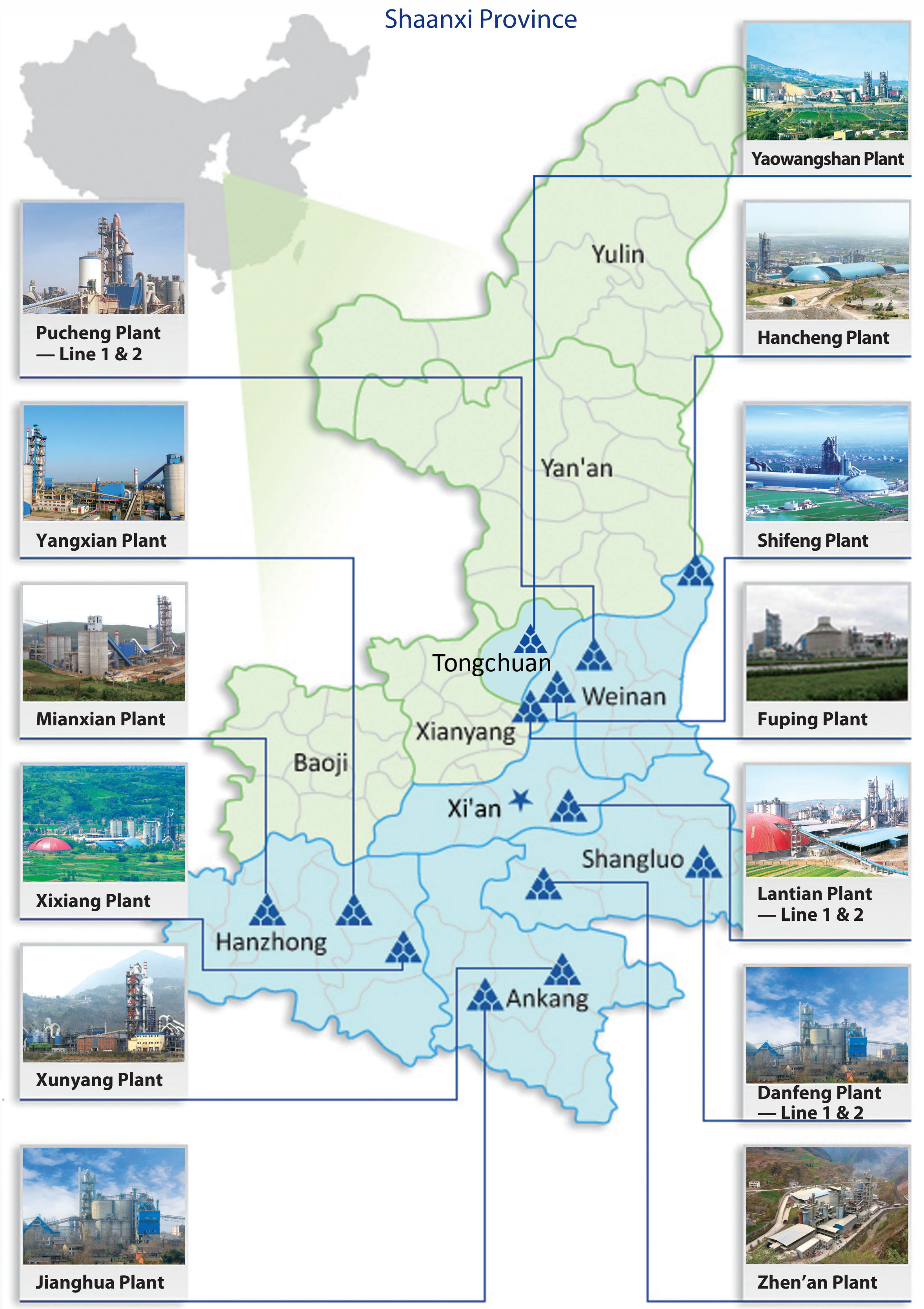
(3) Net gearing is measured as net debt to equity.

Business Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a presence in Xinjiang and Guizhou Provinces. As at 31 December 2019, the Group had a total production capacity of 29.2 million tons, comprised of 20 NSP cement production lines, with 23.3 million tons in Shaanxi Province, 4.1 million tons in Xinjiang Province and 1.8 million tons in Guizhou Province. Moreover, the Group had total production capacities of 15.1 million tons of aggregates and 4.55 million cubic meters of commercial concrete.

The Group's cement production is geared towards the economic development of Western China, driven by the Chinese Government's "Western Development Policy" and the "Silk Road Economic Development Plan". The Group aims to serve the development needs of Shaanxi, Xinjiang, Guizhou and Western China, supplying cement products to the infrastructure, urban and rural construction markets. The Group's cement products are used in a variety of infrastructure projects such as highways, railways, bridges, hydroelectric power stations, water conservancy and water transfer projects. The Group also focuses on serving both the urban and rural development needs of western China, an area which is experiencing rapid urbanisation and population resettlement, accompanied by housing and social infrastructure development.

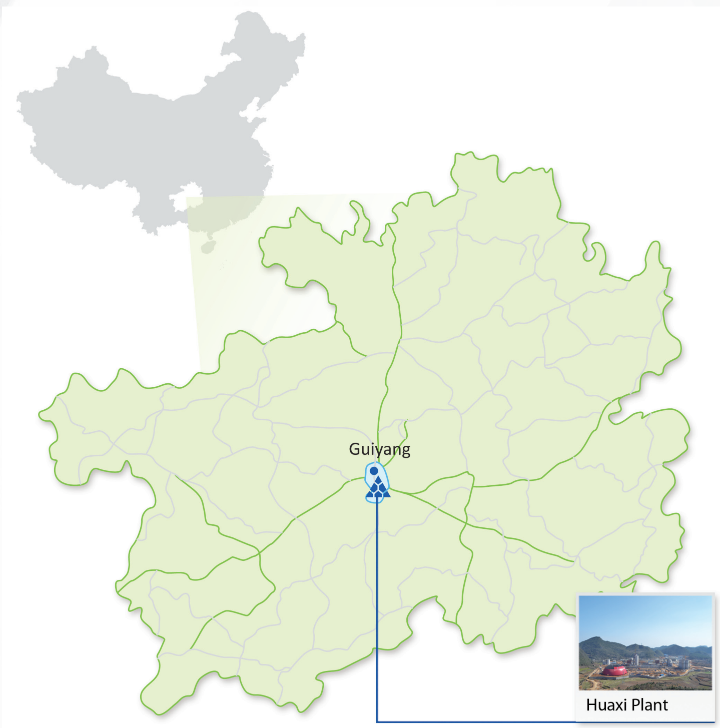
Business Overview



Business Overview

Xinjiang Province

Guizhou Province



Business Overview

The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused by high transportation costs. The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. ASPs in Central Shaanxi have significantly improved even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. During the year, lower supply among all producers as a result of the occasional peak-shifting production halts during low season periods under the stringent environmental policy had actually led to the rising ASPs in Shaanxi and Xinjiang Provinces. Moreover, the Group has continued to implement efficiency gains and cost-cutting measures and has been able to maintain a stable cost in 2019. Taken together, these have contributed to the Group's stable margins in 2019.

Energy conservation and emission controls are increasingly important factors in the cement industry and the Group continues to work towards best of industry standards in these areas. All of the Group's production facilities are NSP lines, mostly situated in close proximity to limestone quarries and the Group uses conveyor belts at many of its plants in order to minimise transportation related emissions. The Group has constructed heat-recycling plants at over 80% of its production capacity, reducing approximately 30% of electricity consumption and decreasing CO emissions by approximately 20,000 tons per year per million tons of production.

All of the Group's plants have been installed with denitration (De-NOx) equipment, reducing nitrous oxide emissions by approximately 60% per ton of clinker produced, as well as Particulate Matter (PM) reduction equipment. The Group is also involved in hazardous and municipal waste incineration through Yaobai Environmental. The Group formally became a member of the Cement Sustainability Initiative since 2015, a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD).

Milestones

Year	Event	Year End Cement Capacity (million tons)
2004	The Group's first NSP production facility commenced construction in 2003 at Pucheng. The plant was commissioned in February.	1.4
2006	The Group was listed on the London Stock Exchange AIM market in December, raising GBP22 million.	1.4
2007	The Group's second production facility was constructed at Lantian in Xi'an. The two production lines were commissioned in May and August, respectively.	3.6
2008	The Group successfully completed a USD60 million syndicated loan.	3.6
2009	The Group's Ankang Xunyang production facility commenced operation in January, establishing a core market in southern Shaanxi.	8.5
	The Group's first acquisitions, the Zhen'an and Danfeng Plants in Shangluo region, were completed in August and December.	
2010	The Group's two production lines in Hanzhong, the Yangxian and Mianxian Plants, were commissioned in January and July respectively.	12.5
	The USD60 million syndicated loan was repaid in March.	
	In August, the Group was delisted from the London AIM market and was successfully listed on The Stock Exchange of Hong Kong Limited (the "HKSE"), raising HK$1.6 billion.	
	The Weinan Pucheng Line 2 was commissioned in September. The Group acquired the Ankang Jianghua Plant in December, completing the establishment of a leadership position in southern Shaanxi.	
2011	The Group successfully issued a USD400 million 5-year senior note at 7.5% p.a. interest rate.	16.2
	The Group established its first production base in Xinjiang through the acquisition of the Hetian Plant in Hotan region in May. The Group also announced the construction of the Yutian Plant in Hotan, Xinjiang.	
	The Group's third plant in Hanzhong region, the Hanzhong Xixiang Plant, was commissioned in May.	
	The Group acquired the Weinan Hancheng Plant in May.	
2012	The Group's Shangluo Danfeng Line 2 Plant was commissioned in April.	23.7
	The Group acquired the Weinan Shifeng Plant and the Weinan Fuping Plant in April and June 2012, an important move in the supply consolidation process in Shaanxi Province and strengthening its presence in the Xi'an Metropolitan market.	
	The Yutian Plant, Hotan, Xinjiang was commissioned in August.	
2013	The Group successfully issued a RMB800 million 3-Year Mid-Term Note at 6.1% p.a. interest rate in March. Most of the proceeds were used to refinance short-term bank borrowings.	23.7
2014	The Group completed phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility in January, the first of such facilities in Shaanxi Province and North West China. This marks an important step in the Group's on going efforts in environmental protection solutions, and a new revenue stream for the Group.	23.7
	The Group successfully issued a USD400m 5-year senior note at 6.5% p.a. interest rate to redeem in full the previous senior notes issued in 2011.	
2015	Completion of the construction of the 1.5 million ton Xinjiang Yili Plant and the 1.8 million ton Guizhou Huaxi Plant with full commissioning commencing in the first quarter of 2015.	29.2
	Announcement in June of a subscription by Conch International Holdings (HK) Limited, a wholly owned subsidiary of Conch Cement for new shares in the Group equal to approximately 16.67% of total issued share capital of the Company as enlarged by the subscription shares.	
	The Group acquired the Yaowangshan Cement Plant, with a cement capacity of 2.2 million tons, in October taking Group total current capacity to 29.2 millions tons.	
	Subsequently, both Conch Cement and the Company, among others, entered into an acquisition agreement (the "Acquisition Agreement") in November whereby the Group purchases 4 cement plants in Central Shaanxi from Conch Cement totaling 10.4 million tons of cement capacity in consideration of an issue of 3,402,876,000 shares by the Company ("Consideration Shares"). After the issue of the Consideration Shares, Conch Cement will increase their holding in the Group to 57.57%.	
2016	As certain conditions precedent of the Acquisition Agreement were not satisfied or waived before 5:00 pm on 30 June 2016, the long stop date under the Acquisition Agreement, the Acquisition Agreement ceased and was determined.	29.2
	The Group successfully issued the first tranche of the short-term notes with an aggregate principal amount of RMB800 million at the interest rate of 5.5% per annum, and with a term of one year to investors in the national inter-bank market in the PRC on 15 March 2016.	
	Fuping Municipal Waste Treatment Facility was commissioned in March.	
2017	The Group successfully issued the second tranche of the short-term notes with an aggregate principal amount of RMB400 million at the interest rate of 6.98% per annum, and with a term of one year to investors in the national inter-bank market in the PRC on 3 March 2017.	29.2
	Mianxian Solid Waste Treatment Facility was commissioned in October.	
2018	The Group early redeemed USD80 million 5-year senior note in November and December 2018.	29.2
	Four aggregates production lines with capacities of 7 million tons in total were commissioned.	
2019	The Group fully repaid USD400 million 5-year senior note at the maturity date in September 2019. The Group successfully raised a syndicated loan of USD150 million with a term of three years in September 2019. The Group's production capacities of aggregates and commercial concrete increased to 15.1 million tons and 4.55 million cubic meters, respectively.	29.2

Chairman's Statement

Energy conservation, emission controls and environmental protection solutions will continue to be a major focus in 2020 and beyond

Zhang Jimin
Chairman

Chairman's Statement

On behalf of the board of directors (the "Board") of West China Cement Limited and its subsidiaries, I am pleased to present to our shareholders the annual report (including the audited consolidated financial statements) of the Group for the year ended 31 December 2019.

OVERVIEW

2019 has been a prosperous year for the cement industry in China. Fixed asset investment and construction has become stable and have impacted on demand for cement in the PRC, and accordingly our Group's operating regions and markets. Whilst demand has been more stable than previous years, we continue to believe that it is the structure of the supply side that is of primary importance in the healthy development of the cement industry in China. Oversupply is self-evident, and it is the fragmented nature of that supply that hinders the profitability in the cement industry. In its current shape, the Shaanxi cement market illustrates the effect of this fragmentation.

Cement demand in 2019 has become stable, with Fixed Asset Investment ("FAI") growth in Shaanxi Province slightly decreasing from 10.4% in 2018 to 9.5% in 2019. During the year, the effect of this stable demand growth, accompanied by the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy, improved the average selling prices ("ASPs") and thus, the profitability in Central Shaanxi, which is an area of both oversupply and supply side fragmentation amongst a number of producers. Occasional peak-shifting production halts during low season periods under the stringent environmental policy is therefore advantageous, and can promote a more stable industry that is able to withstand fluctuations in demand resulting from construction spending cyclicality. In Southern Shaanxi, the level of fragmentation and oversupply is less than in the centre of the province, resulting in a more rational market with more stable and higher levels of profitability.

Therefore, I am very pleased that the collaboration with Conch Cement has led to a more stable supply side and market outlook in Shaanxi Province and surrounding areas. I believe that further collaboration with Conch Cement will continue to improve the trading prospects for the Group into 2020 and beyond.

FINANCIAL RESULTS

In 2019, the Group saw an improving operating environment in Southern Shaanxi, Central Shaanxi and Xinjiang. The Group's cement and clinker sales volumes have increased slightly from 18.2 million tons in 2018 to 19.3 million tons in 2019 and the Group's profitability has been positively affected by the improving pricing environment as a result of the occasional peak-shifting production halts during low season periods under the stringent environmental policy during the year, which resulted in a 22.9% rise in gross profit as compared to 2018. In addition, the Group has maintained stronger cash flows, with EBITDA increased from approximately RMB2.64 billion in 2018 to RMB3.08 billion in 2019. the Group's net gearing ratio has in turn improved from 26.0% in 2018 to 17.5% in 2019, as a result of the improved gross profit and cash flows mentioned above, which resulted in a healthier statement of financial positions in the Group.

DIVIDEND

Due to the Group recording a significant increase in net profit for the year ended 31 December 2019, the Board has recommended payment of a final dividend of RMB6.3 cents per share for this financial year.

OPERATIONS

As described above, the Group experienced some success in its operations in Central Shaanxi. ASPs have been improved in the Central Shaanxi and I am pleased that the Group has been able to maintain stable supply in the Central Shaanxi with significant narrowing of the difference between the Group's cement ASPs in Southern Shaanxi, which have remained reasonable and strong, as compared with those in Central Shaanxi, which have been significantly improved to a similar price level. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was achieved through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy.

Operation in Xinjiang has remained low in 2019. However, with the peak-shifting production halts by all producers during the low season periods under the stringent environmental policy, the Group can see a more stable market of the cement industry and increased ASPs in 2019. In Guizhou Province, the production volumes at the Huaxi Plant are still strong due to its superior location while ASPs have decreased mainly due to the imbalance between demand and supply as a result of the continuation of decreasing demand scenario.

Moreover, the Group has continued to implement efficiency gains and cost-cutting measures and has been able to maintain a stable cost in 2019. Taken together, these have significantly improved the Group's profits in 2019.

ENVIRONMENTAL PROTECTION SOLUTIONS & SAFETY

The Group's work in energy conservation, emission controls and environmental protection solutions have continued to be a major focus in 2019. The Group has already completed the installation of De-nitration ("De-Nox") equipment and plant upgrades to limit particulate matter ("PM") emissions at all of its plants in Shaanxi, Xinjiang and Guizhou Provinces. All upgrades to meet new emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law were completed and the Group will continue to further reduce emissions through incremental upgrades.

The Group is looking forward to continuing its work in the building of waste treatment facilities at its plants together with China Conch Venture Holdings Limited and Mr. Ma Zhaoyang through the joint investment in Yaobai Environmental technology Engineering Co. Ltd. As part of the joint investment, the Group will provide its cement kilns, logistics and management for a management fee to run the waste treatment facilities at its Lantian, Fuping and Mianxian Plants as well as its other plants in the future.

In 2019, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

The Group also joined the Cement Sustainability Initiative (CSI), a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). This initiative will help the Group further raise its standards in all aspects of environmental impact and safety procedures. During the year, eighteen plants were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Moreover, green limestone mines projects, including soil reclamation and mine re-greening, have been already commenced construction to comply with the environmental policy. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

Chairman's Statement

OUTLOOK

The improving operating environment in 2019 reflected that the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy is the solution to the problem of lacklustre demand in Shaanxi Province and in the PRC as a whole. However, the resolution of the fragmented nature of the supply side is still of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

Due to the impact of the coronavirus disease 2019 ("COVID-19") outbreak and the respective traffic restrictions, some staff and customers could not report to work on time after Chinese New Year holidays and caused temporary disturbance to the Group's operations for a short period of time as well as certain impact on the periodic market demand. Such impact has ceased to exist since early March as all staff and customers reported to work subsequently. Meanwhile, infrastructure construction is expected to play a greater role in counter-cyclical growth stabilization. Greater efforts will be made to commence construction of new investment projects, while progress of construction of projects under construction will be expedited; the expected increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds will promote the continuous recovery of infrastructure investment growth.

In 2020, the Group will continue to pay close attention to the impacts of the COVID-19 outbreak on the Company's production and operation, enhance its study and assessment on market supply and demand condition, further intensify end-user market development, strengthen coordination of integrated regional marketing efforts, and capture the increasing market demands driven by the government's policy to use infrastructure investment to boost economic growth, in an effort to increase its market share.

Whilst demand in Shaanxi Province remained stable in 2019, with a slight increase in cement sales volume as compared with that of 2018, the Company is cautiously optimistic about the outlook of the demand from the infrastructure construction and urbanization for the region into 2020 and beyond.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2019. I would also like to thank our shareholders for their continuing support of our Group in the past and into the future.

Zhang Jimin
Chairman

31 March 2020

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group has faced an improving operating environment in the year ended 31 December 2019. Sales volume in Shaanxi Province remained stable even under the continuous low demand in the Xi'an Metropolitan Area and Central Shaanxi region through the occasional peak-shifting production halts by all producers during low season periods under the stringent environmental policy. Sales volume in Xinjiang Province remained low while that of Guizhou Province recorded a slight drop during the year. The sales volume of cement and clinker of the Group for the year ended 31 December 2019 was 19.3 million tons, representing a 6.0% increase from the 18.2 million tons recorded in 2018.

The Group has maintained a strong market position in the Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued ASP premiums and more stable margins. ASPs in Central Shaanxi have improved even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. During the year, lower supply among all producers as a result of the occasional peak-shifting production halts during low season periods under the stringent environmental policy had actually led to the rising ASPs in Shaanxi and Xinjiang Provinces. Moreover, the Group has continued to implement efficiency gains and cost-cutting measures and has been able to maintain a stable cost in 2019. Taken together, these have significantly improved the Group's margins in 2019.

The Group has maintained healthy cash flows, with EBITDA of RMB3,083.4 million for the year ended 31 December 2019, which is higher than that of RMB2,637.0 million recorded in 2018.

Operating Environment

A key feature of the Group's operational performance in 2019 has been the narrowing of the difference between the Group's cement ASPs in Southern Shaanxi (where the Group's cement capacity amounts to 9.7 million tons) which have remained reasonable and strong, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 13.6 million tons) which have been improved to a similar price level to that in Southern Shaanxi. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was achieved through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy.

Shaanxi Province has overall seen a stable Fixed Asset Investment ("FAI") growth rates in 2019. FAI growth rate in 2019 was approximately 9.5%, as compared with the 10.4% recorded in 2018. The slight decrease in FAI growth rate has led to a slight drop in demand for cement products in the Shaanxi Province. Accordingly, intense competition from the supply side is still a strong factor affecting the ASPs in Central Shaanxi. Southern Shaanxi has continued to enjoy higher infrastructure-led construction growth. FAI growth rates in Southern Shaanxi have been above the provincial average and have supported a more stable cement market with continued ASPs premiums as compared to Central Shaanxi.

Another important factor contributing to the improvement of the Group's margins was the maintenance of a steady increase in cost by the Group even under a material increase in environmental costs as a result of the tightened environmental policy implemented during the year. The rise in staff salaries and environmental related costs in 2019 have already offset the benefits arising from the implementation of efficiency gains in the use of inputs and cost-cutting measures, which resulted in the rise in the cost of goods sold.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi remained stable and strong during 2019. The supply side remained rational, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

Management Discussion and Analysis

Demand in this region has remained reasonable during the year, supported by continued growth in railway and road infrastructure project construction. The Xixiang to Zhenba Expressway, the Ningshan to Shiquan Expressway and the Ankang to Langao Expressway, have been, amongst others, particularly important demand drivers; and the construction of the Pingli to Zhenping Expressway, the Lushi to Luanchuan Expressway, the Xixia to Xichuan Expressway, the Ankang Airport, the Shanyang County Mogou Reservoir, the Zhen'an Hydropower Station and the Xunyang Hydropower Station have also supported the demand. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have increased slightly by approximately 6.9% to approximately 8.06 million tons in 2019 (2018: 7.54 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs, especially in Hanzhong District, due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition supported pricing in Ankang District in particular. During 2019, the Group recorded an increase of approximately 1.8% in cement ASPs in Southern Shaanxi to approximately RMB333 per ton (2018: RMB327 per ton) (excluding VAT), which is the same as the Group's overall ASP of RMB333 per ton (2018: RMB314 per ton), with capacity utilization rate at approximately 83% (2018: 78%).

Central Shaanxi

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with a significant build-out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of such new capacity is still being reflected through intense competition. Fortunately, through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy, ASPs in Central Shaanxi have improved even under the abovementioned continuing low demand scenario in 2019.

During 2019, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of Line 5 and Line 6 of the Xi'an Metro, the Nangoumen Reservoir, the Shuinangou Reservoir, the Gongzhaigou Reservoir, the Chunhua Tunzhuang Reservoir, the Luyanghu Airport, the expansion of Xi'an Train Station, the Yanchang to Huanglong Expressway, the Pucheng to Huanglong Expressway and the Xixian Expressway-Southern Section. The largest project, the Heyang to Tongchuan Expressway consumed over 0.52 million tons of cement in 2019.

Sales volumes in Central Shaanxi have increased slightly by approximately 2.8% to approximately 7.68 million tons in 2019 (2018: 7.47 million tons) and have been accompanied by improved ASPs. During the year, the Group has recorded an increase of approximately 7.4% in cement ASPs in Central Shaanxi to approximately RMB319 per ton (2018: RMB297 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB333 per ton (2018: RMB314 per ton), with capacity utilization rate at approximately 57% (2018: 55%).

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province remained slow in 2019. Sales volume in Xinjiang have increased by approximately 6.5% to approximately 1.79 million tons (2018: 1.68 million tons). During the year, ASPs in Xinjiang have improved through the peak-shifting production halts by all producers during the low season periods under the stringent environmental policy, the Group has recorded cement ASPs at approximately RMB440 per ton (2018: RMB360 per ton) (excluding VAT), with capacity utilization rate at approximately 44% (2018: 41%).

In Guizhou Province, the Group's plant contributed approximately 1.29 million tons of cement as compared to the sales volume of 1.41 million tons in 2018, which represented an approximately 8.5% decrease. During the year, the Group has recorded cement ASP in Guizhou of approximately RMB263 per ton (2018: RMB278 per ton) (excluding VAT), with capacity utilization rate at approximately 72% (2018: 78%). The decrease in both ASPs and sales volume were mainly due to the imbalance between demand and supply as a result of the continuation of decreasing demand scenario. The sales volumes at the Huaxi Plant have already been better than other locations in Guizhou due to its location being in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area.

Management Discussion and Analysis

Energy Conservation, Emissions & Environmental

The Group continues to work towards the best of industry standards in regards to energy conservation, emission controls and the further development of environmental protection solutions. All of the Group's production facilities employ New Suspension Preheater technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs to some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs to some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2019, these systems are in operation at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide emissions by approximately 20,000 tons per million tons of cement production.

the Group has already completed the installation of de-nitration ("De-NOx") equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrogen oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation in five plants. During the year, eighteen plants were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Moreover, green limestone mines projects, including soil reclamation and mine re-greening, have been already commenced construction to comply with the environmental policy. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

Yaobai Environmental — Waste Treatment

In November 2015, the Company announced that its wholly-owned subsidiary, Yaobai Special Cement Group Co., Ltd. ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with Wuhu Conch Investment Ltd. ("Wuhu Conch", a wholly-owned subsidiary of China Conch Venture Holdings Limited ("Conch Venture") which is listed on the main board of the Stock Exchange (stock code: 586)) and Red Day Limited ("Red Day", a company incorporated in the British Virgin Islands which is 100% owned by Mr. Ma Zhaoyang ("Mr. Ma"), a non-executive Director) pursuant to which Wuhu Conch and Red Day agreed to inject RMB90 million and RMB30 million, respectively, into Xi' an Yaobai Environmental technology Engineering Co., Ltd. ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time.

As of the date of this report, Yaobai Environmental is owned as to 60% by Wuhu Conch, 20% by Shaanxi Quanchuangke Industrial and trading Co. Ltd., a PRC company wholly-owned by Mr. Ma, which is nominated by Red Day to take up all its rights and obligations under the Investment Agreement pursuant to the terms of the Investment Agreement, and 20% by Yaobai Special Cement. The parties have agreed to develop Yaobai Environmental into the only platform for the treatment of dangerous and hazardous waste for the parties within the PRC.

The Group's plants that are cooperating with Yaobai Environmental's operations currently include: Phase I & Phase II of the Waste Sludge Treatment Facility at the Group's Lantian Plant ("Lantian Waste Sludge Treatment Facility"), which have been in full operations since 2015; the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and the Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") which has been in full operations since October 2017. In 2020, Yaobai Environmental will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account specific conditions in the solid waste market of Shaanxi.

Management Discussion and Analysis

Financial leasing business

In June 2017, Guangxin International Financial Leasing Co., Ltd ("Guangxin International"), a wholly-owned subsidiary of the Group, was approved by the Ministry of Commerce of the People's Republic of China (the "PRC") as a licensed lessor. During the second half of 2017, Guangxin International commenced a new financial leasing business under the support of the national policies of the PRC government, in order to ride on the rapid development opportunities present in the financial leasing industry.

In 2017, Guangxin International entered into certain financial leasing arrangements under which Guangxin International received ownership titles of certain assets from third parties and then leased those assets back to such third parties. The ownership title of those assets would be returned to the third parties upon discharge of all their obligations under the financial leasing arrangements. Guangxin International also entered into certain entrusted loan and loans collateralised by receivables with third parties with fixed interest rates over the term of the contract. The aforementioned financial leasing arrangements were accounted as loan receivables.

In 2019, the Group recorded loan receivables of approximately RMB1,779.6 million (2018: RMB1,692.7 million) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB213.0 million for the year ended 31 December 2019 (2018: RMB127.8 million). The Group intends to continue the operations of the financial leasing business, however, the Group expects the capital deployed as well as the size of such business will be gradually decreased.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2019, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

In order to further improve its environmental impact and safety procedures, the Group joined the Cement Sustainability Initiative (CSI), a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). Each CSI member is required to demonstrate commitments and achievements, including regular audits, to the following broad areas: C02 & Climate Protection, Responsible use of fuels and raw materials, Employee Health & Safety, Emission Reduction, Local Environmental Impact, Water and Reporting Practices.

During the year, charitable donations made by the Group amounted to approximately RMB3.7 million, including donations made in sponsoring deprived students for college education as well as supporting education, sports and cultural events.

PROSPECTS

The improving operating environment in 2019 reflected that the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy is the solution to the problem of lacklustre demand in Shaanxi Province and in the PRC as a whole. However, the resolution of the fragmented nature of the supply side is still of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

Due to the impact of the coronavirus disease 2019 ("COVID-19") outbreak and the respective traffic restrictions, some staff and customers could not report to work on time after Chinese New Year holidays and caused temporary disturbance to the Group's operations for a short period of time as well as certain impact on the periodic market demand. Such impact has ceased to exist since early March as all staff and customers reported to work subsequently. Meanwhile, infrastructure construction is expected to play a greater role in counter-cyclical growth stabilization. Greater efforts will be made to commence construction of new investment projects, while progress of construction of projects under construction will be expedited; the expected increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds will promote the continuous recovery of infrastructure investment growth.

Management Discussion and Analysis

In 2020, the Group will continue to pay close attention to the impacts of the COVID-19 outbreak on the Company's production and operation, enhance its study and assessment on market supply and demand condition, further intensify end-user market development, strengthen coordination of integrated regional marketing efforts, and capture the increasing market demands driven by the government's policy to use infrastructure investment to boost economic growth, in an effort to increase its market share.

Whilst demand in Shaanxi Province remained stable in 2019, with a slight increase in cement sales volume as compared with that of 2018, the Company is cautiously optimistic about the outlook of the demand from the infrastructure construction and urbanisation for the region into 2020 and beyond.

The Group and Conch Cement will continue to explore future opportunities for business collaboration in different structures or manners

Conch International Holdings (HK) Limited, a wholly-owned subsidiary of Anhui Conch Cement Co., Ltd ("Conch Cement"), had 1,147,565,970 shares in the Company, representing approximately 21.11% of the Company's issued share capital as at 31 December 2019. Conch Cement is a leading PRC cement company, with its H-shares listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 914) and its A-shares listed on the Shanghai Stock Exchange (stock code: 600585).

Ms. Liu Yan and Mr. Fan Changhong are the representatives of Conch Cement on the board of directors of our Company who can promote a strong working relationship between the Group and Conch Cement. This will enable the Group and Conch Cement to achieve synergies in the manufacturing and sale of cement in Shaanxi Province, and can unify the operation and management of cement production capacity in the region thereby improving business efficiency.

The Group believes that further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group in 2020 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in 2020. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2020, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanization trends supporting rural growth rates.

In regards to the supply side, the Group expects an increasing prices in 2020, both as a result of the limited supply under the increasingly stringent environmental policies imposed by the government as well as in light of the business collaboration between the Group and Conch Cement, which is expected to improve sales coordination across the province and stronger bargaining power on selling prices.

In Central Shaanxi, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy are expected to remain as an important feature, especially during low season periods, and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2020, including the constructions of the Xi'an to Yan'an High Speed Railway, several Central Shaanxi Intercity Railways, the Hanheng to Huanglong Expressway, the Mei to Taibai Expressway, the Chengcheng to Pucheng Expressway, the Xi'an Xianyang International Airport (Phase 3), the Line 8 of Xi'an Metro and the Dongzhuang Reservoir.

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activities, an already disciplined supply side and the potential for increasingly stable pricing in the surrounding areas of Central Shaanxi and Northern Sichuan. Construction of the large railway and road projects in Southern Shaanxi are expected to proceed in accordance with the respective plans in 2020. The Shiquan to Ningshan Expressway, the Ankang to Langao Expressway and the Xixiang to Zhenba Expressway have commenced construction and are expected to generate increasing demand in 2020. In addition, the Group expects to see substantial demand from a number of new railways and expressways in 2020 and 2021, including the constructions of High Speed Railways from Xi'an to Wuhan and from Xi'an to Chongqing as well as the Ankang to Langao Expressway — Phase 2.

Management Discussion and Analysis

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2020. However, with the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity, the Group can see a more stable market of the cement industry with increased ASP since then. In Southern Xinjiang, where the Group has two plants and a total of 2.6 million tons of capacity, there are a number of on-going small infrastructure projects, which are expected to contribute to support the demand in 2020 and beyond. These include the constructions of the Minfeng to Heishihu Expressway, the Hetian to Kangxiwa G580 National Expressway and the Hetian to Ruoqiang Railway. In Northern Xinjiang, the 1.5 million-ton Yili Plant with production volumes remained low but improved pricing in 2019. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing in 2020 and beyond. In Guizhou, the decreases in both ASPs and sales volume were mainly due to imbalance between demand and supply as a result of the continuation of decreasing demand scenario and the Group expects that the scenario may continue for a certain period. Fortunately, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of better volumes than other locations in Guizhou in 2020 and beyond.

Costs Control

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit the control of cost of sales and selling, general and administrative expenses in 2020. These measures include administrative and head office cost cuts and staff incentives to promote efficient use of raw materials and resources.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans to further implement measures to strengthen environmental management and monitoring during 2020 and will continue to implement the "Sustainable Safety Development Project". The Group also expects to benefit from its membership of the Cement Sustainability Initiative (CSI) in gaining expertise and know how in all aspects of environmental control and health and safety. Moreover, the Group will continue to implement the green mine project to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

The Group is looking forward to continuing its work in the building of waste treatment facilities at its plants together with Conch Venture and Mr. Ma through the joint investment in Yaobai Environmental. As part of the joint investment, the Group will provide its cement kilns, logistics and management for a management fee to run the waste treatment facilities at its Lantian, Fuping and Mianxian Plants Plants as well as its other plants in the future. Phase I and Phase II of the Lantian Waste treatment Facility were in full operation since 2015 while Fuping Waste treatment Facility commenced full operation since March 2016. Moreover, Mianxian Waste treatment Facility has been in full operations since October 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 22.6% from RMB5,911.7 million for the year ended 31 December 2018 to RMB7,247.4 million for the year ended 31 December 2019. Cement sales volume increased by 3.9%, from approximately 18.1 million tons to approximately 18.8 million tons during the year. Including clinker sales, total sales volume for the year ended 31 December 2019 amounted to approximately 19.3 million tons, compared to the 18.2 million tons sold in 2018.

Overall cement prices were higher than those in 2018, and this has resulted in higher revenue. Cement ASPs for the year ended 31 December 2019 were RMB333 per ton as compared with RMB314 per ton in 2018. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Other than the above increase in cement sales volume and ASPs, the revenue arising from the sales of aggregates and commercial concrete also increased by 220.0% and 300.0% to RMB75.2 million and RMB493.2 million, for the year ended 31 December 2019, respectively, which is primarily due to the increase in the production capacities and sales volumes.

Management Discussion and Analysis

Cost of Sales

Cost of sales increased by 22.4% from RMB3,926.0 million for the year ended 31 December 2018 to RMB4,806.9 million for the year ended 31 December 2019. The increase is primarily due to the increase in costs of coal, raw materials and staff of cement production mentioned below.

Coal costs were stable in the PRC over the previous 12 months. The average cost per ton of coal increased slightly by approximately 3.3% to approximately RMB525 per ton from approximately RMB508 per ton in 2018. This has resulted in a cost increase of approximately RMB3.2 per ton of total cement produced, with total coal costs increased by approximately 5.7% as compared with that of 2018.

Raw materials costs were increasing as a result of the increase in transportation costs and suppliers prices under the more stringent environmental policy implemented and the increase in the number of such policies during the year. As a result, the costs increased by approximately RMB8.0 per ton of total cement produced, with total raw materials costs increased by approximately 16.0% as compared with that of 2018.

The Group has reviewed and increased the staff salaries, which have been frozen for few years, as a result of the improving operating results, since the second half of 2018. This has resulted in a cost increase of approximately RMB2.4 per ton of total cement produced, with total staff costs increased by approximately 21.9% as compared with that of 2018.

There have been no significant changes in the costs of electricity and depreciation during the year.

Moreover, as mentioned in the revenue analysis above, as a result of the increase in the production capacities and sales volumes, the costs arising from the production of aggregates and commercial concrete also increased by 276.0% and 290.0% to RMB37.6 million and RMB397.8 million, for the year ended 31 December 2019, respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB454.7 million, or 22.9%, from RMB1,985.8 million for the year ended 31 December 2018 to RMB2,440.5 million for the year ended 31 December 2019. The increase in gross profit was mainly due to the increase in ASPs as described above. Gross profit margins therefore slightly increased from 33.6% for the year ended 31 December 2018 to 33.7% for the year ended 31 December 2019.

Impairment loss under expected credit loss model, net of reversal

The balance increased by RMB28.1 million from RMB8.4 million for the year ended 31 December 2018 to RMB36.5 million for the year ended 31 December 2019. The increase was mainly due to the loss on impairment of amount due from non-controlling shareholder of a subsidiary of RMB22.0 million recorded in 2019 (2018: Nil). The amount was prepaid to the non-controlling interests of a subsidiary to coordinate for the acquisitions of various mining rights in prior years. However, the local government authority finally issued a notice that the respective mining rights would not be granted due to the rearrangement of local mining resources under the current stringent environmental policies, which led to the impairment loss recognized.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 13.6% from RMB336.7 million for the year ended 31 December 2018 to RMB382.4 million for the year ended 31 December 2019. Selling & marketing expenses increased by 6.1% from RMB 54.1 million to RMB57.4 million as compared with that of 2018. As mentioned in the cost of sales analysis above, the increase in these balances are mainly due to the increase in the staff salaries as a result of the improved operating results since the second half of 2018.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and other government subsidies. Other income decreased by approximately 16.3% from RMB344.0 million for the year ended 31 December 2018 to RMB287.8 million for the year ended 31 December 2019, mainly due to the decrease in VAT rebates. The ratio of VAT rebates over revenue was 3.7% for the year ended 31 December 2019 (2018: 5.3%). The decrease in the VAT rebates was mainly due to the decrease in the VAT rate from 16% to 13% during the year. VAT rebates decreased by approximately 14.7% to RMB269.6 million as compared with that of 2018.

Other Gains and Losses, net

Other losses decreased by RMB162.1 million from RMB233.8 million for the year ended 31 December 2018 to RMB71.7 million for the year ended 31 December 2019.

The net decrease was mainly due to the net effect of the following factors. Firstly, the net foreign exchange loss relating to the Group's borrowings as a result of the depreciation of the RMB against the USD decreased to RMB21.5 million for the year ended 31 December 2019 (2018: RMB127.6 million). Secondly, the loss on disposal of property, plant and equipment ("PPE") of RMB37.7 million was recorded for the year ended 31 December 2019 (2018: RMB6.8 million) as some obsolete PPE were disposed under the technology improvement of PPE to meet the tighten stringent environmental policy requirement. Thirdly, the redemption premium on partial redemption of Senior Notes of RMB13.4 million was recorded for the year ended 31 December 2019 (2018: RMB9.0 million) as the Group early redeemed Senior Notes of US$120 million in June 2019. Finally, the donation for the year ended 31 December 2019 decreased to RMB3.7M (2018: RMB88.0 million) as the Group donated RMB80.0 million upon the establishment of the Yaobai Education Assistance Foundation in 2018 to sponsor deprived students for college education.

Interest Income

Interest income increased by RMB87.6 million from RMB140.6 million for the year ended 31 December 2018 to RMB228.2 million for the year ended 31 December 2019. The increase was mainly due to the increase in the interest income arising from the growing loan receivables business of RMB213.0 million recorded for the year ended 31 December 2019 (2018: RMB127.8 million).

Finance Costs

Finance costs decreased by RMB41.7 million, or 18.2%, from RMB228.8 million for the year ended 31 December 2018 to RMB187.1 million for the year ended 31 December 2019. The decrease was mainly due to the early redemption of senior notes at the end of 2018 and in June 2019.

Income Tax Expense

Income tax expenses decreased by RMB57.3 million, or 12.7%, from RMB451.6 million for the year ended 31 December 2018 to RMB394.3 million for the year ended 31 December 2019. Current income tax expense decreased by RMB34.0 million to RMB408.3 million, whereas deferred tax expense decreased by RMB23.3 million to deferred tax income of RMB14.0 million for the year ended 31 December 2019. The decrease in the current income tax is primarily due to the reversal of over provision made in prior years. The decrease in the deferred tax expense is mainly due to the net effect of the reversal of the withholding tax on undistributed profits of PRC subsidiaries after the payment of dividend in prior year and the increase in the utilization of the tax losses of prior years.

The detailed income tax expenses for the Group are outlined in Note 9 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company improved from RMB1,159.4 million for the year ended 31 December 2018 to RMB1,801.3 million for the year ended 31 December 2019. This significant increase is primarily due to the increase in gross profit due to the increase in ASPs as mentioned above.

Basic earnings per share improved from RMB21.3 cents for the year ended 31 December 2018 to RMB33.1 cents for the year ended 31 December 2019.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2019, the Group's total assets increased by 17.7% to RMB14,579.8 million (2018: RMB12,392.1 million) while total equity increased by 21.4% to RMB9,225.7 million (2018: RMB7,599.0 million).

As at 31 December 2019, the Group had bank balances and cash, restricted/pledged bank deposits as well as financial assets at FVTPL, amounting to RMB1,223.7 million (2018: RMB1,075.1 million). After deducting total borrowings, Senior Notes and medium term notes ("MTN") of RMB2,836.7 million (2018: RMB3,051.6 million), the Group had net debt of RMB1,613.0 million (2018: RMB1,976.5 million). 48.1% (2018: 81.5%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB1,779.6 million (2018: RMB1,692.7 million) at fixed interest rates. Please refer to Notes 24, 32, 33, 36 and 46 to the consolidated financial statements above for the details of the loan receivables, borrowings, Senior Notes, MTN and the respective pledge of assets.

As at 31 December 2019, the Group's net gearing ratio, measured as net debt to equity, was 17.5% (2018: 26.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern.

During the year, there was no material change in the Group's funding and treasury policy.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets, prepaid lease payments and mining rights, for year ended 31 December 2019 amounted to RMB1,712.2 million (2018: RMB887.4 million). Capital commitments as at 31 December 2019 amounted to RMB2,298.1 million (2018: RMB127.4 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities and the upgrading of existing production facilities. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 5,750 (2018: 5,363) full-time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2019, employees benefit expenses were RMB591.0 million (2018: RMB437.4 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITIONS AND DISPOSALS

On 20 September 2019, West International Holding Limited, an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement to establish a joint venture with 60% equity interest for a capital contribution of approximately RMB6.6 million and a shareholders loan of approximately RMB353.5 million for joint investment and construction of a cement production line in Mozambique.

For further details in relation to the above acquisition, please also refer to the announcement of the Company dated 20 September 2019.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the year ended 31 December 2019.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2019, the Group's sales, purchases, loans receivables and bank borrowings were all denominated in Renminbi. However, the proceeds raised through the syndicated loan by the Company in September 2019 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. It is the risk of loss arising from a customer's, a lessee's or counterparty's inability to meet its obligations.

The Group has made various efforts to control credit risks. In accordance with the policy of the Group, it will only enter into transactions with recognized and creditworthy customers, lessees and counterparties. In respect of its financial leasing business, it would examine and verify the credit risk of all lessees and counterparties that the Group has financial leasing, factoring, entrusted loan and small loan arrangements with. In respect of its main cement business, it would carry out credit assessment before entering into contracts with its customers and build credit records of its customers, in order to mitigate credit risk and reduce the overdue receivables.

In addition, the Group will also carry out regular reviews on the trade receivables and loan receivables balances and will write off bad debts, if any. The maximum exposure to credit risk arising from its financial leasing business equals to the carrying amount of the loan receivables.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company.

Code provision A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Qin Hongji, non-executive Director, was unable to attend the Company's annual general meeting held on 17 May 2019 due to other business engagements.

Save as disclosed above, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set forth in Appendix 14 of the Listing Rules during the year ended 31 December 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is primarily responsible for formulating business strategy, reviewing and monitoring business performance of the Group, and approving financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear direction. Each of the Directors has full and direct access to the advice and services of the Company Secretary of the Company. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where it is considered relevant and necessary for the purpose of discharging their duties.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Board Composition

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board, as at 31 December 2019, comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Board members are listed below:

Executive Directors:

Mr. Zhang Jimin *(Chairman)*
Dr. Ma Weiping *(Chief Executive Officer)*

Non-executive Directors:

Mr. Ma Zhaoyang
Ms. Liu Yan
Mr. Fan Changhong

Independent non-executive Directors:

Mr. Lee Kong Wai Conway
Mr. Zhu Dong
Mr. Tam King Ching Kenny

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

On 16 May 2019, Mr. Wong Kun Kau ("Mr. Wong") resigned as an independent non-executive Director. Following his resignation, the Company failed to meet (i) the requirements under Rules 3.10(1) and 3.10A of the Listing Rules that the minimum number of independent non-executive Directors shall be three and shall represent at least one-third of the Board; and (ii) the requirement set out in Rule 3.21 of the Listing Rules that the audit committee must comprise a minimum of three members. The Company has identified and appointed Mr. Zhu Dong as an independent non-executive Director and a member of the audit committee and the remuneration committee of the Company on 15 July 2019.

Save as disclosed above, the Board's composition satisfies the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors representing at least one-third of the Board, and of whom at least one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial managing expertise.

There was no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Biographical information of the Directors is set forth on pages 31 to 34 of this annual report.

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for terms of one year and three years which may only be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has entered into a letter of appointment with each of the independent non-executive Directors for a term of one year, and this appointment can only be terminated by either party giving to the other not less than three months prior notice in writing.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2019, the roles and duties of the Chairman and the Chief Executive Officer of the Company were carried out by different individuals and had been clearly defined in writing.

During the year ended 31 December 2019, the Chairman of the Board was Mr. Zhang Jimin and the Chief Executive Officer was Dr. Ma Weiping. The positions of Chairman and Chief Executive Officer were held by separate persons in order to preserve independence and a balance of views and judgements. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 23 of the Company's articles of association (the "Articles"), the Directors shall have power at any time and from time to time to appoint any person (other than one disqualified or ineligible by law to act as a director of a company) to be a Director either to fill a casual vacancy or as an addition to the existing Directors provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these Articles as the maximum number of Directors. Any Director so appointed shall hold office until the next following annual general meeting of the Company (the "AGM") and shall then be eligible for re-election at such meeting.

According to Article 24 of the Company's Articles, at every AGM, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. If any Director has at the start of the AGM been in office for three years or more since his/her last appointment or re-appointment, he/she shall retire at that AGM. If the Company does not fill the vacancy at the meeting at which a Director retires by rotation or otherwise, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and not passed.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and his/her full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

During the year ended 31 December 2019, there were two in-house seminars conducted covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and the Securities and Futures Ordinance ("SFO").

Details regarding the trainings attended by the Directors during the year ended 31 December 2019 are as follows:

Directors	External training	In-house seminars
Executive Directors		
Mr. Zhang Jimin	–	2/2
Dr. Ma Weiping	–	2/2
Non-Executive Directors		
Mr. Ma Zhaoyang	–	2/2
Ms. Liu Yan	–	2/2
Mr. Qin Hongji *(resigned on 15 July 2019)*	–	1/2
Mr. Fan Changhong *(appointed on 15 July 2019)*	–	1/2
Independent Non-Executive Directors		
Mr. Lee Kong Wai Conway	11	2/2
Mr. Wong Kun Kau (resigned on 16 May 2019)	–	1/2
Mr. Tam King Ching Kenny	24	2/2
Mr. Zhu Dong (appointed on 15 July 2019)	–	1/2

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

BOARD MEETINGS AND ATTENDANCES

The Board meets regularly in person or by means of electronic communication. During the year ended 31 December 2019, two Board meetings were held. Directors received at least 14 days' prior notice of regular Board meetings and an agenda. For Board meetings scheduled at short notice, Directors are given as much notice as possible in the circumstances.

The Company Secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. The final version of these minutes are available for inspection by Directors at any time.

Corporate Governance Report

The table below sets out the attendance records of each Director at the Board Meetings and the annual general meeting for the year 2019 ("2019 AGM") during the year ended 31 December 2019:

Directors	Number of Board meetings attended	2019 AGM attended
Mr. Zhang Jimin	3/3	1/1
Dr. Ma Weiping	3/3	1/1
Mr. Ma Zhaoyang	3/3	1/1
Ms. Liu Yan	3/3	1/1
Mr. Qin Hongji (resigned on 15 July 2019)	1/3	0/1
Mr. Fan Changhong (appointed on 15 July 2019)	2/3	0/1
Mr. Lee Kong Wai Conway	3/3	1/1
Mr. Wong Kun Kau (resigned on 16 May 2019)	1/3	0/1
Mr. Tam King Ching Kenny	3/3	1/1
Mr. Zhu Dong (appointed on 15 July 2019)	2/3	0/1

Code provision A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Qin Hongji, non-executive Director, was unable to attend the Company's annual general meeting held on 17 May 2019 due to other business engagements.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019.

The major duties performed by the Audit Committee for the purpose of discharging its responsibilities are as follows:

— making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors, and any questions regarding resignations and dismissals;

— reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

— developing and implementing policy on engagement of an external auditor to supply non-audit services;

— identifying and making recommendations on any matters where action or improvement is needed and reporting to the Board on the same;

— monitoring integrity of the Group's financial statements, annual reports and accounts, interim reports and reviewing significant financial reporting judgements contained in them;

— considering any significant or unusual items that are, or may need to be, reflected in the reports or accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

— reviewing the Group's financial controls, internal control and risk management systems;

— discussing with the management the internal control system and ensuring that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Group's accounting and financial reporting function;

— considering any major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

— ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;

— reviewing and monitoring the effectiveness of the internal audit function;

— reviewing the Group's financial and accounting policies and practices;

— reviewing the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts, or systems of control and management's response;

— ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

— acting as key representative body for overseeing the Company's relations with the external auditors;

— reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

— reporting to the Board on the matters in the Code;

— establishing a whistle blowing policy and system for employees and those who deal with the Company to raise concerns, in confidence;

— performing the Company's corporate governance functions, including (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the code and disclosures in the Corporate Governance Report;

— considering any other topics as defined by the Board.

The table below sets out the details of Audit Committee meeting attendance of each Director during the year ended 31 December 2019.

Directors	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	2/2
Mr. Wong Kun Kau (resigned on 16 May 2019)	1/2
Mr. Tam King Ching Kenny	2/2
Mr. Zhu Dong (appointed on 15 July 2019)	1/2

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has been established in compliance with paragraph B1 of the Code and currently consists of three independent non-executive Directors, namely Mr. Tam King Ching Kenny, Mr. Lee Kong Wai Conway and Mr. Zhu Dong and one executive Director, namely Mr. Zhang Jimin, with Mr. Tam King Ching Kenny serving as chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration packages for the Directors and senior management.

The Company's remuneration policy is to provide remuneration packages, in terms of basic salaries, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The Company's executive Directors, who are also its employees, receive compensation in the form of salaries, bonuses and other allowances. The remuneration of the Directors and senior management are determined by taking into account their individual performance and also the market standards.

The major duties performed by the Remuneration Committee for the purpose of discharging its responsibilities are as follow:

— reviewing and making recommendations to the Board about the Group's policy and structure for all remuneration of Directors and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goal and objectives;

Corporate Governance Report

— determining, with delegated responsibility, on the remuneration packages of individual executive directors and senior management, and making recommendation to the Board on the remuneration of non-executive directors;

— reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct; and

— ensuring that no director or any of his associates is involved in deciding his own remuneration.

The table below sets out the details of Remuneration Committee meeting attendance of each Director during the year ended 31 December 2019.

Director	Number of Remuneration Committee meetings attended
Mr. Zhang Jimin	1/1
Mr. Wong Kun Kau (resigned on 16 May 2019)	1/1
Mr. Tam King Ching Kenny	1/1
Mr. Lee Kong Wai Conway	1/1
Mr. Zhu Dong (appointed on 15 July 2019)	0/1

REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in Note 16 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been established in compliance with paragraph A.5 of the Code and currently consists of two independent non-executive Directors, namely Mr. Lee Kong Wai Conway and Mr. Tam King Ching Kenny, and one executive Director, namely Mr. Zhang Jimin, with Mr. Zhang Jimin serving as Chairman of the committee.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding the appointment or re-appointment of members of the Board and succession planning for Directors. The Nomination Committee is also responsible for (i) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (ii) assessing the independence of independent non-executive Directors.

The Company recognises and embraces the benefits of diversity of Board members and have adopted a board diversity policy (the "Board Diversity Policy") in August 2013. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The nomination committee will give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

No meeting of the Nomination Committee was held during the year ended 31 December 2019.

INTERNAL CONTROL

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's internal accounting and financial reporting function, and their training programmes and budget. The Board considers that the risk management and internal control system of the Company is effective and adequate.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The risk management and internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management review and evaluate the control process, monitor any risk factors on a regular basis, and report to the Audit Committee on any findings and measures to address the variances and identified risks.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the consolidated financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. The Directors also ensure that the consolidated financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 50 of this annual report.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Company. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on pages 50 to 51 of this annual report.

The remuneration paid and payable to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2019 is as follows:

	2019 **RMB'000**
Audit services	**1,870**
Non-audit services	**430**
Total	**2,300**

INVESTOR RELATIONS

The Company's investor relations department (the "IR Department") is focused on providing information and updates to investors and market participants in order to enhance our transparency and corporate governance.

The IR Department comprises two representatives responsible for communication with investors and market participants and is supported by a team of three representatives responsible for database management and maintenance. Databases containing full information on both publicly available information regarding our operating environment and detailed records of contacts with investors and market participants are maintained. The Company also maintains regular investor relations reports to Senior Management.

During the year, the executive Directors and investor relations representatives have participated in two full scale Non Deal Roadshows, covering investors in Asia, Europe and the United States, following the release of our 2018 Annual Results and our 2019 Interim Results. In addition, the Company has participated in a number of major investor conferences as well as other communications with investors and market participants.

The Company's website (www.westchinacement.com) is maintained with comprehensive information regarding our operations, financial information, announcements, annual and interim reports and shareholder circulars. The Company also has a dedicated Investor Relations email address (ir@westchinacement.com) allowing investors direct communication with our IR representatives.

During the year, there were no significant change to the Company's constitutional documents.

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

Procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

- Eligible Shareholders (as defined below) may submit a written requisition (the "Requisition") to the Directors or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in the Requisition. For this purpose, "Eligible Shareholder(s)" means any one or more Shareholders holding at the date of deposit of the Requisition not less than five (5) percent of the paid up capital of the Company carrying the right of voting at general meetings of the Company.

- Eligible Shareholders who wish to convene an extraordinary general meeting must deposit the Requisition signed by the Eligible Shareholder(s) concerned at the registered office of the Company at 47 Esplanade, St Helier, Jersey JE1 0BD, for the attention of the Company Secretary of the Company.

- The Requisition must state clearly the name(s), the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) concerned must prove his/her/their shareholding in the Company to the satisfaction of the Company.

- The Company will check the Requisition and the identity and the shareholding of the Shareholder will be verified with the Share Registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to consider convening an extraordinary general meeting within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting.

- If within 21 days from the date of deposit of the Requisition the Directors fails to proceed to convene such extraordinary general meeting within 2 months of such date, the Eligible Shareholders(s) concerned, or any of them representing more than one half of the voting rights of all of them, may themselves call for an extraordinary general meeting in accordance with the relevant provisions of the Companies (Jersey) Law 1991 and the memorandum and articles of association of the Company, but such extraordinary general meeting so called shall not be held after 3 months from that date, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

- At any extraordinary general meeting called pursuant to the Requisition, unless such meeting is called by the Directors, no business other than that stated in the Requisition as the objects of the meeting shall be transacted.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to ir@westchinacement.com.

DIVIDEND POLICY

1. Introduction

The Dividend Policy (the "Policy") was approved and adopted on 18 March 2019 pursuant to a resolution passed on the same day by the board of directors of the Company.

2. Purpose

The Policy is to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company. Accordingly, the policy aims to allow shareholders of the Company (the "Shareholders") to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

3. Considerations

3.1 The declaration and recommendation of dividends is subject to the decision of the Board after considering the Company's ability to pay dividends, which will depend upon, among other things:

- the actual and expected financial results of the Group;
- cashflow of the Group;
- financial conditions of the Group;
- Shareholders' interests;
- general business conditions and strategies;
- the current and future operations of the Group;
- future business plans of the Group;
- liquidity and capital requirements of the Group;
- taxation considerations;
- amount of distributable profits;
- contractual restrictions;
- Statutory and regulatory restrictions under Singapore laws, any applicable laws, rules and regulations (the "Laws") and the Company's articles of association (the "Articles"); and
- Any other factors the Board may deem relevant.

3.2 The Board has complete discretion on whether to recommend and/or pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, the Laws and the Articles, and other factors of and affecting the Group.

4. Review

4.1 This Policy reflects the Company's views on the financial and cash-flow position of the Group prevailing at the time of its adoption and shall in no way constitute a legally binding commitment by the Company of its future dividend.

4.2 The Board shall review and reassess the Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

5. Reporting

5.1 The Company shall disclose the decision on whether or not to declare, recommend or pay any dividend, including the rate and amount of the dividend and the expected payment date immediately after the decision from the Board and in its financial statements in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

5.2 The Company shall disclose the dividend policy in its Corporate Governance Report incorporated in the annual report as required under Appendix 14 to the Listing Rules.

Directors and Senior Management

DIRECTORS

At the date of this report, the Company has two executive Directors, three non-executive Directors and three independent non-executive Directors. Their biographical details are set out below:

Executive Directors

Mr. Zhang Jimin — Chairman

Mr. Zhang, aged 65, the founder of the Group, is currently the Chairman and executive Director of the Company. He is responsible mainly for the Group's overall strategic planning and investment decisions. Mr. Zhang is also a director of a number of the Group's subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

Mr. Zhang has more than 28 years of experience in the cement industry. He was the factory manager of the Shaanxi Province Pucheng County Hanjing Town Second Cement Factory (one of the predecessors of our production facility in Pucheng) from 1985 to December 1990 and the manager of the Pucheng County Hanjing Town Cement Factory (another predecessor of our production facility in Pucheng) thereafter. These two small cement facilities represent the origins of West China Cement, demonstrating the growth of the Group under the management of Mr. Zhang.

Mr. Zhang has actively participated in various cement technology development projects and from 1992 to 1994 , he led the development of low heat slag cement and moderate-heat Portland cement, winning the Second Grade Science and Technology Progress Prize issued by the Government of Shaanxi Province.

Mr. Zhang also holds several industry associations and political positions. He is the Chairman of the Shaanxi Province Cement Association, an industry association jointly established by The Raw Materials Division of The Industry and Information Technology Department of Shaanxi Province and various cement production enterprises in Shaanxi, holding this position since December 2009. As the Chairman of the Shaanxi Province Cement Association, Mr. Zhang promotes information exchange between cement enterprises in Shaanxi, leading the association to formulate a self-regulatory regime, maintaining fair market competition, providing technology and human resources and assisting the Shaanxi Government in regulating the cement industry in Shaanxi Province. Mr. Zhang was also a Xi'an City representative of the 11th Standing Committee of the Shaanxi Provincial People's Congress and participated in the plenary sessions of the 11th Standing Committee of the Shaanxi Provincial People's Congress for discussion and approval of various matters in relation to the political and economical development of Shaanxi Province. Mr. Zhang was also the Vice President of the China Cement Association.

Through these social positions, Mr. Zhang is able to maintain close contact with industry partners and local government so as to keep abreast of the latest development of the cement industry and government policies. Mr. Zhang received professional training in economic management from Peking University in July 2001.

Dr. Ma Weiping — Chief Executive Officer

Dr. Ma, aged 58, was appointed as a non-executive Director of the Company in June 2012 and redesignated as an executive Director and chief executive officer of the Company in February 2015. He has over 23 years of management and technical experience in the building materials industry in both the United States of America and China. From 1996 to 2002, Dr. Ma served as a senior process engineer and project manager for Holcim in Michigan, United States. From 2002 to 2005, Dr. Ma served as a vice president of marketing and sales for Lafarge (China) in Beijing and served in a similar position for Lafarge Shuion Cement from 2005 to 2008. From 2008 to 2009, he served as a general manager and vice president for Lafarge A&C in Chongqing. Preceding his appointment as a non-executive Director, from 2009 to June 2012, Dr. Ma was also a chief representative and managing director of Fuping Cement, a company wholly owned by Italcementi Group.

Dr. Ma received a bachelor's degree in Inorganic and Non-Metallic Materials from Tongji University, Shanghai in 1982, a master's degree in Solid State Science and a Ph.D in Material Science and Engineering from Pennsylvania State University in 1991 and 1994, respectively. Dr. Ma also obtained a Master of Business Administration in Integration Management from Michigan State University in 2002.

Directors and Senior Management

Non-executive Directors

Mr. Ma Zhaoyang — Non-executive Director

Mr. Ma, aged 51, was appointed as a non-executive Director of the Company on 29 July, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of the Company and assumes an advisory role with the Company in respect of the overall strategic planning and operation of its business. Mr. Ma has been the chairman and director of Sino Vanadium Inc., a vanadium mining company listed on the TSX Venture Exchange in Canada since June 2009. He has also been a non-executive director of Taihua PLC, a pharmaceutical company listed on the London Stock Exchange, where he has assumed an advisory role since December 2006.

Ms. Liu Yan — Non-executive Director

Ms. Liu, aged 52, was appointed as a non-executive Director of the Company in July 2015 and is currently the head of the finance department of Conch Cement, a substantial shareholder of the Company. She has extensive experience in financial management, internal audit and internal risk management and control. Ms. Liu graduated from Tongling University majoring in planning and statistics in 1987.

From March 2006 to April 2010, Ms. Liu served as the head of finance department of Anhui Tongling Conch Cement Co., Ltd. ("Anhui Tongling"), a wholly-owned subsidiary of Conch Cement. From April 2010 to July 2013, Ms. Liu held various positions such as deputy chief accountant of Anhui Tongling and chief accountant of Suzhou Conch Cement Co., Ltd., a wholly-owned subsidiary of Conch Cement. From July 2013 to December 2014, Ms. Liu served as deputy head of the finance department of Conch Cement.

Mr. Fan Changhong — Non-executive Director

Mr. Fan, aged 54, was appointed as a non-executive Director of the Company on 15 July 2019. Mr. Fan graduated from Wuhan University of Technology in 1986 with a bachelor's degree in engineering. Mr. Fan has rich experience in cement production management and external communication. Mr. Fan served as the regional director of Anhui Conch Cement Company Limited ("Conch Cement") (Shanghai area) from May 2013 to April 2019, responsible for market operation and resource co-ordination of Conch Cement in Shanghai, Su-Xi-Chang Area and Nantong. Meanwhile, he also served as the general manager of Shanghai Conch Cement Company Limited and Shanghai Conch Cement Sales Company Limited, responsible for the production and operation management of the two companies. He then also served as the general manager of Conch Mingzhu Cement Company Limited from March 2016 to April 2019, responsible for the production and operation management of the company. Mr. Fan is currently the regional director of Conch Cement (Shaanxi and Gansu area) and the general manager of Pingliang Conch Cement Co., Ltd ("Pingliang Conch"), responsible for the market operation and resource co-ordination of Conch Cement in Shaanxi and Gansu and the production and operation management of Pingliang Conch

Independent non-executive Directors

Mr. Lee Kong Wai Conway — Independent non-executive Director

Mr. Lee, aged 65, was appointed an independent non-executive Director of the Company on 29 July, 2010. Mr. Lee serves as Chairman of the audit committee of the Company, member of the remuneration committee of the Company, and also member of the nomination committee of the Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of the Group and providing independent advice to the Board on various financial and corporate governance matters.

Mr. Lee received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of Chaowei Power Holdings Limited, China Modern Dairy Holdings Limited, Gome Electrical Appliances Holding Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited, WH Group Limited, China Rundong Auto Group Limited and Guotai Junan Securities Limited, companies listed on the main board of the HKSE, since July 2010, November 2010, March 2011, November 2012, November 2013, August 2014, August 2014 and April 2017 respectively. He was also an independent non-executive director of China Taiping Insurance Holdings Company Limited, Merry Garden Holdings Limited, Citic Securities Company Limited and Tibet Water Resources Ltd., companies which are listed on the main board of the HKSE, from October 2009 to August 2013, from July 2014 to September 2015, from November 2011 to May 2016 and from March 2011 to February 2020, respectively, and Sino Vanadium Inc., which was listed on TSX Venture Exchange in Canada, between October 2009 and December 2011. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to December 2017.

Mr. Zhu Dong — Independent non-executive Director

Mr. Zhu, aged 58, was appointed as an independent non-executive Director of the Company on 15 July 2019. Mr. Zhu graduated in 1982 from Guangxi University with a bachelor degree in mechanical engineering and he finished a program of Master of Business Administration held by Tsinghua University in 1996. Mr. Zhu has approximately 30 years of experience in capital markets and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. From August 1982 to November 1992, Mr. Zhu worked at various departments in the PRC government. He served as a senior manager at the Peregrine Investment Group form May 1994 to May 1998. He was the managing director at the BMP Paribas Capital (Asia Pacific) Limited form May 1998 to July 2011. Form September 2011 to May 2016, he was the managing director of Nomura International (Hong Kong) Limited. Mr. Zhu is currently an independent non-executive director of HPC Holdings Limited, a company listed on the Stock Exchange.

Mr. Tam King Ching Kenny — Independent non-executive Director

Mr. Tam, aged 70, was appointed as an independent non-executive Director of the Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of the Company and also the members of the audit committee and nomination committee of the Company. He is mainly responsible for overseeing the policy and structure of the remuneration for Directors and senior management of the Company. He is also responsible for monitoring the Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

Mr. Tam received a bachelor's degree in commerce from the Concordia University in November 1975. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. Mr. Tam is a member of the Restructuring and Insolvency Faculty Executive Committee in the Hong Kong Institute of Certified Public Accountants. He is also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam has also served as an independent non-executive director of eight other listed companies on the main board of the HKSE, namely, Kingmaker Footwear Holdings Limited, CCT Fortis Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited, BeijingWest Industries International Limited, Greater Bay Area Investments Group Holdings Limited and Wisdom Education International Holdings Company Limited, since May 1994, December 1999, February 1996, July 2004, September 2004, January 2014, February 2016 and January 2017, respectively.

SENIOR MANAGEMENT

Yaobai Group

Ms. Wangrui — Deputy Chief Executive Officer

Ms. Wang, aged 42, is mainly responsible for the management of sales company, materials company, logistics company, commercial concrete company, testing company, and the strategic development department. Ms. Wang obtained an MBA degree from Hong Kong Economy & Trading Management Academy in July 2010. She joined the Group in 1998 and held several positions including office manager, assistant manager, chief administration officer, general manager of materials company, and general manger of sales company, etc. She has won several rewards, such as Outstanding Communist Party Member of Ministry of Industry and Information of Shaanxi Province （陝西省工信廳中共優秀共產黨員), and Outstanding Entrepreneur of National Building Material Industry (全國建材行業優秀企業家).

Directors and Senior Management

Mr. Wang Fayin — Deputy Chief Executive Officer and General Manager of Production Technology Department

Mr. Wang, aged 49, is mainly responsible for production, quality, technology and equipment operation. He obtained an associate diploma in electric application technology from Luoyang Institute of Science and Technology (洛陽工業高等專科學院). Mr. Wang joined the Group in May 1996 and held several positions including workshop director, factory manager, director of production technology department, chief of electricity section, regional general manager, etc. Mr. Wang has extensive experience in production technology. He has won several rewards granted by Shaanxi Association for Technological Innovation in Building Material Industry (陝西省建材行業技術創新協會).

Mr. Chu Yufeng — Deputy Chief Executive Officer and Chief Financial Officer

Mr. Chu, aged 42, joined Shaanxi Yaobai, as deputy chief financial officer in July 2012 and he was the deputy administration, finance and control director of Shaanxi Fuping, from November 2010 to June 2012. In 2014, Mr. Chu was appointed as the chief financial officer of Shaanxi Yaobai and he has been responsible for financial management and audit matters of Yaobai Group for over 5 years. In January 2020, Mr. Chu was also appointed as the chief financial officer of the Company. Prior to joining the Group, Mr. Chu was a finance manager in a software company in the PRC from September 2008 to October 2010 and an electric equipment manufacturer in the PRC from November 2007 to August 2008. Mr. Chu received a master degree in business administration from an international business program jointly organised by Maastricht School of Management (MSM) of Netherlands and Independent University of Bangladesh in June 2005. He also graduated with a bachelor's degree in commerce in international accounting from Xi'an JiaoTong University in June 1999. Mr. Chu is a member of the Association of Chartered Certified Accountants.

West China Cement Limited

Mr. Chan King Sau — Financial Controller and Company Secretary

Mr. Chan, aged 42, joined the Company on 1 June, 2010. Mr. Chan was an assistant financial controller of the Company before being appointed as chief financial officer of the Company. He was also appointed as the company secretary of the Company since June 2012. In January 2020, Mr. Chan was designated as the financial controller of the Company. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Directors' Report

The Directors are pleased to present the annual report of the Company, including the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are the manufacture and sales of cement and cement products. The activities of the principal subsidiaries are set out on pages 130 to 131 of this Annual Report. In addition to the principal cement business, one of the subsidiaries of the Company, Guangxin International, was approved by the Ministry of Commerce of the PRC as a licenced lessor and commenced financial leasing business during the second half of 2017.

BUSINESS REVIEW

The business review of the Group as at 31 December 2019 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 13 to 21.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has formulated some policies in accordance with environmental regulations, including, conducting environmental impact assessment for various types of materials or machines prior to making any purchasing decision; enhancing awareness of environmental protection among all employees by organizing environmental protection activities, training programmes and promotions. Top management of the Group plays a leading role in establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy.

The Group continues to work towards the best of industry standards in regards to energy conservation, emission controls and further development of environmental protection solutions. All of the Group's production facilities employ New Suspension Preheater ("NSP") technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs into some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2019, these systems are operational at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

The Group completed the installation of De-nitration ("De-NOx") equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation in five plants. During the year, eighteen plants were already re-greened as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Moreover, green limestone mines projects, including soil reclamation and mine re-greening, already commenced construction to comply with the environmental policy. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

MAIN RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cement. It is exposed to a variety of risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the above main risks and measures for risk reduction are set out in the section headed "Management Discussion and Analysis" and Note 47 of the consolidated financial statements below.

During the year under review, the Group's business and profitability growth were affected by the fluctuations and uncertainties of macroeconomic situations of China. Discrepancies of the monetary policies among major developed economies are expected to cause uncertainties in the PRC economy, which could materially and adversely affect the building and infrastructure industry in China and in turn, the demand of cement. The long-term business and profitability growth of the Group are expected to be impacted by variables of the Chinese macro-economy continuously (including but not limited to credit demand, fixed asset investment and total output value growth) and qualitative factors (such as the development of political and economic policies of various countries in the world).

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

The Group's success also relies on the support of major stakeholders including employees, customers, suppliers, regulators and shareholders.

Employees

Employees are considered to be the most important and valuable assets of the Group. The purpose of human resources management of the Group is to reward and praise the staff with excellent performances through the provision of generous remuneration package, the implementation of the comprehensive performance evaluation plan and the share option scheme. In addition, the Group also formulates an appropriate training plan based on various positions and duties and titles and provides certain opportunities and platforms to assist its employees to develop and get promoted within the Group.

Customers

The major customers of the Group are railway construction companies, real estate developers and concrete manufacturers etc. The Group is committed to provide its customers with quality products and services so as to strive for sustained growth in respect of revenue and profitability. The Group has adopted various means to strengthen communication with its customers to provide excellent and quality products and services so as to increase market penetration.

Suppliers

Maintaining good relationships with the suppliers is essential to the Group in respect of the supply chain and when facing business challenges and regulatory requirements. It can achieve cost efficiency and promote long term commercial benefits. Major suppliers include raw material suppliers, system and equipment suppliers, external consultants providing professional services, suppliers of office supplies or commodities and other business partners providing the Group with value added services.

Regulators

As a company listed in Hong Kong, the Company is subject to the regulations of the Securities and Futures Commission of Hong Kong and the Hong Kong Stock Exchange. Moreover, various PRC government authorities, including the Ministry of Land and Resources, the State Environmental Protection Administration, the General Administration of Quality Supervision Inspection and Quarantine, the Ministry of Commerce of the PRC, the Ministry of Construction of the PRC and other relevant regulators, have the authority to issue and implement regulations governing various aspects of cement production. The Group expects to constantly update and ensure compliance with new rules and regulations issued by these regulators.

During the year ended 31 December 2019, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

Directors' Report

Shareholders

One of the corporate objectives of the Group is to enhance the corporate value for its shareholders. The Group distributes dividends to its shareholders in order to reward them for their support while boosting its business development to achieve sustainable profit growth and taking into account the capital adequacy level, liquidity and its business expansion needs.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

At the Board meeting held on 31 March 2020, the Directors proposed to recommend the payment of a final dividend of RMB0.063 per ordinary share for the year ended 31 December 2019.

The final dividend of RMB0.063 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 29 June 2020 (Monday), and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 7 July 2020 (Tuesday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 29 June 2020 (Monday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 29 June 2020 (Monday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 June 2020 (Monday). The register of members of the Company will be closed from 23 June 2020 (Tuesday) to 29 June 2020 (Monday), both days inclusive, during which period no transfer of shares will be registered.

In addition, for the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from 6 July 2020 (Monday) to 7 July 2020 (Tuesday), both dates inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 3 July 2020 (Friday). Subject to shareholder's approval of the proposed final dividend at the annual general meeting to be held on 29 June 2020 (Monday), the final dividend will be paid on or around 31 July 2020 (Friday) to shareholders whose names appear on the register of members of the Company at the close of business on 7 July 2020 (Tuesday).

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the movements in reserves on page 133 and the consolidated statement of changes in equity on page 55, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies (Jersey) Law 1991 as amended (the "Law"), amounted to approximately RMB2,592.6 million.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2019 amounted to RMB3.7 million (2018: RMB87.9 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group, during the year ended 31 December 2019 are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year under review are set forth in Note 39 and Note 43 to the consolidated financial statements, respectively.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

On 10 June 2019 and 11 September 2019, the Company redeemed and repaid an aggregate principal amount of US$120 million and US$200 million, respectively, of the 6.5% Senior Notes Due 2019 ("2019 Senior Notes") issued in the principal amount of US$400 million by the Company on 4 September 2014, at a redemption price equal to 101.625% of the principal amount thereof together with all accrued and unpaid interest. The redeemed 2019 Senior Notes were cancelled. All 2019 Senior Notes was fully repaid as at 31 December 2019.

During the year ended 31 December 2019, save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles and the laws of Jersey, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Schemes", as at the end of and during the year ended 31 December 2019, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, in so far as the Companies (Jersey) Law 1991 allows, the Directors shall be indemnified out of the assets of the Company against any loss or liability incurred by him by reason of being or having been a Director.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, total sales attributable to the largest customer of the Group was approximately 2.6% of total sales of the Group and total sales attributable to the top five customers of the Group were approximately 9.3% of total sales of the Group.

For the financial year ended 31 December 2019, total purchase attributable to the largest supplier accounted for approximately 5.0% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 18.4% of total purchases of the Group.

At no time during the year did any Director, their close associates, or any shareholder of the Company who owns more than 5% of the number of issued Shares of the Company have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Jimin *(Chairman)*
Dr. Ma Weiping *(Chief executive officer)*

Non-executive Directors

Mr. Ma Zhaoyang
Ms. Liu Yan
Mr. Qin Hongji (resigned on 15 July 2019)
Mr. Fan Changhong (appointed on 15 July 2019)

Independent non-executive Directors

Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau (resigned on 16 May 2019)
Mr. Tam King Ching Kenny
Mr. Zhu Dong (appointed on 15 July 2019)

According to Article 23 of the Articles, any Director so appointed shall hold office until the next Annual General Meeting of the Company and shall then be eligible for re-election at such meeting. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates and the notice of Annual General Meeting will be sent to shareholders of the Company.

None of the Directors nor the senior management of the Company has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set forth on pages 31 to 34 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the Directors and the five highest paid individuals of the Company during the year ended 31 December 2019 are set in Note 15 and Note 16 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident fund legislation, subject to a cap of HKD1,500 per month.

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in Note 44 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No contract of significance in relation to the Group's business, to which the Company, its holding company, its controlling shareholder, fellow subsidiaries or subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the year under review.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors of the Company entered into a service contract with the Company for terms of one year and three years which may only be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has entered into an appointment letter with each of the independent non-executive Directors of the Company for a term of one year, and appointment of which will only be terminated by either party giving to the other not less than three months prior notice in writing.

No Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executive's Interests and Short Positions" and the "Share Option Schemes" below, at no time during the year ended 31 December 2019 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

The related party transactions set out in Note 45 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) Interests in shares of the Company

As at 31 December 2019:

Name of Director	**Number of ordinary shares held as at 31 December 2019**		**Approximate % of issued share capital of the Company as at 31 December 2019**
	Capacity	**Total** (Note 1)	
Zhang Jimin	Interest of a controlled corporate	1,756,469,900 (L) *(Note 2)*	32.32%
Ma Zhaoyang	Interest of a controlled corporate	221,587,950 (L) *(Note 3)*	4.08%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) These shares are held by Asia Gain Investments Limited ("Asia Gain") which is beneficially and wholly-owned by Zhang Jimin.

(3) These shares are held by Techno Faith Investments Limited ("Techno Faith") and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.

(2) Interests in underlying shares of the Company - equity derivatives of the Company

As at 31 December 2019:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 31 December 2019
Zhang Jimin	Beneficial Owner	8,175,000	0.150%
Ma Weiping	Beneficial Owner	9,075,000	0.167%
Ma Zhaoyang	Beneficial Owner	1,775,000	0.033%
Lee Kong Wai, Conway	Beneficial Owner	1,275,000	0.023%
Tam King Ching, Kenny	Beneficial Owner	1,775,000	0.033%

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the HKSE pursuant to the Model Code.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2019, the Directors were not aware of any business or interest of the Directors or any controlling shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER OF THE COMPANY

The following disclosure is made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

On 5 September 2019, the Company entered into an agreement (the "Agreement") for syndicated loan facilities of US$150,000,000 with a term of 3 years (the "Facilities"). The Agreement contains a condition that, during the term of the Facilities, the Company shall be directly or indirectly at least 30% beneficially owned by Mr. Zhang Jimin, the Chairman, an executive Director and the Controlling Shareholder (as defined in the Listing Rules) of the Company and Mr. Zhang's status as the single largest direct or indirect shareholder of the Company shall be maintained. Upon a non-fulfillment of the above condition, among others, the commitment by the lenders under the Facilities shall be immediately cancelled and all outstanding loans under the Facilities (together with any accrued interest thereon) shall become immediately due and payable.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Name of shareholder	Capacity	As at 31 December 2019 Number of ordinary shares of £0.002 each held *(Note 1)*	Approximate % of issued share capital of the Company
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.32%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,147,565,970 (L)	21.11%
Anhui Conch Cement Co., Ltd. ("Conch Cement") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
安徽海螺集團有限責任公司*(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
Citigroup Inc.	Beneficial owner	544,428,850 (L) 256,000 (S)	10.02% 0.00%
GIC Private Limited	Beneficial owner	380,696,000 (L)	7.00%
AllianceBernstein L.P	Beneficial owner	271,782,000 (L)	5.00%
FIL Limited *(Note 4)*	Beneficial owner	271,858,881 (L)	5.00%
Pandanus Partners LP *(Note 4)*	Interest in a controlled corporation	271,858,881 (L)	5.00%
Pandanus Associates Inc. *(Note 4)*	Interest in a controlled corporation	271,858,881 (L)	5.00%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.

(3) Conch is beneficially and wholly-owned by Conch Cement, which is owned as to 36.78% by 安徽海螺集團有限責任公司. 安徽海螺集團有限責任公司 is indirectly controlled by China Conch.

(4) FIL Limited is owned as to 38.69% by Pandanus Partners L.P., which is beneficially and wholly-owned by Pandanus Associates Inc.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 31 December 2019 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

Each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited has undertaken to the Company, subject to the exceptions mentioned in the Company's prospectus dated 10 August 2010 (the "Prospectus") that each of them will not engage in any cement production business and details of such deed of non-competition dated 29 July 2010 are set out in the Prospectus.

The Company has received from each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited an annual confirmation that it/he/she has complied with its/his/her obligations under the deed of non-competition during the year ended 31 December 2019.

SHARE OPTION SCHEMES

The Company has adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010.

Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme:

1. **Purpose of the Post-IPO Share Option Scheme:**

   The Post-IPO Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Post-IPO Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Post-IPO Share Option Scheme:**

   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of shares available for issue under the Post-IPO Share Option Scheme and percentage of issued share capital as at 23 August 2010 and as at the date of this annual report:**

   The maximum number of shares which maybe issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme shall not in aggregate exceed 411,553,185 shares (representing 10% of the issued share capital of the Company as at 23 August 2010).

   The total number of shares available for issue under the Post-IPO Share Option Scheme is 339,453,185 as at the date of this annual report, representing approximately 6.25% of the Company's issued share capital as at the date of this annual report.

4. Maximum entitlement of each participant under the Post-IPO Share Option Scheme:

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. The period within which the shares must be exercised under the Post-IPO Share Option Scheme:

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Post-IPO Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised:

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:

Options granted must be taken up within 21 days of the date of offer, upon payment of HKD1 per grant.

8. The basis of determining the exercise price:

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the HKSE daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the HKSE daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Post-IPO Share Option scheme:

The Post-IPO Share Option Scheme had a life of 10 years from the date of its adoption and it has ended on 30 March 2020. Outstanding share options granted under the scheme remain valid in accordance with its terms.

Movements of the share options granted under the Post-IPO Share Option Scheme

During the year ended 31 December 2019:

				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2019	Granted during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Lapsed during the year ended 31 December 2019	Outstanding as at 31 December 2019
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,000,000	–	–	–	2,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	2,775,000	–	–	–	2,775,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	3,400,000	–	–	–	3,400,000
Ma Zhaoyang	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	700,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	8,000,000	–	–	–	8,000,000
Lee Kong Wai, Conway	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	250,000	–	–	–	250,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	700,000
Tam King Ching, Kenny	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	700,000
Other employees (Group A)	22 March 2013	1.25	22 March 2014 to 21 March 2023	7,975,000	–	–	–	7,975,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	18,800,000	–	–	–	18,800,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,550,000	–	–	–	11,550,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,100,000	–	–	–	1,100,000
Total				61,500,000	–	–	–	61,500,000

Notes:

1. The closing prices of the shares of the Company on 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, being the dates on which the Share Options were granted, were HK$3.41, HK$1.24, HK$0.91 and HK$1.45 per share, respectively.

2. The vesting of Share Options granted under the Share Option Scheme on each of 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015 is conditional upon the achievement of certain performance targets as set out in the respective offer letters, including among others, achievement of strategic goals and financial and operational performance targets, during the vesting period and the exercise period of the Share Options.

   Subject to the abovementioned vesting or performance conditions, the Share Options with respect to a grantee will be exercisable in the following manner:

   (i) 25% of the Share Options will be exercisable at any time on and after the end of first anniversary (or the end of third anniversary for some of the other employees of the Group) of the grant of the Share Options;

   (ii) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraph (i) above will be exercisable at any time commencing from end of the second anniversary (or the end of fourth anniversary for some of the other employees of the Group) of the grant of the Share Options;

   (iii) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraphs (i) and (ii) above will be exercisable at any time commencing from the end of third anniversary (or the end of fifth anniversary for some of the other employees of the Group) of the grant of the Share Options; and

   (iv) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraphs (i) to (iii) above will be exercisable at any time commencing from the end of fourth anniversary (or the end of sixth anniversary for some of the other employees of the Group) of the grant of the Share Options.

   No Share Options will be exercisable after the expiry of its term.

3. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.57.

4. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.57.

5. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.42.

6. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.41.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2019 and as at the date of this annual report.

AUDITORS

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
Zhang Jimin
Chairman

31 March 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED

(incorporated in Jersey with limited liability)

OPINION

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from contracts with customers	
We identified revenue recognised from contracts with customers as a key audit matter because revenue is one of the key performance indicators of the Group and the amount is significant to the consolidated financial statements. As disclosed in Note 5 to the consolidated financial statements, the Group recognised revenue from contracts with customers amounted to RMB7,247.4 million for the year ended 31 December 2019. The Group enters into contracts with customers for sales of cement products. Revenue is recognised at a point in time when control of the goods underlying the particular performance obligation is transferred to the customer. The accounting policy for revenue recognition is disclosed in Note 3 to the consolidated financial statements.	Our procedures in relation to the revenue recognised from contracts with customers included: • Understanding, evaluating and testing key controls over recognition of revenue from sales of cement products; • Obtaining customer contracts by customer categories on a sample basis, to inspect terms and conditions of revenue recognition used to ledger records with reference to the requirements of prevailing accounting standards; • Performing analytical procedures to assess the reasonableness of unit sales price, gross profit margin, production volume, and utilisation rate; • Obtaining confirmations directly from major customers, on a sample basis; and • Testing sales transactions, on a sample basis, to delivery notes and other sales documents to assess the appropriateness of revenue recognition.

OTHER INFORMATION

The directors of the Company are 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	**7,247,389**	5,911,744
Cost of sales		**(4,806,905)**	(3,925,988)
Gross profit		**2,440,484**	1,985,756
Other income	6	**287,753**	343,986
Impairment loss under expected credit loss model, net of reversal	7	**(36,517)**	(8,387)
Selling and marketing expenses		**(57,406)**	(54,136)
Administrative expenses		**(382,353)**	(336,745)
Other gains and losses, net	8	**(71,703)**	(233,828)
Share of profit of an associate		**22,388**	23,683
Interest income	9	**228,231**	140,578
Finance costs	10	**(187,076)**	(228,796)
Profit before tax	11	**2,243,801**	1,632,111
Income tax expense	12	**(394,272)**	(451,648)
Profit and total comprehensive income for the year		**1,849,529**	1,180,463
Attributable to:			
— Owners of the Company		**1,801,281**	1,159,449
— Non-controlling interests		**48,248**	21,014
		1,849,529	1,180,463
Earnings per share			
— Basic (RMB)	14	**0.331**	0.213
— Diluted (RMB)	14	**0.331**	0.213

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**7,793,345**	7,180,198
Right-of-use assets	18	**469,021**	–
Prepaid lease payments	19	**–**	459,275
Mining rights	20	**542,352**	326,926
Other intangible assets	21	**199,235**	199,561
Interest in an associate	23	**80,269**	80,661
Loan receivables	24	**724,182**	837,203
Deferred tax assets	25	**36,557**	39,110
Amount due from a non-controlling shareholder of a subsidiary	27	**–**	15,218
Prepayments for construction in progress		**518,276**	101,002
Prepayments for right-of-use assets		**100,278**	–
Debt instruments at fair value through other comprehensive income	28	**181,855**	–
		10,645,370	9,239,154
Current assets			
Inventories	26	**665,526**	491,116
Loan receivables	24	**1,055,444**	855,453
Trade and other receivables and prepayments	27	**800,090**	477,284
Bill receivables at fair value through other comprehensive income	29	**189,676**	253,972
Financial assets at fair value through profit or loss	30	**90,000**	–
Restricted/pledged bank deposits	31	**354,148**	189,032
Bank balances and cash	31	**779,559**	886,046
		3,934,443	3,152,903
Current liabilities			
Borrowings	32	**1,126,000**	863,571
Senior notes	33	**–**	2,188,003
Trade and other payables	34	**1,735,544**	1,152,034
Contract liabilities	35	**226,589**	231,000
Income tax payable		**121,005**	186,738
		3,209,138	4,621,346
Net current assets (liabilities)		**725,305**	(1,468,443)
Total assets less current liabilities		**11,370,675**	7,770,711

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Borrowings	32	**1,189,589**	–
Medium-term notes	36	**521,098**	–
Asset retirement obligation	37	**336,398**	45,935
Deferred tax liabilities	25	**63,721**	80,279
Deferred income	38	**34,205**	45,542
		2,145,011	171,756
Net assets		**9,225,664**	7,598,955
Capital and reserves			
Share capital	39	**141,771**	141,771
Share premium and reserves	40	**8,911,168**	7,383,494
Equity attributable to owners of the Company		**9,052,939**	7,525,265
Non-controlling interests		**172,725**	73,690
		9,225,664	7,598,955

The consolidated financial statements on pages 52 to 135 were approved and authorised for issue by the Board of Directors on 31 March 2020 and are signed on its behalf by:

ZHANG JIMIN
DIRECTOR

MA WEIPING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 (Note 40)	Share option reserve RMB'000	Statutory reserve RMB'000 (Note 40)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	141,549	3,291,021	(305,868)	28,858	581,360	2,831,656	6,568,576	50,032	6,618,608
Profit and total comprehensive income for the year	–	–	–	–	–	1,159,449	1,159,449	21,014	1,180,463
Transfer to statutory reserve	–	–	–	–	116,272	(116,272)	–	–	–
Recognition of equity-settled share-based payments *(Note 43)*	–	–	–	1,037	–	–	1,037	–	1,037
Shares issued for share options exercised *(Note 39)*	222	15,153	–	(4,672)	–	–	10,703	–	10,703
Acquisition of a subsidiary *(Note 41)*	–	–	–	–	–	–	–	19,467	19,467
Acquisition of non-controlling interests *(Note 40)*	–	–	(138)	–	–	–	(138)	(950)	(1,088)
Appropriation of maintenance and production funds *(note a)*	–	–	–	–	32,653	(32,653)	–	–	–
Utilisation of maintenance and production funds *(note a)*	–	–	–	–	(5,326)	5,326	–	–	–
Capital injection by non-controlling interests	–	–	–	–	–	–	–	12,100	12,100
Winding of a subsidiary	–	–	–	–	(350)	350	–	–	–
Dividends recognised as distribution *(Note 13)*	–	(214,362)	–	–	–	–	(214,362)	–	(214,362)
Dividends recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	(27,973)	(27,973)
At 31 December 2018	**141,771**	**3,091,812**	**(306,006)**	**25,223**	**724,609**	**3,847,856**	**7,525,265**	**73,690**	**7,598,955**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,801,281**	**1,801,281**	**48,248**	**1,849,529**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**324,400**	**(324,400)**	**–**	**–**	**–**
Recognition of equity-settled share-based payments *(Note 43)*	**–**	**–**	**–**	**264**	**–**	**–**	**264**	**–**	**264**
Appropriation of maintenance and production funds *(note a)*	**–**	**–**	**–**	**–**	**49,551**	**(49,551)**	**–**	**–**	**–**
Utilisation of maintenance and production funds *(note a)*	**–**	**–**	**–**	**–**	**(37,107)**	**37,107**	**–**	**–**	**–**
Winding of a subsidiary *(note c)*	**–**	**–**	**–**	**–**	**(1,404)**	**1,404**	**–**	**(3,587)**	**(3,587)**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**59,000**	**59,000**
Deemed contribution from non-controlling interests *(note b)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**227**	**227**
Dividends recognised as distribution *(Note 13)*	**–**	**(273,871)**	**–**	**–**	**–**	**–**	**(273,871)**	**–**	**(273,871)**
Dividends recognised as distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,853)**	**(4,853)**
At 31 December 2019	**141,771**	**2,817,941**	**(306,006)**	**25,487**	**1,060,049**	**5,313,697**	**9,052,939**	**172,725**	**9,225,664**

Notes:

(a) Pursuant to the relevant People's Republic of China ("PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

(b) Amounts represent the dividend payable waived by the non-controlling shareholders of a subsidiary and is thus treated as deemed contribution to the Group.

(c) On 23 September 2019, the Group wound up a non-wholly owned subsidiary resulting in the net assets of that subsidiary being distributed to the respective shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**2,243,801**	1,632,111
Adjustments for:			
Finance costs		**187,076**	228,796
Interest income		**(228,231)**	(140,578)
Net foreign exchange loss		**20,954**	139,643
Depreciation of property, plant and equipment		**803,080**	764,792
Depreciation of right-of-use assets		**14,013**	–
Amortisation of prepaid lease payments		**–**	13,788
Amortisation of mining rights		**17,985**	7,312
Amortisation of other intangible assets		**1,950**	2,167
Loss on disposal of property, plant and equipment		**37,662**	6,777
Gain on disposal of prepaid lease payment		**–**	(189)
Impairment loss under expected credit loss model, net of reversal	7	**36,517**	8,387
Share of profit of an associate		**(22,388)**	(23,683)
Redemption premium on partial redemption of senior notes		**13,435**	8,993
Government grants released to profit or loss		**(10,978)**	(10,327)
Recognition of equity-settled share-based payments		**264**	1,037
Operating cash flows before movements in working capital		**3,115,140**	2,639,026
Increase in inventories		**(174,410)**	(50,312)
Increase in trade and other receivables, prepayments and bill receivables		**(298,807)**	(40,448)
Increase in trade and other payables, and contract liabilities		**445,093**	312,210
Cash generated from operations		**3,087,016**	2,860,476
Income tax paid		**(474,010)**	(357,863)
Net cash from operating activities		**2,613,006**	2,502,613

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Interest received		**245,419**	123,390
Dividend received from an associate		**22,780**	–
Purchase of property, plant and equipment		**(1,614,768)**	(749,056)
Purchase of mining rights		**(42,650)**	(88,627)
Payments for right-of-use assets/prepaid lease payment		**(9,971)**	(957)
Purchase of other intangible assets		**(1,624)**	(4,399)
Purchase of debt instruments at fair value through other comprehensive income		**(181,855)**	–
Purchase of financial asset at fair value through profit or loss		**(534,337)**	–
Proceeds from disposal of property, plant and equipment		**14,960**	8,528
Proceeds from disposal of prepaid lease payments		**–**	410
Proceeds from disposal of financial assets at fair value through profit or loss		**455,707**	–
Prepayments for right-of-use assets		**(100,278)**	–
Loans to third parties		**(460,485)**	(1,393,838)
Repayments received for loans to third parties		**367,764**	525,661
Net cash outflow on acquisition of subsidiaries	41	**–**	11
Winding of a subsidiary		**(3,587)**	–
Payment received from non-controlling shareholder of a subsidiary		**–**	2,950
Advance to a non-controlling shareholder of a subsidiary		**(6,000)**	–
Government grants received for acquisition of property, plant and equipment		**–**	6,622
Withdrawal of restricted/pledged bank deposits		**341,236**	15,204
Placement of restricted/pledged bank deposits		**(506,352)**	(127,223)
Net cash used in investing activities		**(2,014,041)**	(1,681,324)
FINANCING ACTIVITIES			
New borrowings raised		**1,316,000**	804,171
Repayments of borrowings		**(863,571)**	(684,600)
Repayments of senior notes including early redemption premium	33	**(2,257,767)**	(562,440)
Proceeds from issuance of medium-term notes	36	**500,000**	–
Medium-term notes issue costs paid	36	**(2,250)**	–
Repayments of short-term notes		**–**	(400,000)
Proceeds from issuance of syndicated loan	32	**1,062,690**	–
Syndicated loan issue costs paid	32	**(47,521)**	–
Dividends paid to non-controlling shareholders of a subsidiary		**(4,853)**	(19,450)
Dividends paid		**(273,871)**	(214,362)
Shares issued for share options exercised		**–**	10,703
Capital injection by non-controlling interests		**59,000**	12,100
Acquisition of non-controlling interests		**–**	(1,088)
Interest paid		**(193,861)**	(256,761)
Net cash used in financing activities		**(706,004)**	(1,311,727)
Net decrease in cash and cash equivalents		**(107,039)**	(490,438)
Cash and cash equivalents at 1 January		**886,046**	1,375,353
Effect of foreign exchange rate changes		**552**	1,131
Cash and cash equivalents at 31 December, represented by bank balances and cash		**779,559**	886,046

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

West China Cement Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the production and sale of cement in western China, the People's Republic of China (the "PRC").

The Company was incorporated in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 47 Esplanade, St Helier, Jersey JE1 0BD, Channel Islands and the principal place of business is Yaobai R&D Training Center, No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, the PRC.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015–2017 Cycle*

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Cont'd)*

IFRS 16 *Leases* *(Cont'd)*

As a leasee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the followings:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon the application of IFRS 16		
— Reclassified from prepaid lease payments	(i)	473,063

Note:

(i) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current portion (included in trade and other receivables and prepayments) and non-current portion of prepaid lease payments amounting to RMB13,788,000 and RMB459,275,000 respectively were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Cont'd)*

IFRS 16 *Leases* *(Cont'd)*

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transitional provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as a sale. Since upon discharging all the obligations by the relevant seller-leasee, the Group will return the ownership title of the assets to the lessees automatically, the Group accounted for these sale and leaseback transactions as financing arrangements under IFRS 9 *Financial Instruments* ("IFRS 9").

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the change have not been included.

Impact on the consolidated statement of financial position

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Prepaid lease payments	459,275	(459,275)	–
Right-of-use assets	–	473,063	473,063
Current assets			
Trade and other receivables and prepayments	477,284	(13,788)	463,496

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[5]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

New and amendments to IFRSs in issue but not yet effective *(Cont'd)*

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Other than set out above, the directors of the Company anticipate that the application of the other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on HKSE and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised in 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, which are described as follows:

- 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 quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- 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 to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard;

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU(s)") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Interest in associates

An associate is an entity over which the Group has significant influence. 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 the policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a leasee (upon application of IFRS 16 in accordance with transitions in Note 2)

Short-term leases and leases of low-values assets

The Group applies the short-term lease recognition exemption to lease of an office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

The Group as a leasee (upon application of IFRS 16 in accordance with transitions in Note 2) *(Cont'd)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a leasee (prior to 1 January 2019)

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.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred assets and recognised a loan receivable equal to the transfer proceeds within the scope of IFRS 9.

Sale and leaseback transactions (prior to 1 January 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a buyer-lessor

For sale and leaseback transactions which are in substance a financing arrangement under IFRS 9, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the net investment in the lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the defined contribution retirement plans, including state-managed retirement schemes in the PRC and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Equity-settled share-based payment transactions

Equity-settled share-based payments (share options) to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment *(Cont'd)*

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Except for mining assets (see notes (a) and (b) below), depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining assets include primarily the following:

(a) Stripping costs

Stripping costs incurred during the production phase which provide improved access to ore is capitalised into property, plant and equipment as "mining assets" (before production begins) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as mining assets of which it forms part. Capitalised stripping costs are depleted on a unit of production basis, using estimated reserves of mine as the depletion base.

(b) Asset retirement obligation

The Group recognises provision for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mining properties and mining assets under property, plant and equipment when those obligations result from the acquisition, construction, or normal operation of the assets. Initially, a provision for an asset retirement obligation is recognised as its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the mining assets and the cost is depreciated as an expense over the economic life of the asset using the unit of production method. Following initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The adjusted cost of the asset is depreciated prospectively over the economic life of the assets to which they relate. The unwinding of the discount is shown as finance costs in profit or loss.

Mining rights

The cost of acquiring rights for the Group to extract a mine over a certain period is capitalised and subsequently stated at cost less accumulated amortisation and impairment loss. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over the useful lives of the mines in accordance with the production plans and reserves of the mines estimated on the unit of production method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Classification and subsequent measurement of financial assets *(Cont'd)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments/bill receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/bill receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/bill receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments/bill receivables. When these debt instruments/bill receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivables, bank balances, restricted/pledged bank deposits, amount due from a non-controlling shareholder of a subsidiary, and bill receivables and debt instruments measured at FVTOCL) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and insignificant balances with specific risks. All other assets are assessed collectively using a provision matrix with appropriate groupings.

For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) 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 reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets *(Cont'd)*

(i) Significant increase in credit risk *(Cont'd)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets *(Cont'd)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, and loan receivables are each assessed as a separate group; amount due from a non-controlling shareholder is assessed for ECL on an individual basis);
- Past-due status; and
- Nature, size and industry of debtors;

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/bill receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, loan receivables, restricted/pledged bank deposits and amount due from a non-controlling shareholder of a subsidiary where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments/bill receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of the debt instruments/bill receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument/bill receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities including borrowings, trade and other payables, senior notes and medium-term notes are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across financial assets measured at amortised costs and FVTOCI requires judgement, in particular, the estimation of the amount, timing of future cash flows and forward-looking information when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are based on debtors' aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Notes 27 and 47, respectively.

Loan receivables

The Group makes allowance for loan receivables based on the ECL model on an individual basis which requires considerable amount of judgement.

In assessing ECL of loan receivables, management adopts internal credit risk grading system which is built on loan borrowers' past-due status. Elements of key accounting judgements and estimates incorporated as the key variables in ECL model include assigning probability of default to individual credit risk grade, assessing if there has been a significant increase in credit risk, considering qualitative creditworthiness, collateral values and determining associations between macroeconomic scenarios and economic inputs. The assessment of the credit risk of loan receivables involves high degree of estimation and uncertainty. The provision of ECL is sensitive to changes in estimates.

The information about the Group's loan receivables and the ECL are disclosed in Notes 24 and 47, respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2019, the carrying amounts of goodwill is RMB193,357,000 (2018: RMB193,357,000) as disclosed in Note 22.

Assets retirement obligation

The estimation of the liabilities for assets retirement obligation involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of retirement obligation to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the assets retirement obligations is RMB336,398,000 (2018: RMB45,935,000) as disclosed in Note 37.

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's chief executive officer, the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by four areas, namely central and southern Shaanxi, Xinjiang and Guizhou. However, no further operating results by these areas are being provided to the CODM. Instead, the CODM reviews the consolidated results of the Group as a whole, including the financial implications from loan receivables. Accordingly, no further segment information of operating and reportable segment has been disclosed in the consolidated financial statements.

	2019 RMB'000	2018 RMB'000
Geographical markets		
Central Shaanxi	**3,322,621**	2,412,713
Southern Shaanxi	**2,782,957**	2,501,516
Xinjiang	**800,369**	606,172
Guizhou	**341,442**	391,343
	7,247,389	5,911,744

All of the Group's revenue for the years ended 31 December 2019 and 2018 are derived from the sale of cements products to customers in the western part of the PRC.

Revenue is recognised at a point in time when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. The normal credit term is 90 to 180 days upon delivery.

No single customer contributed 10% or more to the Group's revenue for both 2019 and 2018. All of the Group's non-current assets are located in the PRC.

During the year ended 31 December 2019, RMB231,000,000 (2018: RMB158,559,000) of revenue recognised relates to carried-forward contract liabilities.

All contracts of sale of cement products are for periods of one year or less, as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Tax refund *(Note)*	**269,634**	316,183
Government grant, including release from deferred income	**18,102**	27,803
Others	**17**	–
	287,753	343,986

Note: The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by the relevant government authorities as a result of utilising industrial waste as part of the production materials.

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For the year ended 31 December 2019

7. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment losses (recognised) reversed on:		
— Trade receivables	**(7,463)**	4,159
— Loan receivables	**(5,751)**	(11,395)
— Other receivables	**(1,333)**	(1,151)
— Amount due from non-controlling shareholder of a subsidiary *(Note)*	**(21,970)**	–
	(36,517)	(8,387)

Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in Note 47.

Note: In 2011, the Group entered into a shareholder agreement with an independent third party whom became the then non-controlling shareholder of the subsidiary ("YSZ"), to set up a subsidiary to acquire and operate mining rights in Shaanxi. As of 31 December 2016, the Group had prepaid total of approximately RMB63,225,000 to YSZ, for coordination works in respect of the mining rights. Subsequent to 2016, due to the change of local governmental policy, the acquisition was cancelled and the Group agreed with YSZ to recover the amount already paid. As of 31 December 2018, total of approximately RMB41,255,000 was recovered. The Group made allowance for credit losses for the remaining balance in the current year after YSZ failed to adhere to its repayment schedule signed in 2017.

8. OTHER GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000
Net foreign exchange losses *(Note (a))*	**(21,506)**	(127,550)
Loss on disposal of property, plant and equipment	**(37,662)**	(6,777)
Redemption premium on partial redemption of senior notes *(Note (b))*	**(13,435)**	(8,993)
Donation *(Note (c))*	**(3,695)**	(87,953)
Others	**4,595**	(2,555)
	(71,703)	(233,828)

Notes:

(a) The amounts mainly relate to the translation of the senior notes, syndicated loan and purchase of financial product from United States Dollar ("US$") to RMB for each of the two years ended 31 December 2019.

(b) During the year ended 31 December 2019, the Company exercised its early redemption option to early redeem and repaid the outstanding senior notes of US$120 million (equivalent to RMB827 million) (2018: US$80 million, equivalent to RMB553 million), plus the applicable redemption premium of US$2.0 million (equivalent to RMB13.4 million) (2018: US$1.3 million, equivalent to RMB9.0 million).

(c) Included in the amount for the year ended 31 December 2018 was charitable donations of RMB80,000,000 made by the Group through Yaobai Education Assistance Foundation established in 2018.

9. INTEREST INCOME

	2019 RMB'000	2018 RMB'000
Interest income from:		
— loan receivables	**212,995**	127,790
— bank deposits	**15,236**	12,788
	228,231	140,578

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on:		
— bank loans	**79,457**	42,213
— senior notes	**90,766**	183,831
— medium-term notes	**25,598**	–
— short-term notes	**–**	5,068
	195,821	231,112
Less: amount capitalised	**(10,265)**	(4,187)
	185,556	226,925
Unwinding of discount *(Note 37)*	**1,520**	1,871
	187,076	228,796

Borrowing costs capitalised during the year arose on the general borrowing pool, and are calculated by applying a capitalisation rate of 6.48% (2018: 6.16%) per annum to expenditure on qualifying assets.

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11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2019 RMB'000	2018 RMB'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	803,080	764,792
Depreciation of right-of-use assets	14,013	–
Amortisation of prepaid lease payments	–	13,788
Amortisation of mining rights	17,985	7,312
Amortisation of other intangible assets	1,950	2,167
Total depreciation and amortisation	837,028	788,059
Capitalised in inventories	(768,336)	(734,432)
	68,692	53,627
Research and development costs recognised as an expense (included in cost of sales)	304,788	195,108
Auditors' remuneration	3,244	3,039
Staff costs (including directors' emoluments):		
Salaries and allowances	542,544	398,015
Share-based payments	264	1,037
Retirement benefits	48,167	38,315
Total staff costs	590,975	437,367
Capitalised in inventories	(379,223)	(273,775)
	211,752	163,592
Cost of inventories recognised as expenses	4,502,117	3,723,581

12. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**387,512**	402,310
Withholding tax	**66,018**	40,000
	453,530	442,310
Over provision in prior years:		
PRC EIT	**(45,253)**	–
Deferred tax (Note 25):		
Current year	**(15,031)**	6,905
Attributable to change in tax rate	**1,026**	2,433
	(14,005)	9,338
Income tax expense	**394,272**	451,648

Pursuant to the rules and regulations of Jersey and the British Virgin Islands, the Company and the subsidiary of the Company, West China Cement Co. Ltd. ("West China BVI") did not have any assessable income for tax purpose in those jurisdictions for both reporting periods.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first 2 million Hong Kong Dollars ("HK$") of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arise in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, unless the group entities entitle to other preferential tax treatment granted by the relevant PRC tax authority.

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12. INCOME TAX EXPENSE *(Cont'd)*

Income tax expense for the year can be reconciled from the profit before tax as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	**2,243,801**	1,632,111
Tax at domestic income tax rate of 25% (2018: 25%)	**560,950**	408,139
Tax effects on:		
Expenses not deductible for tax purpose	**57,201**	100,118
Income not taxable for tax purpose	**(17,008)**	(24,290)
Additional tax benefit applicable to the Group *(Note (a))*	**(54,048)**	–
Tax holiday and concession rates of group entities *(Note (b))*	**(150,502)**	(87,418)
Tax effect of share of profit of an associate	**(5,597)**	(5,921)
Change in tax rate for deferred tax assets recognised	**1,026**	2,433
Tax on interest income on intra-group loans *(Note (c))*	**4,762**	6,801
Withholding tax on undistributed profits of PRC subsidiaries *(Note (d))*	**36,018**	50,000
Tax losses not recognised as deferred tax assets	**7,372**	3,046
Utilisation of tax losses previously not recognised as deferred tax assets	**(358)**	–
Recognition of deferred tax assets on tax losses generated in previous years	**(291)**	(1,260)
Over provision in respect of prior years	**(45,253)**	–
Tax expense for the year	**394,272**	451,648

Notes:

(a) Pursuant to the relevant tax rules and regulation in the PRC, expenses in research nature are deductible at 75% (2018: 75%) of such expenses incurred additionally. The related tax benefit is amounted to RMB54,048,000 (2018: nil) for the year ended 31 December 2019.

(b) Certain of the Company's subsidiaries are established in areas where preferential tax rates were granted by the local tax authorities:

Entities	Place of establishment	Tax rate for the year ended 31 December 2019	2018	Tax benefit
和田堯柏水泥有限公司 Hetian Yaobai Cement Co., Ltd. * ("Hetian Yaobai")	Xinjiang	**15%**	15%	(i)
和田魯新建材有限公司 Luxin Building Materials Co., Ltd. * ("Luxin")	Xinjiang	**15%**	15%	(i)
西安藍田堯柏水泥有限公司 Xi'an Lantian Yaobai Cement Co., Ltd. * ("Lantian Yaobai")	Shaanxi	**15%**	15%	(i)
陝西富平水泥有限公司 Fuping Cement Co., Ltd. * ("Fuping")	Shaanxi	**15%**	15%	(i)
陝西實豐水泥股份有限公司 Shifeng Cement Co., Ltd. * ("Shifeng")	Shaanxi	**15%**	15%	(i)

12. INCOME TAX EXPENSE *(Cont'd)*

Notes: (Cont'd)

(b) *(Cont'd)*

Entities	Place of establishment	Tax rate for the year ended 31 December 2019	2018	Tax benefit
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd. * ("Longqiao Yaobai")	Shaanxi	**15%**	15%	(i)
蒲城堯柏特種水泥有限公司 Pucheng Yaobai Special Cement Co., Ltd * ("Pucheng Yaobai")	Shaanxi	**15%**	15%	(i)
西安中港智慧物流有限公司 Xi'an Zhonggang Intelligent Logistics Co., Ltd * ("Zhonggang Logistics")	Shaanxi	**15%**	15%	(i)
貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd. * ("Guizhou Linshan")	Guizhou	**15%**	25%	(i)
西安光信小額貸款有限公司 Xi'an Guangxin Microfinance Co., Ltd. *	Shaanxi	**15%**	25%	(i)
光信(伊犁)融資租賃有限公司 Guangxin (Yili) Financial Leasing Co., Ltd. * ("Guangxin Yili")	Xinjiang	**0%**	0%	(ii)
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd. *	Shaanxi	**20%**	25%	(iii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd. *	Xinjiang	**20%**	(iv)	(iii)
渭南華源碩混凝土有限公司 Weinan Huayuanshuo Concrete Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
銅川堯柏節能環保建材有限公司 Tongchuan Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
陝西堯柏節能環保建材有限公司 Shaanxi Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
漢中堯柏節能環保建材有限公司 Hanzhong Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
韓城市堯柏節能環保建材有限公司 Hancheng Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)

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12. INCOME TAX EXPENSE *(Cont'd)*

Notes: (Cont'd)

(b) *(Cont'd)*

Entities	Place of establishment	Tax rate for the year ended 31 December 2019	2018	Tax benefit
漢中堯柏磊金節能環保建材有限公司 Hanzhong Yaobai Leijin Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
西安新柏商業運營管理有限公司曲江新區分公司 Xinbai Commercial Operation Management Co., Ltd Qujiang Branch Office. *	Shaanxi	**20%**	(iv)	(iii)
西安新柏騰鴻旅遊有限公司 Xinbai Tenghong Travel Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
陝西柏源盛通人力資源有限公司 Baiyuan Shengtong Human Resources Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)

(i) Concession rate of 15% granted by the local tax authorities in western region expiring in 2020.

(ii) Five-year tax holidays with 0% tax rate starting from year 2018.

(iii) These entities are entitled to a concession rate of 20% available to small and micro enterprises. Apart from the concessional tax rate, additional tax benefits were granted to these entities for the first RMB3,000,000 taxable income as below:

Taxable income	Tax reduction
Below RMB1,000,000	75% reduction on income tax expense
Between RMB1,000,000 to RMB3,000,000	50% reduction on income tax expense

(iv) Subsidiaries established in 2019.

(c) Interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and the PRC.

(d) Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 5% under the PRC Enterprise Income Tax Law.

* *The English name is for identification purpose*

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13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Interim — RMB3.6 cents (2018 Interim: RMB1.2 cents) per share	**197,781**	65,057
2018 Final — RMB1.4 cents (2017 Final: RMB2.6 cents) per share	**76,090**	149,305
	273,871	214,362

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB6.3 cents (2018: RMB1.4 cents) per ordinary share, in an aggregate amount of RMB342,413,000 (2018: RMB76,090,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**1,801,281**	*1,159,449*

Number of shares	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,435,133**	5,433,980
Effect of dilutive potential ordinary shares from share options issued by the Company	**5,595**	8,946
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,440,728**	5,442,926

The computation of diluted earnings per share in 2019 and 2018 does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for shares for both years.

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15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

2019	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Zhang Jimin	–	1,500	2,300	13	40	3,853
Ma Weiping *(Chief Executive)*	–	2,017	1,670	32	93	3,812
Non-executive directors						
Ma Zhaoyang	354	–	–	–	8	362
Liu Yan	354	–	–	–	–	354
Qin Hongji (resigned on 15 July 2019)	192	–	–	–	–	192
Fan Changhong (appointed on 15 July 2019)	162	–	–	–	–	162
Independent non-executive directors						
Lee Kong Wai Conway	354	–	–	–	8	362
Wong Kun Kau (resigned on 16 May 2019)	133	–	–	–	8	141
Zhu Dong (appointed on 15 July 2019)	162	–	–	–	–	162
Tam King Ching Kenny	354	–	–	–	8	362
	2,065	3,517	3,970	45	165	9,762

2018	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefit RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Zhang Jimin	–	1,500	1,000	3	182	2,685
Ma Weiping *(Chief Executive)*	–	2,000	1,354	40	384	3,778
Non-executive directors						
Ma Zhaoyang	342	–	–	–	39	381
Liu Yan	342	–	–	–	–	342
Qin Hongji (resigned on 15 July 2019)	342	–	–	–	–	342
Independent non-executive directors						
Lee Kong Wai Conway	342	–	–	–	39	381
Wong Kun Kau (resigned on 16 May 2019)	342	–	–	–	39	381
Tam King Ching Kenny	342	–	–	–	39	381
	2,052	3,500	2,354	43	722	8,671

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Cont'd)*

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2018: Nil).

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include two directors (2018: two) of whose remuneration are set out in Note 15 above. The remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and allowances	**3,798**	2,364
Retirement benefits	**81**	96
Share-based payments	**40**	234
	3,919	2,694

The above employees' emoluments were within the following bands:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	–

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2018: Nil).

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2018	3,658,280	71,374	192,933	6,384,928	943,475	386,606	11,637,596
Additions	20,958	61,445	28,616	60,906	80,818	545,984	798,727
Acquisition of a subsidiary *(Note 41)*	7,249	6,252	452	5,984	–	4,211	24,148
Transfers	138,861	24,547	12,622	140,136	62,089	(378,255)	–
Disposals	(10,133)	(7,107)	(4,887)	(27,096)	–	–	(49,223)
At 31 December 2018	3,815,215	156,511	229,736	6,564,858	1,086,382	558,546	12,411,248
Additions	15,590	101,649	50,623	143,009	295,775	862,203	1,468,849
Transfers	192,426	33,819	15,223	124,243	34,373	(400,084)	–
Disposals	(48,539)	(14,690)	(6,358)	(80,794)	–	–	(150,381)
At 31 December 2019	**3,974,692**	**277,289**	**289,224**	**6,751,316**	**1,416,530**	**1,020,665**	**13,729,716**
ACCUMULATED DEPRECIATION							
At 1 January 2018	1,115,185	16,348	168,951	2,893,710	305,982	–	4,500,176
Depreciation charge	192,495	14,905	56,698	450,595	50,099	–	764,792
Disposals	(2,320)	(5,590)	(4,150)	(21,858)	–	–	(33,918)
At 31 December 2018	1,305,360	25,663	221,499	3,322,447	356,081	–	5,231,050
Depreciation charge	162,484	35,667	50,139	486,318	68,472	–	803,080
Disposals	(28,046)	(6,008)	(4,489)	(59,216)	–	–	(97,759)
At 31 December 2019	**1,439,798**	**55,322**	**267,149**	**3,749,549**	**424,553**	**–**	**5,936,371**
CARRYING VALUES							
At 31 December 2019	**2,534,894**	**221,967**	**22,075**	**3,001,767**	**991,977**	**1,020,665**	**7,793,345**
At 31 December 2018	2,509,855	130,848	8,237	3,242,411	730,301	558,546	7,180,198

Details of property, plant and equipment pledged are set out in Note 46.

The annual rates of depreciation for above items of property, plant and equipment, other than construction in progress and mining assets, are as follows:

Category of property, plant and equipment	Useful life
Buildings	20 years
Motor vehicles	8 years
Electronic and other equipment	5 years
Machinery	12 years

Mining assets are depleted on a unit of production basis, using estimated reserves of mine as the depletion base.

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18. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000
As at 1 January 2019	
Carrying amount	473,063
As at 31 December 2019	
Carrying amount	469,021
For the year ended 31 December 2019	
Depreciation charge	14,013
Total cash outflow for leases	9,971
Additions to right-of-use assets	9,971

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB37,112,000 (2018: prepaid lease payments of RMB34,121,000) in which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights. Details of right-of-use assets pledged are set out in Note 46.

Right-of-use assets are depreciated on a straight-line basis over the shorter of 50 years and the lease term.

19. PREPAID LEASE PAYMENTS

	2018 RMB'000
Analysed for reporting purposes as:	
Current asset *(Note 27)*	13,788
Non-current asset	459,275
	473,063

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20. MINING RIGHTS

	RMB'000
COST	
At 1 January 2018	337,775
Addition	88,627
At 31 December 2018	426,402
Addition	233,411
At 31 December 2019	659,813
AMORTISATION	
At 1 January 2018	92,164
Charge for the year	7,312
At 31 December 2018	99,476
Charge for the year	17,985
At 31 December 2019	117,461
CARRYING AMOUNT	
At 31 December 2019	542,352
At 31 December 2018	326,926

Mining rights are granted from the Department of Natural Resources of Shaanxi Province, Guizhou Province and Xinjiang Uygur Autonomous Region in the PRC.

Mining rights are depleted on a unit of production basis, using estimated reserves of mine as the depletion base.

As at 31 December 2019, carrying amount of RMB13,956,000 (2018: RMB7,420,000) in respect of the mining right certificate under which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these mining rights.

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21. OTHER INTANGIBLE ASSETS

	Goodwill	Customer relationships	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2018	187,150	20,610	1,988	209,748
Addition	–	–	4,399	4,399
Acquisition of a subsidiary *(Note 41)*	6,207	–	–	6,207
At 31 December 2018	193,357	20,610	6,387	220,354
Addition	–	–	1,624	1,624
At 31 December 2019	193,357	20,610	8,011	221,978
ACCUMULATED AMORTISATION				
At 1 January 2018	–	16,965	1,661	18,626
Charge for the year	–	2,015	152	2,167
At 31 December 2018	–	18,980	1,813	20,793
Charge for the year	–	1,630	320	1,950
At 31 December 2019	–	20,610	2,133	22,743
CARRYING AMOUNT				
At 31 December 2019	193,357	–	5,878	199,235
At 31 December 2018	193,357	1,630	4,574	199,561

The following useful lives are used in the calculation of amortisation:

Customer relationships *(Note)*	10 years
Computer software	5 years

Note: The customer relationships amounting to RMB20,610,000 arose from the acquisition of 商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd. * ("Xiushan Yaobai"), a Company's subsidiary, in December 2009. They are amortised over a period of 10 years.

* *The English name is for identification purpose only*

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22. IMPAIRMENT TESTING ON GOODWILL

Goodwill is tested for impairment annually or more frequently when circumstances indicate the carrying value may be impaired. Goodwill balances at end of each reporting period were attributable specifically to the six individual CGU, respectively. The carrying amounts of goodwill are as follows:

	2019 RMB'000	2018 RMB'000
Cement plant — Xiushan Yaobai	**45,274**	45,274
Cement plant — Luxin	**49,133**	49,133
Cement plant — Shifeng	**55,872**	55,872
Cement plant — Fuping	**7,258**	7,258
Cement plant — Yaowangshan Cement Co., Ltd. ("Yaowangshan")	**29,613**	29,613
Commercial mixed station — Shaanxi Fengsheng Deyuan Industrial Limited Company ("Shaanxi Fengsheng") *(Note 41)*	**6,207**	6,207
	193,357	193,357

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The estimated growth rate for subsidiaries in different provinces ranges from 0% to 8% (2018: 0% to 7%), and pre-tax discount rate of 14% (2018: 14%) were applied, which is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. Other key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. According to the result of the analysis, the management did not identify an impairment for the above CGUs to which the goodwill are allocated during the years ended 31 December 2019 and 2018.

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23. INTEREST IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Unlisted equity investment, at cost	**31,425**	31,425
Share of post-acquisition profits and other comprehensive income, net of dividends received	**48,844**	49,236
	80,269	80,661

Details of the Group's associate at the end of reporting period are as follows:

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2019	2018	2019	2018	
Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental")	China	Shaanxi	**20%**	20%	**20%**	20%	Treatment of dangerous and hazardous waste

Summarised financial information of the associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Yaobai Environmental

	2019 RMB'000	2018 RMB'000
Current assets	**151,008**	234,705
Non-current assets	**308,804**	189,960
Current liabilities	**60,134**	23,027
Non-current liabilities	**–**	–
Revenue	**185,882**	162,857
Profit and total comprehensive income for the year	**111,940**	118,415
Dividends receivable from the associate during the year	**22,780**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

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23. INTERST IN AN ASSOCIATE *(Cont'd)*

Yaobai Environmental *(Cont'd)*

	2019 RMB'000	2018 RMB'000
Net assets of Yaobai Environmental	**399,678**	401,638
Proportion of the Group's ownership interest in Yaobai Environmental	**20%**	20%
The Group's share of net assets of Yaobai Environmental	**79,936**	80,328
Others	**333**	333
Carrying amount of the Group's interest in Yaobai Environmental	**80,269**	80,661

24. LOAN RECEIVABLES

	2019 RMB'000	2018 RMB'000
Loans collateralised by property, plant and equipment *(Note a)*	**1,157,376**	1,160,301
Entrusted loan *(Note b)*	**200,000**	200,000
Loans collateralised by receivables *(Note (b))*	**383,800**	352,000
Small loans *(Note (c))*	**63,846**	–
	1,805,022	1,712,301
Less: allowance for credit losses	**(25,396)**	(19,645)
	1,779,626	1,692,656
Analysed as:		
Current	**1,055,444**	855,453
Non-current	**724,182**	837,203
	1,779,626	1,692,656

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24. LOAN RECEIVABLES *(Cont'd)*

Notes:

(a) As at 31 December 2019 and 2018, the Group has entered into certain arrangements (the "Arrangements") with the third parties for periods ranging from 1 to 4 years under which:

(i) The third parties transferred the ownership titles of its certain assets to the Group and leased back those assets;

(ii) The third parties pledged those assets to the Group;

(iii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and

(iv) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.

Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

(b) The entrusted loan and loans collateralised by receivables the Group entered with third parties are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.

(c) Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

The contractual maturity dates of the Group's fixed-rate loan receivables are as follows:

	2019 **RMB'000**	2018 RMB'000
Within one year	**1,055,444**	855,453
In more than one year but not more than two years	**724,182**	300,720
In more than two years but not more than five years	**–**	536,483
	1,779,626	1,692,656

The ranges of effective rates on the Group's loan receivables was 10% to 24% per annum as at 31 December 2019 (2018: 6% to 18.3%).

All of the Group's loan receivables are denominated in RMB.

Included in the carrying amount of loans receivables as at 31 December 2019 is accumulated impairment losses of RMB25,396,000 (2018: RMB19,645,000).

As at 31 December 2019, carrying amount of loan receivables of RMB36,192,000 (2018: nil) which are past due at report date. Details of impairment assessment are set out in Note 47.

Notes to the Consolidated Financial Statements

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25. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**36,557**	39,110
Deferred tax liabilities	**(63,721)**	*(80,279)*
	(27,164)	*(41,169)*

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Allowance for doubtful debts and accruals	**Deferred income**	**Tax losses**	**Assets booked at fair value on acquisition**	**Withholding tax on undistributed profits of PRC subsidiaries**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	27,066	14,448	29,585	(62,930)	(40,000)	(31,831)
Credited (charged) to profit or loss	7,102	(1,371)	(7,530)	4,894	(10,000)	(6,905)
Effect of change in tax rate	(956)	(1,477)	–	–	–	(2,433)
At 31 December 2018	33,212	11,600	22,055	(58,036)	(50,000)	(41,169)
Credited (charged) to profit or loss	4,506	(2,441)	(21,764)	4,730	30,000	15,031
Effect of change in tax rate	(981)	(45)	–	–	–	(1,026)
At 31 December 2019	36,737	9,114	291	(53,306)	(20,000)	(27,164)

At the end of the reporting period, the Group has unused tax losses of RMB55,129,000 (2018: RMB115,293,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB1,164,000 (2018: RMB88,220,000) of such losses.

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25. DEFERRED TAX *(Cont'd)*

No deferred tax have been recognised in respect of the tax losses of RMB53,965,000 (2018: RMB27,073,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	2019 RMB'000	2018 RMB'000
2021	**2,986**	5,582
2022	**9,306**	9,306
2023	**12,185**	12,185
2024	**29,488**	–
	53,965	27,073

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, the Group recognised deferred taxation in respect of withholding tax of RMB20,000,000 (2018: RMB50,000,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2019, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB5,350,240,000 (2018: RMB3,784,443,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials and consumables	**357,105**	249,971
Work in progress	**189,051**	121,336
Finished goods	**119,370**	119,809
	665,526	491,116

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27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Trade receivables	461,254	195,396
Less: Allowance for credit losses	(21,106)	(13,643)
	440,148	181,753
Other receivables *(Note a)*	172,131	54,671
Less: Allowance for credit losses	(3,095)	(2,261)
	169,036	52,410
Interest receivable	–	17,188
VAT recoverable	101,680	87,642
VAT refund receivable	26,119	37,558
Amount due from a non-controlling shareholder of a subsidiary *(Note b)*	6,000	21,743
Prepayments to suppliers	57,107	80,420
Prepaid lease payments *(Note 19)*	–	13,788
	800,090	492,502
Less: Non-current portion of amount due from a non-controlling shareholder of a subsidiary *(Note b)*	–	(15,218)
	800,090	477,284

Details of trade receivables pledged are set out in Note 46.

Notes:

(a) Included in other receivables represent amounts of RMB106,414,000 (2018: RMB24,655,000) advances to third parties. The amounts are non-interest bearing.

On 20 September 2019, pursuant to a cooperation agreement entered into among an indirect wholly-owned subsidiary of the Company and the other three independent parties, a joint venture (the "Joint Venture") will be established for joint investment and construction of a cement production line in Mozambique in which the Group has an equity interest of 60% in the Joint Venture. Additionally, the Company will provide a shareholder's loan to the Joint Venture of US$50,000,000 (equivalent to RMB348,810,000) and it shall be provided in batches as and when needed by the Joint Venture to fund the construction work of the cement production line and the shareholder's loan is non-interest bearing. As at 31 December 2019, the Joint Venture has yet to establish and in order to speed up the completion of the remaining construction work of the cement production line, the Group advanced RMB59,254,000 to one of the joint venture partners who owned the cement production line. The profits of the Joint Venture will be used to repay the advances owing to the Group until it is paid off in full. As at the date of this report, the Joint Venture has not been incorporated.

The remaining balances as at 31 December 2019 and 2018 represent the advances to other third parties which were non-interest bearing and repayable on demand.

(b) The amount due from a non-controlling shareholder of a subsidiary as of 31 December 2019 represents advance to the non-controlling shareholder of a subsidiary the amount of which will be recovered by offsetting the future dividend payable to non-controlling shareholder of the subsidiary.

The amount due from a non-controlling shareholder of a subsidiary as of 31 December 2018 represents advances for procuring the acquisition of various mining rights by the non-controlling shareholder on behalf of the Group which was fully impaired during the year ended 31 December 2019 (Note 7).

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB147,421,000.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Cont'd)*

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2019 RMB'000	2018 RMB'000
0 to 90 days	**195,057**	106,589
91 to 180 days	**75,113**	60,197
181 to 360 days	**159,716**	2,372
361 to 720 days	**9,766**	6,702
Over 720 days	**496**	5,893
	440,148	181,753

As at 31 December 2019, total bills received amounting to RMB189,676,000 (2018: RMB253,972,000) are held by the Group, of which certain bills were further endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in Note 29. All bills received by the Group are with a maturity period of less than one year.

The Group allows a credit period of 90 to 180 days to its trade customers. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB243,882,000 (2018: RMB112,794,000) which are past due as at the reporting date. Out of the past due balances, RMB169,836,000 (2018: RMB6,895,000) has been past due longer than 90 days and is not considered as in default taking into account these debtors' high credit ranking attributable under the credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 47.

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at FVTOCI of RMB181,855,000 represents an investment in an entrusted product named "國民信託穩鑫1號", with a contractual term of three years, which is held under a business model of collecting cash flows and selling to the issuer at the discretion of the Group, and is classified as debt instruments at FVTOCI.

The scope of investment covers the purchase or reverse repo of central bank bills, treasury bonds, financial bonds, short-term financing bonds, medium-term bills, corporate bonds and corporate bonds and other types of standardised financial products listed and traded in the inter-bank market etc.. The return of the debt instruments at FVTOCI is based on the performance of the entrusted product adjusted by related custodian fee.

Details of the impairment assessment of debt instruments at FVTOCI are set out in Note 47.

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29. BILL RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Bill receivables of RMB189,676,000 (2018: RMB253,972,000) are held under a business model of collecting cash flows and endorsing to suppliers, and are classified as debt instruments at FVTOCI.

As at 31 December 2019, bill receivables of RMB31,191,000 (2018: RMB44,296,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the receivables and the corresponding trade payables.

Details of impairment assessment of bill receivables at FVTOCI are set out in Note 47.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Balance as at 31 December 2019 represented the structured deposits of RMB90,000,000 placed in the bank with maturity period of 1 year. In accordance with the relevant terms of the deposits, the expected yield rate is floating and linked with US$ 3-month London Interbank Offered Rate ("LIBOR"), which is recognised as financial assets at FVTPL.

31. BANK BALANCES AND CASH/RESTRICTED/PLEDGED BANK DEPOSITS

	2019 **RMB'000**	2018 RMB'000
Restricted/pledged bank deposits		
— denominated in RMB	**354,148**	189,032
Bank balances and cash		
— denominated in RMB	**747,552**	845,680
— denominated US$	**6,849**	35,359
— denominated in other currency	**25,158**	5,007
	779,559	886,046

Bank balances and restricted/pledged bank deposits carry interest at market rates of 0.10% to 2.75% (2018: 0.25% to 2.75%) per annum.

Restricted/pledged bank deposits represent bank deposits of RMB240,224,000, RMB113,924,000 and Nil (2018: RMB67,007,000, RMB12,025,000 and RMB110,000,000) set aside as securities deposits for projects bidding, bills payable and bank loans, respectively (Note 46). The Group used the trade facilities in projects bidding process which were required by contractors.

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32. BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank loans	**1,316,000**	863,571
Unsecured — syndicated loan *(Note)*	**999,589**	–
	2,315,589	863,571
Carrying amount repayable as follows:		
— Within one year	**1,126,000**	863,571
— More than one year but not more than two years	**472,159**	–
— More than two years but not more than five years	**717,430**	–
	2,315,589	863,571
Less: Amount due for settlement within one year and shown under current liabilities	**(1,126,000)**	(863,571)
Amounts shown under non-current liabilities	**1,189,589**	–

Note: On 5 September 2019, the Company entered into term and revolving credit facilities agreement with a syndicate of financial institutions for a loan of US$150,000,000 (equivalent to RMB1,062,690,000) for a period of 3 years ("Syndicate Loan"). The Syndicated Loan carried variable interest rate of 3% plus LIBOR with effective interest rate of 6.86% per annum as at year end date after adjusted for transaction cost of US$6,708,000 (equivalent to RMB47,521,000).

The analysis of the terms of the bank loans were as follows:

	2019 RMB'000	2018 RMB'000
Fixed rate borrowings		
— expiring within one year	**1,116,000**	703,571
Variable rate borrowings		
— expiring within one year	**10,000**	160,000
— expiring more than one year but not more than two years	**472,159**	–
— expiring more than two years but not more than five years	**717,430**	–
	2,315,589	863,571

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32. BORROWINGS *(Cont'd)*

The ranges of effective interest rates on the Group's bank loans are as follows:

	2019	2018
Effective interest rate per annum:		
Fixed rate borrowings	**2.90% to 6.12%**	2.90% to 5.82%
Variable rate borrowings	**5.46% to 7.12%**	5.46%

Included in borrowing represents carrying amount of RMB165,000,000 jointly guaranteed by Mr. Zhang Jimin, the executive director and his wife.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 46.

33. SENIOR NOTES

On 4 September 2014, the Company issued 6.5%, five-year senior notes with an aggregated principal amount of US$400,000,000 due in 2019 (the "2019 Senior Notes") at 100% of the face value. The effective interest rate is approximately 6.80% per annum after adjusted for transaction costs. The 2019 Senior Notes are listed on the HKSE and guaranteed by certain subsidiaries of the Company and secured by pledges of the shares of these subsidiaries.

According to the terms and conditions of the 2019 Senior Notes, at any time or from time to time prior to 11 September 2017, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 11 September 2017, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 11 September 2017, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 11 September 2017, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 106.50% of the principal amount of the notes, plus accrued and unpaid interest, if any, with the proceeds from issue of shares of the Company.

On or after 11 September 2017, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 103.25% (if redeemed prior to 11 September 2018) or 101.625% (if redeemed on or after 11 September 2018), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period is insignificant.

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33. SENIOR NOTES *(Cont'd)*

In June 2019, the Company early redeemed and repaid US$120 million (equivalent to RMB827 million) (2018: US$80 million, equivalent to RMB553 million), plus the applicable redemption premium of US$2 million (equivalent to RMB13.4 million) (2018: US$1.3 million, equivalent to RMB9.0 million). The outstanding balance of US$200 million (equivalent to RMB1,148 million) was due and repaid in full in September 2019.

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**2,188,003**	2,596,470
Interest expenses	**90,766**	183,831
Redemption premium on partial redemption of senior notes	**13,435**	8,993
Interest paid	**(82,893)**	(179,625)
Exchange losses	**48,456**	140,774
Partial redemption including early redemption premium	**(840,187)**	(562,440)
Repayment on maturity	**(1,417,580)**	–
Carrying amount at 31 December	**–**	2,188,003

34. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**992,162**	713,154
Bill payables	**256,218**	40,000
	1,248,380	753,154
Amount due to non-controlling shareholder of a subsidiary	**–**	1,888
Payables for constructions and equipment purchase	**10,490**	34,926
Other tax liabilities	**86,321**	90,248
Payroll and welfare payable	**73,617**	66,023
Interest payable	**12,382**	43,893
Other payables *(Note)*	**246,182**	109,093
Deposits payables	**47,194**	42,095
Deferred income — current portion *(Note 38)*	**10,978**	10,714
	1,735,544	1,152,034

Note: According to the Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province 陝西省礦業權出讓收益徵收管理實法, an entity is required to pay a premium when acquiring the relevant exploration right or mining right. Included in other payable as of 31 December 2019 represents an amount of RMB137,854,000 (2018: nil) payable to the Department of Land and Resource of Fuping County which is expected to be settled in 2020.

34. TRADE AND OTHER PAYABLES *(Cont'd)*

The following is an aged analysis of trade payables presented based on the date of delivering of goods at the end of the reporting period.

	2019 RMB'000	2018 RMB'000
0 to 90 days	**697,675**	579,338
91 to 180 days	**150,404**	101,986
181 to 360 days	**120,106**	16,380
361 to 720 days	**14,908**	9,698
Over 720 days	**9,069**	5,752
	992,162	713,154

Bills payables are mainly due within six months based on the issuance date.

35. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
	226,589	231,000

As at 1 January 2018, contract liabilities amounted to RMB158,559,000.

Contract liabilities at the end of the reporting period represent the advances from customers in respect of cement sales contracts.

36. MEDIUM-TERM NOTES

On 30 April 2019, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), a subsidiary of the Company, registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000. On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusted for transaction costs of RMB4,500,000.

	2019 RMB'000
Carrying amount at 1 January	–
Proceeds from issuance	**500,000**
Interest expenses	**25,598**
Transaction cost	**(4,500)**
Carrying amount at 31 December	**521,098**

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37. ASSET RETIREMENT OBLIGATION

	2019 RMB'000	2018 RMB'000
At 1 January	**45,935**	23,417
Addition *(Note)*	**288,943**	20,647
Unwinding of discount	**1,520**	1,871
At 31 December	**336,398**	45,935

Note: According to a regulation issued in 2009 by the Ministry of Land and Resources of the PRC, the owner of a mine should undertake the obligation of environmental restoration. A provision is recognised for the present value of costs to be incurred for the restoration of the limestone mines of the Group based on the best estimate of future expenditure by the management. These amounts will be settled when environmental restoration is undertaken, generally at the end of a mining life. However, so far the local Land and Resource Bureau has not issued specific rules for the restoration standard, and if the restoration standard is released, the estimate of restoration costs may be subject to revision in the future. The amounts provided in relation to restoration and environmental cleanup costs are reviewed at least annually based upon the facts and circumstances available at the time, and the provisions are updated accordingly. The Group does not expect any significant retirement of assets in the next twelve months.

During the year ended 31 December 2019, the Group recognised assets retirement obligation of RMB288,943,000 (2018: RMB20,647,000) relating to the acquired mining assets as disclosed in Note 17.

38. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Government grants relating to acquisition of property, plant and equipment *(Note)*	**45,183**	56,256
Less: current portion *(Note 34)*	**(10,978)**	(10,714)
	34,205	45,542

Note: The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 5 to 12 years. RMB10,978,000 (2018: RMB10,327,000) was released to profit or loss and recorded in other income in the current reporting period.

39. SHARE CAPITAL

		Share capital	
	Number of shares '000	GBP'000	**Shown in the consolidated financial statements** RMB'000
Ordinary shares of 0.002 Great Britain Pound ("GBP") each			
Authorised:			
At 1 January 2018, 31 December 2018 and 2019	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2018	5,422,533	10,843	141,549
Exercise of share options *(Note 43)*	12,600	25	222
At 31 December 2018 and 2019	5,435,133	10,868	141,771

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40. RESERVES

Equity reserve

Equity reserve comprises:

(a) On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was debited to equity reserve.

(b) On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was credited directly to equity reserve.

(c) On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of 安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co., Ltd. * ("Jianghua Yaobai") to acquire the remaining 20% equity interests in Jianghua Yaobai from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was credited directly to equity reserve.

(d) On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was debited directly to equity reserve.

(e) On 9 February 2018, the Group entered an agreement with the non-controlling shareholders of 陝西建達信工程有限公司 Jiandaxin Engineering Inspection Company * ("Jiandaxin") to acquire the remaining 55% equity interests in Jiandaxin from the non-controlling shareholders. The difference amounted to RMB138,000 between the consolidated paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.

Statutory reserve

In accordance with relevant rules and regulations in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to appropriate 10% of the profit after tax determined under the accounting principles and financial regulations applicable in the PRC to the statutory reserve until the balances reach 50% of their respective registered capital. The reserve can be used to offset losses incurred or to increase their respective paid-in capital. Except for offset of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital.

In addition, pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

* *The English name is for identification purpose only*

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41. ACQUISITION OF A SUBSIDIARY

On 2 May 2018, the Group acquired a 55% controlling equity interest in Shaanxi Fengsheng by an agreed capital injection of RMB30,000,000 to Shaanxi Fengsheng.

Shaanxi Fengsheng is principally engaged in production and sales of concrete and other cement products in Shaanxi Province, the PRC. It was acquired with the primary objective of further improving the Group's presence in the local market.

Acquisition-related costs incurred are immaterial and have been recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	Shaanxi Fengsheng RMB'000
Assets	
Trade and other receivables and prepayments	9,581
Inventories	4,644
Bank balances and cash	30,011
Property, plant and equipment	24,148
Liabilities	
Trade and other payables	(25,124)
Net assets	43,260

The trade and other receivables acquired (which principally comprised trade receivables) with gross contractual amounts of RMB9,581,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

Non-controlling interests

The non-controlling interest of 45% in Shaanxi Fengsheng at the acquisition date was measured by reference to the proportionate fair value of the net assets of Shaanxi Fengsheng and amounted to RMB19,467,000.

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41. ACQUISITION OF A SUBSIDIARY *(Cont'd)*

Goodwill arising on acquisition

	Shaanxi Fengsheng RMB'000
Consideration	30,000
Add: Non-controlling interests	19,467
Less: Recognised amount of net identifiable assets acquired	(43,260)
Goodwill arising on acquisition	6,207

The consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies and future market development in downstream cement industry. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The initial accounting has been completed and the amount of goodwill arising on acquisition has been finalised during the year ended 31 December 2019.

Net cash inflow arising on acquisition

	Shaanxi Fengsheng RMB'000
Consideration paid in cash	(30,000)
Cash and cash equivalent balances acquired	30,011
	11

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2018 was a profit of RMB7,828,000 attributable to Shaanxi Fengsheng. Revenue for the year ended 31 December 2018 included RMB124,998,000 in respect of Shaanxi Fengsheng.

Had the acquisition been completed on 1 January 2018, revenue for the year ended 31 December 2018 of the Group would have been RMB5,914,641,000, and the profit for the year ended 31 December 2018 would have been RMB1,178,594,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Shaanxi Fengsheng been acquired at the beginning of the year ended 31 December 2018, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

42. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,298,051**	127,384

43. SHARE-BASED PAYMENTS

The Company's current share option scheme was adopted pursuant to a resolution of board of directors passed on 31 March 2010 for the primary purpose of providing incentives to directors and eligible employees through the subscription of the Company's shares, and will expire 10 years after the date of grant ("Post-IPO Share Option Scheme").

The total number of shares in respect of options may be granted under the Post-IPO Share Option Scheme is not permitted to exceed 10% of the issued share capital of the Company as at 23 August 2010, which aggregated at 411,533,185 shares, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant. Options may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000 ("First Issuance"), 34,000,000 ("Second Issuance"), 52,100,000 ("Third Issuance") and 29,100,000 options ("Forth Issuance"), respectively, to directors, senior management and staff, and the estimated fair value of the four option issuances using the Black-Scholes option pricing model was approximately HK$1.04, HK$0.58, HK$0.41 and HK$0.56 at the respective grant date.

The share options granted are exercisable within a period of 10 years after the corresponding vesting periods (4 years) succeeding the specific grant date of each individual tranche under a particular issuance, subject to the fulfilment of certain non-market performance condition, for example, the share options of a specific tranche would vest if the growth in profit after tax of the Group during the year ending on the vesting date (Year 1) equal or exceed 15% as compared to the previous financial year (Year 0). In the event when the growth is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound growth in profit after tax of the Group in the following financial year (Year 2) equal or exceed 15% as compared to that of Year 0. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options of the said tranche will not vest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

43. SHARE-BASED PAYMENTS *(Cont'd)*

Fair value of the share options

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate excluding non-market performance condition. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2019 and 2018:

Year ended 31 December 2019

					Number of options ('000)				
	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Outstanding at 1.1.2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2019
First Issuance	23 March 2011	2 years 3 months	23 March 2012 to 22 March 2021	HK$3.41	1,100	–	–	–	1,100
Second Issuance	22 March 2013	3 years 3 months	22 March 2014 to 21 March 2023	HK$1.25	11,275	–	–	–	11,275
Third Issuance	24 March 2014	4 years 3 months	24 March 2015 to 23 March 2024	HK$0.91	24,075	–	–	–	24,075
Forth Issuance	13 April 2015	5 years 3 months	13 April 2016 to 12 April 2025	HK$1.45	25,050	–	–	–	25,050
					61,500	–	–	–	61,500
Exercisable at the end of the year									61,500
Weighted average exercise price									HK$1.24

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43. SHARE-BASED PAYMENTS *(Cont'd)*

Fair value of the share options *(Cont'd)*

Year ended 31 December 2018

					Number of options ('000)				
	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Outstanding at 1.1.2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2018
First Issuance	23 March 2011	3 years 3 months	23 March 2012 to 22 March 2021	HK$3.41	1,100	–	–	–	1,100
Second Issuance	22 March 2013	4 years 3 months	22 March 2014 to 21 March 2023	HK$1.25	15,175	–	3,900	–	11,275
Third Issuance	24 March 2014	5 years 3 months	24 March 2015 to 23 March 2024	HK$0.91	33,400	–	8,350	975	24,075
Forth Issuance	13 April 2015	6 years 3 months	13 April 2016 to 12 April 2025	HK$1.45	25,400	–	350	–	25,050
					75,075	–	12,600	975	61,500
Exercisable at the end of the year									55,150
Weighted average exercise price									HK$1.24

During the year ended 31 December 2019, a share-based payment expense of RMB264,000 was recognised in relation to share options granted by the Company (2018: RMB1,037,000).

During the year ended 31 December 2019, no share options were exercised, lapsed or expired. During the year ended 31 December 2018, 12,600,000 share options were exercised at the weighted exercise price of HK$1.03 per share or approximate RMB0.85 per share, with the weighted average share price of HK$1.42 per share.

44. RETIREMENT BENEFITS PLANS

The Group participate in the Mandatory Provident Fund Scheme (the "Scheme") for its employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The Scheme now requires the Group and its employees in Hong Kong to contribute 5% of the employees' monthly salary to the Scheme subject to a monthly salary cap of HK$30,000.

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The subsidiary is required to contribute 20% of payroll costs to the retirement scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The total expense recognised in the profit or loss of RMB48,167,000 (2018: RMB38,315,000) represents contributions paid or payable under the retirement benefit scheme.

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45. RELATED PARTY DISCLOSURES

The Group has paid or payable to the key management for employee services. The key management includes directors (executive and non-executive) of the Company and senior management of the Group.

Key management compensation

	2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits	**14,286**	10,812
Post-employment benefits	**159**	180
Share-based payments	**228**	1,024
	14,673	12,016

46. ASSETS PLEDGED FOR SECURITY

The carrying amounts of the assets at the end of each reporting period pledged to secure trade facilities and bank loans are analysed as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	**2,734,801**	1,899,516
Trade receivables	**186,944**	–
Right-of-use assets	**140,813**	–
Pledged bank deposits	**113,924**	122,025
Financial assets at fair value though profit or loss	**90,000**	–
Prepaid lease payments	**–**	123,229
Bill receivables at FVTOCI	**25,800**	11,570
	3,292,282	2,156,340

During the year ended 31 December 2019, the Group pledged its equity interests in three subsidiaries, 漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd * ("Hanzhong Mianxian"), Xiushan Yaobai and 貴州麟山水泥有限公司 Guizhou Linshan Cement Co., Ltd*, to the bank to secure a banking facility totalling RMB420,000,000 for a period of one year which has already been drawn down as at 31 December 2019. The pledge will be released upon the repayment of the borrowing to the bank.

* The English name is for identification purpose

47. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (borrowings, medium term notes and senior notes as detailed in Notes 32, 36 and 33, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as detailed in the consolidated statement of changes in equity).

The directors of the Company review the capital structure on a semi-annual basis. In order to maintain or adjust the capital structure, the Group will balance its overall capital structure through adjust the payment of dividends paid to shareholders, issue new shares or issue of new debt or the redemption of existing debt.

b. Categories of financial instruments

	2019	2018
	RMB'000	RMB'000
Financial assets		
— Loans and receivables at amortised cost (including cash and cash equivalents)	**3,528,517**	3,040,828
— Bill receivables at FVTOCI	**189,676**	253,972
— Debt instruments at FVTOCI	**181,855**	–
— Financial asset at FVTPL	**90,000**	–
Financial liabilities		
— Amortised cost	**4,474,932**	4,102,646

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, bill receivables and debt instruments measured at FVTOCI, financial asset at FVTPL, restricted/pledged bank deposits, bank balances and cash, trade and other payables, borrowings, senior notes and medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group undertakes transactions, mainly the issuance of senior notes and new shares, denominated in foreign currencies other than the functional currency of RMB. Hence, exposures to exchange rate fluctuations arise.

The Group does not use derivative financial instruments to hedge its foreign currency risk. However, the Group monitors foreign currency exposure and will consider hedging significant exposure should the need arise. The carrying amounts of Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
The US$				
— Bank balances and cash	**–**	–	**6,849**	35,359
— Borrowings	**1,005,353**	–	**–**	–
— Senior notes (including related interest)	**–**	2,231,895	**–**	–
Other foreign currency (including HK$, GBP and Singapore Dollar)				
— Bank balances and cash	**–**	–	**25,158**	5,007

The Group is mainly exposed to the fluctuation in US$ against RMB.

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2018: 5%) which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against US$, there will be a decrease in profit for the year of RMB37,444,000 (2018: RMB82,370,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against US$.

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to loans receivables, fixed-rate borrowings, medium-term notes and senior notes notes (as detailed in Notes 24, 32, 36 and 33, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (as detailed in Note 32).

The Group does not have formal policies on managing interest rate risk. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure for variable-rate bank borrowings at the end of each reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would be decreased/increased by approximately RMB4,520,000 (2018: RMB600,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to its trade and other receivables, loan receivables, amount due from a non-controlling shareholder of a subsidiary, bill receivables at FVTOCI and debt instruments at FVTOCI, bank balances and cash, and restricted/pledged bank deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associates with loan receivables is mitigated because they are secured over the assets pledged by the third parties as disclosed in Note 24.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has formulated a defined trade credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from customers. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually for significant balances and insignificant balances with specific risks, and based on provision matrix for the remaining trade receivables as stated below.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of cement sales customers and independent third parties.

The Group measures ECL allowance for most of its trade receivables using a provision matrix by debtors' aging because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

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47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Trade receivables arising from contracts with customers *(Cont'd)*

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL. Debtors with significant outstanding balances and debtors that are credit impaired with gross carrying amounts of RMB71,498,000 (2018: RMB61,960,000) and RMB25,835,000 (2018: RMB26,277,000), respectively, as at 31 December 2019 were assessed individually.

As at 31 December 2019

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	**0.3%**	**196,916**
1 to 90 days past due	**0.8%**	**74,610**
91 to 270 days past due	**3.1%**	**92,395**
		363,921

As at 31 December 2018

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.3%	39,434
1 to 90 days past due	0.8%	60,675
91 to 270 days past due	2.2%	7,050
		107,159

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort, such as economic data and forecasts published by governmental bodies and industrial information published by relevant institutions. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered.

During the year ended 31 December 2019, the Group provided RMB5,463,000 (2018: RMB1,569,000) impairment allowance for trade receivables based on the provision matrix.

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Loan receivables

Credit risk of loan receivables is monitored by the dedicated credit risk department of the Group responsible for the review and managing of credit risk for all corporate loan borrowers. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Group to define the terms of the loans as well as assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Group monitors credit risk of loan receivables regularly by reviewing changes in creditworthiness of the loan borrowers, past collection history, subsequent settlement of each loan borrower, and also relevant collaterals and guarantees as well as forward-looking information, in order to mitigate the risk of significant exposure from bad debts.

Credit risk is often greater when the loan borrowers are concentrated in one single industry or geographical location or have comparable economic characteristics. The loan borrowers of the Group are located in different provinces of the PRC and are from different industries. As the loan borrowers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group's loan receivables.

In assessing the impairment of loan receivables under ECL model upon application of IFRS 9, the Group adopts internal credit risk grading system for these loan receivables which comprise the following categories:

Internal credit rating	Stage	Description	Loan receivables
Low risk	Stage 1	Debtor has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Stage 2	Debtor repays after due dates but usually settle within 30 days	12m ECL
Doubtful	Stage 2	Debtor is more than 30 days past due on its contractual payments	Lifetime ECL — not credit-impaired
Loss	Stage 3	Debtor is more than 90 days past due on its contractual payments	Lifetime ECL — credit-impaired
Write-off	Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group considers a loan receivable defaulted and therefore on Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As part of a qualitative creditworthiness assessment of whether a loan borrower is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the loan borrower as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Bill receivables at FVTOCI/debt instruments at FVTOCI

The Group's bill receivables at FVTOCI, debt instruments at FVTOCI are issued by banks and trust company with high credit ratings and therefore are considered to be low credit risk. During the years ended 31 December 2019 and 2018, the directors of the Company consider that ECL on bill receivables at FVTOCI and debt instruments at FVTOCI was insignificant.

Bank balances and cash, and restricted/pledged bank deposits

The credit risks on bank balances and cash, and restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

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47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Other receivables/amount due from a non-controlling shareholder of a subsidiary

Other receivables and amount due from non-controlling shareholder of a subsidiary that are measured at amortised cost were considered low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL.

The projections and likelihood of occurrence involved in ECL are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Group has a concentration of credit risk as 62% (2018: 45%) of the other receivables was advances to third parties as at 31 December 2019. In order to minimise the risk, the Group has closely monitored and made periodic individual assessment on the recoverability of the third parties.

The tables detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000
Debt instruments at FVTOCI								
— varieties of products	28	N/A	*(Note 1)*	12m ECL	**181,855**	**181,855**	–	–
Bill receivables at FVTOCL	29	A	*(Note 2)*	12m ECL	**189,676**	**189,676**	253,972	253,972
Financial assets at amortised cost								
— Loans receivables	24	N/A	*(Note 3)*	12m ECL	**1,768,830**		1,712,301	
				Credit-impaired	**36,192**	**1,805,022**	–	1,712,301
— Trade receivables	27	N/A	*(Note 4)*	Lifetime ECL (provision matrix)	**363,921**		107,159	
				Lifetime ECL (significant balances, individually assessed)	**71,498**		61,960	
				Credit-impaired	**25,835**	**461,254**	26,277	195,396
— Other receivables	27	N/A	*(Note 3)*	12m ECL	**172,131**	**172,131**	54,671	54,671
— Amount due from a non-controlling shareholder of a subsidiary	27	N/A	*(Note 3)*	12m ECL	**6,000**	**6,000**	21,743	21,743
— Bank balances	31	AA+	N/A	12m ECL	**778,050**	**778,050**	886,046	886,046
— Restricted/ pledged bank deposits	31	AA+	N/A	12m ECL	**354,148**	**354,148**	189,032	189,032

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Other receivables/amount due from a non-controlling shareholder of a subsidiary *(Cont'd)*

Notes:

1. For debt instruments at FVTOCI, the investment scopes cover the purchase or reverse repo of central bank bills, treasury bonds, etc. The return of the debt instruments at FVTOCI is based on the performance of the entrusted product adjusted by related custodian fee.

2. The Group set different categories for customers settling with bills according to internal credit rating assessment. The Group do not accept bills from customers with lower credit ratings.

3. Apart from trade receivables, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
2019			
Loan receivables	**36,192**	**1,768,830**	**1,805,022**
Other receivables	**–**	**172,131**	**172,131**
Amount due from a non-controlling shareholder of a subsidiary	**–**	**6,000**	**6,000**
2018			
Loan receivables	–	1,712,301	1,712,301
Other receivables	–	54,671	54,671
Amount due from a non-controlling shareholder of a subsidiary	–	21,743	21,743

4. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	4,792	13,010	17,802
Changes due to financial instruments recognised as at 1 January 2018:			
— Transfer to credit-impaired	(4,106)	4,106	–
— Impairment losses recognised	–	3,001	3,001
— Impairment losses reversed	(823)	(7,906)	(8,729)
New financial assets originated or purchased	1,569	–	1,569
As at 31 December 2018	1,432	12,211	13,643
Changes due to financial instruments recognised as at 1 January 2019:			
— Transfer to credit-impaired	(40)	40	–
— Impairment losses recognised	–	8,725	8,725
— Impairment losses reversed	(1,392)	(5,333)	(6,725)
New financial assets originated or purchased	5,463	–	5,463
As at 31 December 2019	5,463	15,643	21,106

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Other receivables/amount due from a non-controlling shareholder of a subsidiary *(Cont'd)*

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12m ECL	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	8,250	–	8,250
Changes due to financial instruments recognised as at 1 January 2018:			
— Impairment losses recognised	5	–	5
— Impairment losses reversed	(3,778)	–	(3,778)
New financial assets originated or purchased	15,168	–	15,168
As at 31 December 2018	19,645	–	19,645
Changes due to financial instruments recognised as at 1 January 2019:			
— Transfer to credit-impaired	(150)	150	–
— Impairment losses recognised	523	7,347	7,870
— Impairment losses reversed	(6,383)	–	(6,383)
New financial assets originated or purchased	4,052	212	4,264
As at 31 December 2019	17,687	7,709	25,396

The average loss rate of loan receivables for the year is 1.4% (2018: 1.1%).

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Other receivables/amount due from a non-controlling shareholder of a subsidiary *(Cont'd)*

Changes in the loss allowance for loan receivables are mainly due to:

	31 December 2019		
		Increase (decrease) in lifetime ECL	
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables	**4,052**	**–**	**212**

	31 December 2018		
		Increase (decrease) in lifetime ECL	
	Increase (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Advance of new loan receivables	15,168	–	–

The changes in the loss allowance for other receivables is RMB1,333,000 (2018: RMB1,151,000) for the year ended 31 December 2019 and the Group write off other receivables of RMB499,000 (2018: nil) during the year. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2019, the directors of the Company consider there is an significant increase in the credit risk of RMB21,970,000 due from non-controlling shareholder of a subsidiary and the amount is fully impaired. The Group has assessed that the expected loss rate of the remaining balance due from non-controlling shareholder of a subsidiary was immaterial and hence no loss allowance was recognised.

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47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the Group regularly monitors its operating cash flows to meet its liquidity requirements in short and long term. The Group also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019						
Trade and other payables	–	1,638,245	–	–	1,638,245	1,638,245
Borrowings						
— variable rates	5.18	71,991	399,292	927,847	1,399,130	1,199,589
— fixed rates	4.55	1,140,056	–	–	1,140,056	1,116,000
Medium-term notes (including related interest)	7.50	37,500	37,500	518,750	593,750	521,098
		2,887,792	436,792	1,446,597	4,771,181	4,474,932

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018						
Trade and other payables	–	1,051,072	–	–	1,051,072	1,051,072
Borrowings						
— variable rates	5.46	161,077	–	–	161,077	160,000
— fixed rates	4.64	724,256	–	–	724,256	703,571
Senior notes (including related interest)	6.50	2,340,700	–	–	2,340,700	2,188,003
		4,277,105	–	–	4,277,105	4,102,646

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47. FINANCIAL INSTRUMENTS *(Cont'd)*

d. Fair values of financial instruments

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for bill receivables at FVTOCI and debt instruments measured at FVTOCI and financial asset at FVTPL, the Group does not hold any other financial instruments measured at fair value.

Bill receivables at FVTOCI is measured at fair value at the end of each reporting period. However, the directors of the Company are of the view that the fair value of bill receivables is close to its carrying amounts given all bill receivables will mature within one year.

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

	2019		2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Senior Notes (including related interest)	**–**	**–**	2,231,896	2,209,000
Medium-term Notes (including related interest)	**521,098**	**505,371**	–	–

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Name	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key input(s)**
	31/12/2019 RMB'000	31/12/2018 RMB'000		
Debt instruments at FVTOCI	**181,855**	N/A	Level 2	Based on the net asset values of the trust, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Bill receivables at FVTOCI	**189,676**	253,972	Level 2	Based on discounted cash flow that capture the present value of future expected cash flows derived from the underlying assets
Financial assets at FVTPL	**90,000**	N/A	Level 2	Based on discounted cash flow that capture the present value of future expected cash flows derived from the underlying assets

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48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Senior Notes	Short-term Notes	Medium-term Notes	Dividend payables	Interest payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note)	RMB'000
At 1 January 2018	744,000	2,596,470	399,586	–	–	74,162	3,814,218
Financing cash flows:							
New borrowings raised	804,171	–	–	–	–	–	804,171
Repayments of borrowings	(684,600)	–	–	–	–	–	(684,600)
Repayments of short-term notes	–	–	(400,000)	–	–	–	(400,000)
Repayments of senior notes including early redemption premium	–	(562,440)	–	–	–	–	(562,440)
Interest paid	–	(179,625)	(4,654)	–	–	(72,482)	(256,761)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	(19,450)	–	(19,450)
Dividends paid	–	–	–	–	(214,362)	–	(214,362)
Non-cash financing activities:							
Interest expenses	–	183,831	5,068	–	–	44,213	231,112
Foreign exchange loss	–	140,774	–	–	–	–	140,774
Redemption premium on partial redemption of senior notes	–	8,993	–	–	–	–	8,993
Dividends declared	–	–	–	–	242,335	–	242,335
Dividends paid to a non-controlling shareholder of a subsidiary by offset receivables *(Note 49)*	–	–	–	–	(8,523)	–	(8,523)
At 31 December 2018	863,571	2,188,003	–	–	–	43,893	3,095,467
Financing cash flows:							
New borrowings raised	1,316,000	–	–	–	–	–	1,316,000
Repayments of borrowings	(863,571)	–	–	–	–	–	(863,571)
Proceeds from issuance of syndicated loan	1,062,690	–	–	–	–	–	1,062,690
Syndicated loan issue costs paid	(47,521)	–	–	–	–	–	(47,521)
Proceeds from issuance of medium-term notes	–	–	–	500,000	–	–	500,000
Medium-term notes issue cost paid	–	–	–	(2,250)	–	–	(2,250)
Repayments and redemption of senior notes including early redemption premium	–	(2,257,767)	–	–	–	–	(2,257,767)
Interest paid	–	(82,893)	–	–	–	(110,968)	(193,861)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	(4,853)	–	(4,853)
Dividends paid	–	–	–	–	(273,871)	–	(273,871)
Non-cash financing activities:							
Interest expenses	–	90,766	–	25,598	–	79,457	195,821
Foreign exchange (gain) loss	(15,580)	48,456	–	–	–	–	32,876
Redemption premium on partial redemption of senior notes	–	13,435	–	–	–	–	13,435
Dividends declared	–	–	–	–	278,724	–	278,724
Accrued transaction cost	–	–	–	(2,250)	–	–	(2,250)
At 31 December 2019	2,315,589	–	–	521,098	–	12,382	2,849,069

Note: Interest payables are included in trade and other payables (Note 34).

49. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. ("Hancheng Yaobai"), a subsidiary of the Company, entered into an arrangement with its non-controlling shareholder, pursuant to which dividend payable of RMB8,523,000 was offset by amount due from the non-controlling shareholder as set out in Note 27. Accordingly, the Group derecognised the amount due from and dividend payable to the non-controlling shareholder of RMB8,523,000 and accounted for this as a non-cash transaction.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2019	2018	
Directly held						
West China BVI	Ordinary	British Virgin Islands	HK$7,800	**100%**	100%	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Ordinary	Hong Kong	HK$100	**100%**	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,890,000,000	**100%**	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Ankang Yaobai Cement Co., Ltd. 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	**100%**	100%	Production and sale of cement
Hanzhong Yaobai Cement Co., Ltd. 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	**100%**	100%	Production and sale of cement
Hanzhong Mianxian 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	**100%**	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd. 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	**100%**	100%	Purchase and sale of raw materials
Hanzhong Xixiang Yaobai Cement Co., Ltd. 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	**100%**	100%	Production and sale of cement
Longqiao Yaobai 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	**100%**	100%	Production and sale of cement
Xiushan Yaobai 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	**100%**	100%	Production and sale of cement
Jianghua Yaobai 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**100%**	100%	Production and sale of cement
Hancheng Yaobai 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**80%**	80%	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	**100%**	100%	Production and sale of cement
Hetian Yaobai 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	**100%**	100%	Production and sale of cement

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2019	2018	Principal activities
Shifeng 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Fuping 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	**100%**	100%	Production and sale of cement
Guizhou Linshan 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	**100%**	100%	Production and sale of cement
Yili Yaobai Cement Co., Ltd. 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Yaowangshan 銅川藥王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	**100%**	100%	Production and sale of cement
Guangxin International Financial Leasing Co., Ltd. ("Guangxin International") 光信國際融資租賃有限公司	Ordinary	Shaanxi, PRC	RMB420,000,000	**100%**	100%	Finance lease business
Guangxin Yili 光信(伊犁)融資租賃有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	**100%**	100%	Finance lease business
Zhonggang Logistics 西安中港智慧物流有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	**100%**	100%	Transportation
Pucheng Yaobai 蒲城堯柏特種水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**100%**	100%	Production and sale of cement
Shaanxi Fuda Mining Engineering Co., Ltd 陝西富達礦山工程有限公司	Ordinary	Shaanxi, PRC	RMB40,000,000	**100%**	100%	Production and sale of cement
Shaanxi Fengsheng 陝西豐盛德遠實業有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	**55%**	55%	Production and sale of cement
West International Holding Limited 西部國際控股有限公司	Ordinary	Hong Kong	HK$100	**100%**	100%	Investment holding
Shaanxi Xinyida Jiancai Construction Materials Development Co., Ltd. 陝西新意達建材產業發展有限公司	Ordinary	Shaanxi, PRC	RMB81,951,600	**60%**	60%	Sale of cement and related material

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(a) Except for West China BVI and Faithful Alliance, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.

(b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance and Guangxin Yili, which is sino-foreign owned by Faithful Alliance and Guangxin International, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.

(c) Except for Shaanxi Yaobai which issued medium-term note during the year ended 31 December 2019, none of the other subsidiaries had issued any debt securities at the end of the year.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Hancheng Yaobai	Shaanxi, PRC	**20%**	20%	**15,339**	16,784	**51,319**	35,753
Individually immaterial subsidiaries with non-controlling interests						**121,406**	37,937
Total						**172,725**	73,690

Summarised financial information of Hancheng Yaobai which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hancheng Yaobai

	2019 RMB'000	2018 RMB'000
Current assets	**57,069**	93,794
Non-current assets	**257,240**	288,023
Current liabilities	**57,134**	202,388
Non-current liabilities	**583**	667
Equity attributable to owners of the Company	**205,273**	143,009
Non-controlling interests	**51,319**	35,753

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly-owned subsidiaries that have material non-controlling interests *(Cont'd)*

Hancheng Yaobai *(Cont'd)*

	2019 RMB'000	2018 RMB'000
Revenue	**393,681**	328,211
Expenses	**316,986**	244,293
Profit for the year	**76,695**	83,918
Profit attributable to owners of the Company	**61,356**	67,134
Profit attributable to non-controlling interests	**15,339**	16,784
Dividends paid to non-controlling interests of Hancheng Yaobai	**–**	27,973
Deemed contribution from non-controlling shareholder	**227**	–
Net cash inflow from operating activities	**10,705**	64,458
Net cash outflow from investing activities	**(10,320)**	(6,412)
Net cash outflow from financing activities	**(35,390)**	(72,693)
Net cash outflow	**(35,005)**	(14,647)

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51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	**1,700,742**	1,700,742
Amounts due from subsidiaries	**2,052,385**	3,737,200
Property, plant and equipment	**8**	9
	3,753,135	5,437,951
Current assets		
Dividend receivable from a subsidiary	**–**	17,000
Bank balances and cash	**30,075**	27,983
	30,075	44,983
Current liabilities		
Other payables	**18,015**	55,075
Senior notes *(Note 33)*	**–**	2,188,003
	18,015	2,243,078
Net current assets (liabilities)	**12,060**	(2,198,095)
Total assets less current liabilities	**3,765,195**	3,239,856
Non-current liability		
Borrowings	**1,005,353**	–
Net assets	**2,759,842**	3,239,856
Capital and reserves		
Share capital	**141,771**	141,771
Share premium and reserves	**2,618,071**	3,098,085
	2,759,842	3,239,856

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51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Movements in reserves

	Share premium	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	3,291,021	28,858	(3,250)	3,316,629
Loss and total comprehensive expense for the year	–	–	(15,700)	(15,700)
Recognition of equity-settled share-based payments *(Note 43)*	–	1,037	–	1,037
Dividends recognised as distribution	(214,362)	–	–	(214,362)
Shares issued for share options exercised	15,153	(4,672)	–	10,481
At 31 December 2018	**3,091,812**	**25,223**	**(18,950)**	**3,098,085**
Loss and total comprehensive expense for the year	**–**	**–**	**(206,407)**	**(206,407)**
Recognition of equity-settled share-based payments *(Note 43)*	**–**	**264**	**–**	**264**
Dividends recognised as distribution	**(273,871)**	**–**	**–**	**(273,871)**
At 31 December 2019	**2,817,941**	**25,487**	**(225,357)**	**2,618,071**

52. SUBSEQUENT EVENTS

(1) On 3 January 2020, the Company entered into a sale and purchase agreement with SCHWENK Zement International GmbH & Co. KG ("Schwenk Zement"), a company incorporated under the laws of Germany, pursuant to which the Company agreed to acquire from Schwenk Zement the issued share capital of SCHWENK Namibia (Pty) Limited ("Schwenk Namibia"), a wholly-owned subsidiary of Schewenk Zement together with the shareholder loan granted by Schwenk Zement to Schwenk Namibia for an aggregate consideration of approximately US$104,411,000 (equivalent to RMB728,392,000) (comprising of the share purchase price of approximately US$19,342,000 (equivalent to RMB134,934,000) and the loan purchase price of approximately US$85,069,000 (equivalent to RMB593,458,000)). The transaction has not yet been completed as of the date of this report.

(2) The outbreak of COVID-19 in the PRC and the subsequent quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group, as most of the Group's operations are located in Shaanxi Province in the PRC. The Group had to stop its manufacturing activities since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

Even though the Group had resumed its manufacturing activities since 2 March 2020, they are still not operating at normal capacity due to work resumption restriction policy implemented by the relevant local governments.

In addition, as the operations of all of the Group's customers, suppliers and associate are located in the PRC, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments in these investees, as well as financial assets and other assets due from these parties e.g. debtors, prepayments and advances to suppliers which are subject to impairment or ECL assessments as appropriate.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half of 2020.

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,247,389**	5,911,744	4,760,038	3,719,280	3,500,931
Profit (loss) before tax	**2,243,801**	1,632,111	974,206	119,398	(256,537)
Income tax expense	**(394,272)**	(451,648)	(248,010)	(104,460)	(50,820)
Profit (loss) and total comprehensive income (expense) for the year	**1,849,529**	1,180,463	726,196	14,938	(307,357)
Attributable to:					
Owners of the Company	**1,801,281**	1,159,449	710,843	10,319	(309,205)
Non-controlling interests	**48,248**	21,014	15,353	4,619	1,848
	1,849,529	1,180,463	726,196	14,938	(307,357)

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**14,579,813**	12,392,057	11,671,939	11,181,577	11,382,495
Total liabilities	**(5,354,149)**	(4,793,102)	(5,043,233)	(5,268,220)	(5,478,595)
	9,225,664	7,598,955	6,628,706	5,913,357	5,903,900
Equity attributable to:					
Owners of the Company	**9,052,939**	7,525,265	6,578,674	5,862,630	5,856,420
Non-controlling interests	**172,725**	73,690	50,032	50,727	47,480
	9,225,664	7,598,955	6,628,706	5,913,357	5,903,900