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

2020 ANNUAL REPORT


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

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Jersey JE1 0BD
Channel Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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 2020 (million)**	Year ended 31 December 2019 (million)	% Change
Total Cement and Clinker Sales Volume (million tons)	**19.9**	19.3	3.1%
Cement Sales Volume (million tons)	**19.6**	18.8	4.3%
Aggregates Sales Volume (million tons)	**3.44**	1.98	73.7%
Commercial Concrete sales volume (million cubic meters)	**1.57**	0.90	74.4%
Revenue	**7,131.1**	7,247.4	(1.6%)
Gross Profit	**2,342.5**	2,440.5	(4.0%)
EBITDA[1]	**2,996.8**	3,098.0	(3.3%)
Profit Attributable to Owners of the Company	**1,560.5**	1,801.3	(13.4%)
Basic Earnings Per Share	**28.7 cents**	33.1 cents	(13.3%)
Interim Dividend	**N/A**	3.6 cents	N/A
Proposed Final Dividend	**8.6 cents**	6.3 cents	36.5%
Proposed Special Dividend	**3.4 cents**	N/A	N/A
Gross Profit Margin	**32.9%**	33.7%	(0.8 ppt)
EBITDA Margin	**42.0%**	42.7%	(0.7 ppt)

	31 December 2020	31 December 2019	% Change
Total Assets	**18,906.2**	14,579.8	29.7%
Net Debt[2]	**2,237.0**	1,613.0	38.7%
Net Gearing[3]	**21.2%**	17.5%	3.7 ppt
Net Assets Per Share	**194 cents**	170 cents	14.1%

Notes:

(1) EBITDA equal to profit before tax plus finance costs, depreciation and amortisation, share-based payments, impairment losses under expected credit loss model, net of reversal and net foreign exchange gains/(losses) less interest income.

(2) Net debt equal to borrowings and medium-term notes less bank balances and cash, restricted/pledged bank deposits and structure deposits.

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

Business Overview

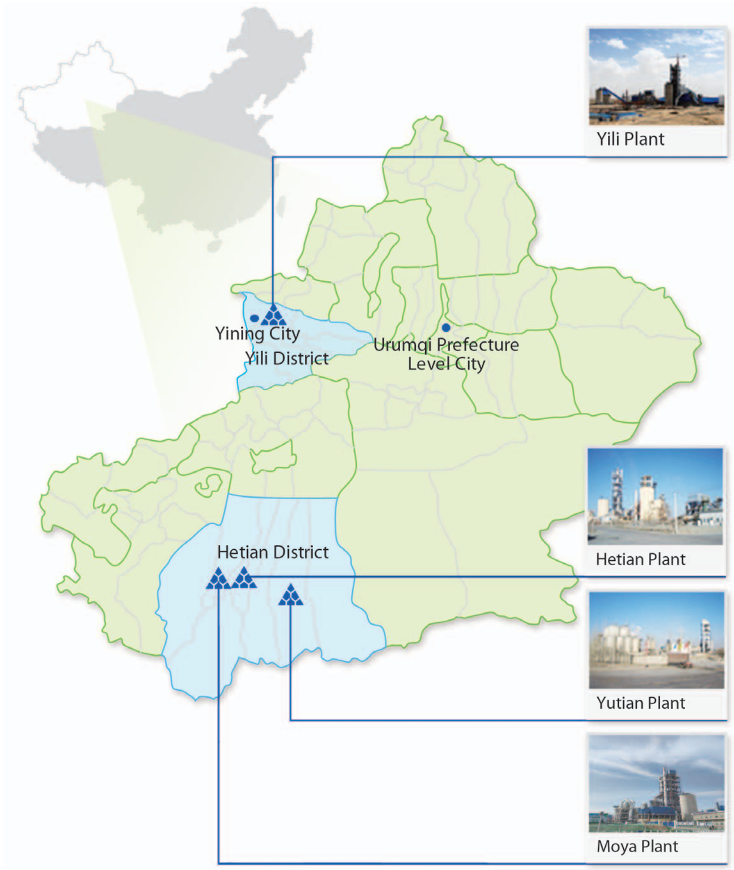
West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a presence in Xinjiang and Guizhou Provinces as well as Mozambique, Africa. As at 31 December 2020, the Group had a total production capacity of 33.2 million tons, comprised of 22 NSP cement production lines, with 23.3 million tons in Shaanxi Province, 6.1 million tons in Xinjiang Province, 1.8 million tons in Guizhou Province and 2.0 million tons in Mozambique, Africa. Moreover, the Group had total production capacities of 15.1 million tons of aggregates and 9.80 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 been increasing in recent years 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. However, due to the impact of the coronavirus disease 2019 ("COVID-19") outbreak, the ASPs in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang decreased. Fortunately, the Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain a decreasing cost in 2020. Taken together, these have contributed to the Group's stable margins in 2020 even under the impact of COVID-19.

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 CO2 emissions by approximately 22,000 tons per year per million tons of production.

All of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces 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.

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. The Group's first acquisitions, the Zhen'an and Danfeng Plants in Shangluo region, were completed in August and December.	8.5
2010	The Group's two production lines in Hanzhong, the Yangxian and Mianxian Plants, were commissioned in January and July respectively. 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.	12.5
2011	The Group successfully issued a USD400 million 5-year senior note at 7.5% p.a. interest rate. 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.	16.2
2012	The Group's Shangluo Danfeng Line 2 Plant was commissioned in April. 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, Hetian, Xinjiang was commissioned in August.	23.7
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. 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.	23.7

Milestones

Year	Event	Year End Cement Capacity (million tons)
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. 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%.	29.2
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. 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.	29.2
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. Mianxian Solid Waste Treatment Facility was commissioned in October.	29.2
2018	The Group early redeemed USD80 million 5-year senior note in November and December 2018. Four aggregates production lines with capacities of 7 million tons in total were commissioned.	29.2
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
2020	The Moyu Plant, Xinjiang was commissioned in December. The Mozambique Plant, Africa was commissioned in December. The Group's production capacity of commercial concrete increased to 9.8 million cubic meters.	33.2

Chairman's Statement

The competition within the cement industry will mainly be reflected in the energy consumption and costs advantages in 2021 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 2020.

OVERVIEW

2020 has been a stable year for the cement industry in China, even under the impact of the coronavirus disease 2019 ("COVID-19") outbreak. In the first quarter of 2020, due to the impact of the 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 2020 as all staff and customers reported to work subsequently. Meanwhile, infrastructure construction played a greater role in counter-cyclical growth stabilization. Greater efforts were made to commence construction of new investment projects, while progress of construction of projects under construction was expedited; the increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds promoted the continuous recovery of infrastructure investment growth in 2020. The growth rates of both Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI") have continued to pick up since the first quarter of 2020 as a result of the government's economic stimulating policies in response to the impact of the COVID-19 outbreak, which have led to a stable demand for cement products from all producers in the Shaanxi Province. On the other hand, intense competition from the supply side is still a strong factor affecting the ASPs in Shaanxi Province, which continued to be balanced through the continuation of the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

FINANCIAL RESULTS

In 2020, the Group saw a stable operating environment in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang. The Group's cement and clinker sales volumes have increased slightly from 19.3 million tons in 2019 to 19.9 million tons in 2020 and the Group's profitability has been negatively affected by the decreasing pricing environment as a result of the impact of the COVID-19 outbreak during the year, which resulted in a 4.0% decrease in gross profit as compared to 2019. In addition, the Group has maintained strong cash flows, with EBITDA slightly decreased from approximately RMB3.1 billion in 2019 to RMB3.0 billion in 2020. The Group's net gearing ratio has in turn increased from 17.5% in 2019 to 21.2% in 2020, as a result of the slightly decreased gross profit and cash flows mentioned above as well as the increase in borrowings for capacity development during the year. The ratio is still maintaining at a low industry level to provide a healthy statement of financial positions in the Group.

DIVIDEND

Due to the Group recording a stable net profit for the year ended 31 December 2020 and to celebrate the 10th anniversary of the listing of the Company as well as to reward the shareholders, the Board has recommended payment of a final dividend of RMB8.6 cents per ordinary share and a special dividend of RMB3.4 cents per ordinary share for this financial year, respectively.

OPERATIONS

Due to the impact of the COVID-19 outbreak, a key feature of the Group's operational performance in 2020 has been the reversal of the difference between the Group's cement ASPs in Southern Shaanxi which historically has stronger ASPs premiums, as compared with those in Central Shaanxi which have been improved to a level even higher than the ASPs in Southern Shaanxi. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was contributed by the continuation of occasional peak- shifting production halts during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government policy to stimulate the economy in response to the impact of the COVID-19 outbreak. However, due to the impact of the COVID-19 outbreak, the ASPs in Southern Shaanxi and Central Shaanxi still recorded overall decreases.

In 2020, with the occasional peak-shifting production halts during the low season periods under the stringent environmental policy, operation in Xinjiang Province is stable with increasing volumes but decreased ASPs as a result of the impact of COVID-19 outbreak. 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, which was even worse under the impact of the COVID-19 outbreak.

Fortunately, I am pleased that the Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain a decreasing cost in 2020. Taken together, these have contributed to the Group's stable margins in 2020 even under the impact of COVID-19 outbreak.

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 2020. The Group has already completed the installation of de-nitration ("De-NOx") equipment at all of the Group's plants in China. 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 in China 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.

During the year, the Group has increased the investment in environmental protection, carried out ultra-low emission remodeling at its environmental treatment facilities, established an early warning platform for pollutants exceeding standards, and strictly controlled the concentration of pollutant emissions, so as to achieve the management goal of limiting its pollutant emissions concentration well below the national emission standard. In addition, the Group also regularly invites external online monitoring experts to conduct system checks on the Company's online monitoring equipment, and conduct comprehensive analyses of the equipment operation principle, monitoring principle and production system operation, so as to switch from equipment troubleshooting to fault prevention, thus reduce the equipment failure rate, improve the accuracy of online monitoring equipment measurements, and ensure that the real-time monitoring and control of pollutants meets the national emission standards. Moreover, all plants in China 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. 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

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 2020, 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.

OUTLOOK

The stable operating environment in 2020 reflected that the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy is a 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.

In 2021, the PRC government will closely follow the goal of ensuring a good start of the 14th Five-Year Plan, and coordinate the normalization of epidemic prevention and control as well as economic and social development work. Under the premise of normalization of epidemic prevention and control, the PRC government will adhere to the keynote of seeking progress in a stable manner, adhere to the new development concept, and innovate to boost the quality and efficiency of various industries. The PRC government will adhere to the supply-side structural reform as the backbone, while focusing on the demand-side reform, in order to make efforts on both the supply and demand side, so as to grasp the strategy of expansion in domestic demand, to form a strong domestic market and to broaden the space for economic development. Moreover, the PRC government will accelerate the construction of the domestic economic cycle as its foundation to push forward the reform and opening up policy, so as to form a new development layout with domestic and international double-loop mutual advancement, and strive to carry out the "14th Five-Year Plan" with a good start. The performance of infrastructure investment is expected to continue to improve, while property investment is expected to remain stable, maintaining the continuous solid support in the demand of cement. Furthermore, in order to preserve the blue sky, the environmental management of atmospheric pollution will not be relaxed, and the local environmental control will be more stringent, and the continuous effect of policies such as peak-shifting production halts and mine comprehensive regulation are in favor of balancing the supply and demand of the cement industry. The cement industry will maintain a stable development trend during the "14th Five-Year Plan" period, the industry in general will further shift towards intelligent, information-based and green high-quality development. The competition within the industry will mainly be reflected in the energy consumption and costs advantages.

Whilst demand in Shaanxi Province remained stable in 2020, with a slight increase in cement sales volume as compared with that of 2019, the Company is cautiously optimistic about the outlook of the demand from the infrastructure construction and urbanization for the region into 2021 and beyond. Against the above background, it is expected that, in relation to cement industry, the overall market demand will slightly increase in 2021 and the market prices will remain stable.

Chairman's Statement

In 2021, the Group will persist on the requirements of high-quality development. In terms of overseas development, the Group will actively and steadily promote the international development strategy, and continuously improve the quality of the operation of commissioned projects and strengthen their internal management. In terms of domestic development, the Group will focus on the cement business, seize appropriate development opportunities and continuously improve the market layout. At the same time, the Group will accelerate the extension of the upstream and downstream industrial chains, push forward the implementation of aggregate projects, steadily expand the concrete business and continuously expand into new business areas. In terms of operation and management, the Group will pay close attention to changes in the macro-economy at home and abroad, make regular efforts in epidemic prevention and control, and endeavor to further improve operation and management. The Group will conduct in-depth study of market supply and demand, coordinate and optimize resource allocation, rationally grasp the rhythm of production and sales, and strengthen its positions in end markets. The Group will also continue to promote traceability and source control, broaden the channels of supply of long-term resources, and lower procurement costs, as well as implement the national ecological civilization policies, and continuously carry out energy-saving and environmental protection technical reform, accelerate the transformation of innovative achievements, and push to launch the technological innovation projects. The Group will strive to carry out information construction, to promote the construction and application of intelligent plants, and continuously enhance the core competitiveness of the enterprise, as well as promote organizational structure optimization and talent echelon formation, to stimulate the innovation and creativity of talents, and encourage the high quality development of the Group.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2020. 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

29 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group has faced a stable operating environment in the year ended 31 December 2020. 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 continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. Sales volume in Xinjiang and Guizhou Provinces recorded an increase during the year. The sales volume of cement and clinker of the Group for the year ended 31 December 2020 was 19.9 million tons, representing a 3.1% increase from the 19.3 million tons recorded in 2019.

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 average selling prices ("ASPs") premiums and more stable margins. ASPs in Central Shaanxi have been increasing in recent years 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. However, due to the impact of the coronavirus disease 2019 ("COVID-19") outbreak, the ASPs in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang decreased. Fortunately, the Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain a decreasing cost in 2020. Taken together, these have contributed to the Group's stable margins in 2020 even under the impact of COVID-19 outbreak.

The Group has maintained healthy cash flows, with EBITDA of RMB2,996.8 million for the year ended 31 December 2020, which is slightly lower than that of RMB3,098.0 million recorded in 2019.

Operating Environment

In the first quarter of 2020, due to the impact of the 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 2020 as all staff and customers reported to work subsequently. Meanwhile, infrastructure construction played a greater role in counter-cyclical growth stabilization. Greater efforts were made to commence construction of new investment projects, while progress of construction of projects under construction was expedited; the increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds promoted the continuous recovery of infrastructure investment growth in 2020.

Due to the impact of the COVID-19 outbreak, a key feature of the Group's operational performance in 2020 has been the reversal 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 historically has stronger ASPs premiums, 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 level even higher than the ASPs in Southern Shaanxi. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was contributed by the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government policy to stimulate the economy in response to the impact of the COVID-19 outbreak.

Shaanxi Province as a whole has seen an increasing Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI") growth rates in 2020. During the year, the FAI and the RDI increased by 4.1% and 12.8% as compared with 2019. The growth rates of both FAI and RDI have continued to pick up since the first quarter of 2020 as a result of the government's economic stimulating policies in response to the impact of the COVID-19 outbreak. The increasing FAI and RDI growth rates have led to a stable demand for cement products from all producers in the Shaanxi Province. On the other hand, intense competition from the supply side is still a strong factor affecting the ASPs in Shaanxi Province, which continued to be balanced through the continuation of the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

Management Discussion and Analysis

Another important factor contributing to the Group's stable margins was the maintenance of a decreasing cost in 2020. This resulted from the Group's implementation of efficiency enhancements and cost-cutting measures.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi remained reasonable and stable, taking into account the impact of the COVID-19 outbreak, during 2020. The supply side has 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.

During the year, demand in this region has remained reasonable, supported by continued growth in railway and road infrastructure project construction, but to a certain extent offset by the impact of the COVID-19 outbreak. The Lushi to Luanchuan Expressway and the Ningshan to Shiquan Expressway, have been, amongst others, particularly important demand drivers; and the constructions of the Hanzhong to Bazhong to Nanchong Intercity Railway, the Wuxi to Zhenping Expressway, the Xixia to Xichuan Expressway, the Ankang to Langao Expressway, the Micangshan Avenue Project, the Chengkou Transportation Projects, the Yuehe Hydropower Station, the Xunyang Hydropower Station and the Tuxikou Reservoir 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 decreased slightly by approximately 4.5% to approximately 7.70 million tons in 2020 (2019: 8.06 million tons), there have also been a decrease in ASPs mainly due to the impact of the COVID-19 outbreak. During the year, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB291 per ton (2019: RMB333 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB301 per ton (2019: RMB333 per ton), with capacity utilization rate at approximately 79% (2019: 83%).

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 and the continuous recovery and expedited infrastructure construction demand as a result of the government's economic stimulating policies in response to the impact of the COVID-19 outbreak. Sales volume in Central Shaanxi still moderately improved even under the abovementioned continuing low demand scenario in 2020.

During the year, 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 the Xi'an to Yan'an High-Speed Railway, the Xi'an Metro/Municipal Projects, the Dongzhuang Reservoir, the Yanchang to Huanglong Expressway, the Pucheng to Huanglong Expressway, the Hancheng to Huanglong Expressway, the Heyang to Tongchuan Expressway, the Chengcheng to Weizhuang Expressway and the Xianyang Airport. The largest project, Xixian Expressway-Southern Section consumed over 0.38 million tons of cement in 2020.

Sales volumes in Central Shaanxi have increased by approximately 11.3% to approximately 8.55 million tons in 2020 (2019: 7.68 million tons) and have been accompanied by decreased ASPs. During the year, the Group has recorded a decrease of approximately 7.8% in cement ASPs in Central Shaanxi to approximately RMB294 per ton (2019: RMB319 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB301 per ton (2019: RMB333 per ton), with capacity utilization rate at approximately 61% (2019: 57%).

Management Discussion and Analysis

Xinjiang & Guizhou Provinces

Operations at the Group's plant in Xinjiang Province is stable in 2020. Sales volume in Xinjiang have increased by approximately 14.0% to approximately 2.04 million tons (2019: 1.79 million tons). During the year, ASPs in Xinjiang have decreased due to the impact of the COVID-19 outbreak, the Group has recorded cement ASPs at approximately RMB406 per ton (2019: RMB440 per ton) (excluding VAT), with capacity utilization rate at approximately 50% (2019: 44%), adjusted with the new capacity of 2 million tons of the Moyu Plant commissioned in December 2020.

In Guizhou Province, the Group's plant contributed approximately 1.33 million tons of cement as compared to the sales volume of 1.29 million tons in 2019, which represented an increase of approximately 3.1%. During the year, the Group has recorded cement ASP in Guizhou of approximately RMB240 per ton (2019: RMB263 per ton) (excluding VAT), with capacity utilization rate at approximately 74% (2019: 72%). The decreases in ASPs were mainly due to the imbalance between demand and supply as a result of the continuation of decreasing demand scenario, which was even worse under the impact of the COVID-19 outbreak. The sales volumes at the Huaxi Plant were 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.

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 2020, these systems are in operation at 14 out of 22 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 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 in China 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.

During the year, the Group has increased the investment in environmental protection, carried out ultra-low emission remodeling at its environmental treatment facilities, established an early warning platform for pollutants exceeding standards, and strictly controlled the concentration of pollutant emissions, so as to achieve the management goal of limiting its pollutant emissions concentration well below the national emission standard. In addition, the Group also regularly invites external online monitoring experts to conduct system checks on the Company's online monitoring equipment, and conduct comprehensive analyses of the equipment operation principle, monitoring principle and production system operation, so as to switch from equipment troubleshooting to fault prevention, thus reduce the equipment failure rate, improve the accuracy of online monitoring equipment measurements, and ensure that the real-time monitoring and control of pollutants meets the national emission standards. Moreover, all plants in China 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. 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.

Management Discussion and Analysis

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 2021, 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.

Financial leasing business

In 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 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.

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 2020, the Group recorded loan receivables of approximately RMB1,739.0 million (2019: RMB1,779.6 million) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB184.0 million for the year ended 31 December 2020 (2019: RMB213.0 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 2020, 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.

Management Discussion and Analysis

During the year, charitable donations made by the Group amounted to approximately RMB24.7 million, including donations made in sponsoring deprived students for college education as well as supporting education, sports and cultural events.

PROSPECTS

In 2021, the PRC government will closely follow the goal of ensuring a good start of the 14th Five-Year Plan, and coordinate the normalization of epidemic prevention and control as well as economic and social development work. Under the premise of normalization of epidemic prevention and control, the PRC government will adhere to the keynote of seeking progress in a stable manner, adhere to the new development concept, and innovate to boost the quality and efficiency of various industries. The PRC government will adhere to the supply-side structural reform as the backbone, while focusing on the demand-side reform, in order to make efforts on both the supply and demand side, so as to grasp the strategy of expansion in domestic demand, to form a strong domestic market and to broaden the space for economic development. Moreover, the PRC government will accelerate the construction of the domestic economic cycle as its foundation to push forward the reform and opening up policy, so as to form a new development layout with domestic and international double-loop mutual advancement, and strive to carry out the "14th Five-Year Plan" with a good start. Fiscal policy will be more proactive and focus on concrete effects, while the monetary policy will be more flexible and appropriate and precisely directed. The performance of infrastructure investment is expected to continue to improve, while property investment is expected to remain stable, maintaining the continuous solid support in the demand of cement. Furthermore, in order to preserve the blue sky, the environmental management of atmospheric pollution will not be relaxed, and the local environmental control will be more stringent, and the continuous effect of policies such as peak-shifting production halts and mine comprehensive regulation are in favor of balancing the supply and demand of the cement industry. The cement industry will maintain a stable development trend during the "14th Five-Year Plan" period, the industry in general will further shift towards intelligent, information-based and green high-quality development. The competition within the industry will mainly be reflected in the energy consumption and costs advantages. Against the above background, it is expected that, in relation to cement industry, the overall market demand will slightly increase in 2021, and the market prices will remain stable.

In 2021, the Group will persist on the requirements of high-quality development. In terms of overseas development, the Group will actively and steadily promote the international development strategy, and continuously improve the quality of the operation of commissioned projects and strengthen their internal management. In terms of domestic development, the Group will focus on the cement business, seize appropriate development opportunities and continuously improve the market layout. At the same time, the Group will accelerate the extension of the upstream and downstream industrial chains, push forward the implementation of aggregate projects, steadily expand the concrete business and continuously expand into new business areas. In terms of operation and management, the Group will pay close attention to changes in the macro-economy at home and abroad, make regular efforts in epidemic prevention and control, and endeavor to further improve operation and management. The Group will conduct in-depth study of market supply and demand, coordinate and optimize resource allocation, rationally grasp the rhythm of production and sales, and strengthen its positions in end markets. The Group will also continue to promote traceability and source control, broaden the channels of supply of long-term resources, and lower procurement costs, as well as implement the national ecological civilization policies, and continuously carry out energy-saving and environmental protection technical reform, accelerate the transformation of innovative achievements, and push to launch the technological innovation projects. The Group will strive to carry out information construction, to promote the construction and application of intelligent plants, and continuously enhance the core competitiveness of the enterprise, as well as promote organizational structure optimization and talent echelon formation, to stimulate the innovation and creativity of talents, and encourage the high quality development of the Group.

Operations — Shaanxi

Under the current macroeconomic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant increase in demand in 2021. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2021, 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.

With regards to the supply side, the Group expects stable prices in 2021, as a result of the limited supply under the increasingly stringent environmental policies imposed by the government.

Management Discussion and Analysis

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 2021, including the constructions of several Central Shaanxi Intercity Railways, the Meixian to Fengxiang Expressway — Central Circuit, the Expansion of the Beijing to Kunming Expressway, the Yan'an East Ring Expressway, the Guxian Reservoir and the Shanxi Yellow River Bridge.

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2021, including the constructions of the High Speed Railways from Xi'an to Ankang and from Xi'an to Wuhan, the Kangxian to Lueyang Expressway, the Cangxi to Bazhong Expressway, the Danfeng to Ningshan Expressway, the Wuxi to Yunyang to Kaizhou Expressway, the Luoyang to Lushi Expressway, the Chengkou to Kaizhou Expressway and the Hengkou Reservoir. In addition, the Group expects to see substantial demand from a number of new railways and expressways in 2022 and 2023, including the constructions of, the High Speed Railway from Lanzhou to Hanzhong to Shiyan and the Yangxian to Xixiang Expressway.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2021. 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, including the newly commissioned Moyu Plant, the Group has three plants and a total of 4.6 million tons of capacity currently. There are a number of on-going infrastructure projects, which are expected to contribute to support the demand in 2021 and beyond. These include the constructions of the Minfeng to Heishihu Expressway, the Minfeng to Ruoqiang Expressway, the Minfeng to Luopu Expressway and the Hetian to Ruoqiang Railway. In Northern Xinjiang, the 1.5 million-ton Yili Plant with production volumes remained low and decreasing pricing in 2020 due to the impact of the COVID-19 outbreak. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2021. 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 2021 and beyond.

Capacity Development

The Moyu Plant is a capacity replacement project for the Group to actively respond to the National 13th Five-Year Plan, in order to leverage on the opportunity of the "Belt and Road" development and to broaden its strategic layout in the west. The production line with a daily production capacity of 4,500 tons of clinker cement in Moyu County, Hotan Region, Xinjiang Province is the most intelligent and relatively low cost production line among the Group's completed production lines. The Moyu Plant was commissioned in December 2020.

The Mozambique plant was built by the Group in Mozambique, a "window" country in South Africa, in close compliance with the "Belt and Road" development policy of the PRC and to seize the opportunity brought by the "Go Global" policy to maximize the cement production capacity. The Mozambique plant is a new dry process cement clinker production line with a daily capacity of 5,000 tons. At present, the Mozambique plant is the Group's most intelligent cement production line in Africa, with the most advanced production equipment and the best technique indicators. It is also a key project to implement the Group's strategy to "open up Africa and develop into the world" to accelerate its deployment in the continent. The Mozambique plant was commissioned in December 2020.

As a key capacity replacement project in Shaanxi Province, the Tongchuan cement clinker production line with 10,000 tons daily capacity is more than halfway through its construction, and is expected to be ready for trial production in the third quarter of 2021. The Tongchuan cement clinker production line with 10,000 tons daily capacity is the world's most advanced second generation new dry process cement production line, with site area of 828 mu. The production line has abandoned the traditional backward production capacity and technology with high energy consumption, high emission and high pollution, and highlighted its three major advantages of intelligence, environment-friendly and cost-effective. The production line will be a digital plant with unmanned workshop and ultra-low emissions, which will meet the Class A national energy efficiency and emission standards; it will utilize waste heat to generate electricity and recycle waste and hazardous waste, with global leading electricity and energy consumption standards.

The Group expects to seize the development opportunities through the abovementioned production capacity development, and continuously improve the market layout to realize the Group's target of high-quality development.

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 2021. 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 2021 and will continue to implement the "Sustainable Safety Development Project". 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 PRC government policy of "managing while mining" in the future.

In an effort to comply with the PRC government's decision to plan for ecological civilization construction, the Group will sustain its implementation of environmental protection technological modification, increase environmental protection investment, carry out forward-looking development and application of cutting-edge environmental protection technologies, so as to consolidate its comparative advantage. Committed to being innovation-driven, the Group will push forward technology upgrade and modification that meet the requirements for intelligentization, informatization, and environmental protection; it will enhance the development and application of new technologies by accelerating the transformation of research outcome into innovations; it will step up efforts to push forward the construction of smart factories, and to strengthen its core competitiveness.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 1.6% from RMB7,247.4 million for the year ended 31 December 2019 to RMB7,131.1 million for the year ended 31 December 2020. Cement sales volume increased by 4.3%, from approximately 18.8 million tons to approximately 19.6 million tons during the year. Including clinker sales, total sales volume for the year ended 31 December 2020 amounted to approximately 19.9 million tons, compared to the 19.3 million tons sold in 2019.

Overall cement prices were lower than those in 2019, and this has resulted in lower revenue. Cement ASPs for the year ended 31 December 2020 were RMB301 per ton as compared with RMB333 per ton in 2019. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Other than the above decrease in cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete increased by 71.1% and 46.0% to RMB128.7 million and RMB720.0 million, for the year ended 31 December 2020, 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 decreased by 0.4% from RMB4,806.9 million for the year ended 31 December 2019 to RMB4,788.6 million for the year ended 31 December 2020.

Coal costs were decreasing in the PRC during the year as a result of the impact of the COVID-19 outbreak. The average cost per ton of coal decreased by approximately 7.4% to approximately RMB486 per ton from approximately RMB525 per ton in 2019. In addition to the increase in efficiency gains, this has resulted in a total cost decrease of approximately RMB5.8 per ton of total cement produced, with total coal costs decreased by approximately 5.9% as compared with that of 2019.

Increase in raw materials costs were lower than expected as a result of the net effect of the increase in transportation costs and suppliers prices under the more stringent environmental policy implemented and the increase in efficiency gains during the year. The average cost per ton of limestone increased by approximately 5.4% to approximately RMB17.5 per ton from approximately RMB16.6 per ton in 2019. As a result of the effect of the increase in efficiency gains, the cost of total cement produced decreased by approximately RMB1.3 per ton, with total raw materials costs increased only by approximately 1.9% as compared with that of 2019.

There is no material fluctuation in the average cost of electricity. Benefiting from the increase in efficiency gains, the electricity costs decreased by approximately RMB2.2 per ton of total cement produced, with total electricity costs decreased by approximately 2.7% as compared with that of 2019.

The government promulgated policies on social insurance relief in response to the impact of the COVID-19 outbreak, which resulted in staff costs decreased by approximately RMB1.9 per ton of total cement produced, with total staff costs decreased by approximately 9.0% as compared with that of 2019.

As to other items comprising the cost of sales, there were certain environmental related expenses, i.e. sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Such expenses decreased as the overhaul time decreased under the impact of the COVID-19 outbreak and the overprovision of safety fee in prior year was utilized during the year. This has mainly resulted in a cost decrease of approximately RMB1.5 per ton of total cement produced, with other costs in total decreased by approximately 4.3% as compared with that of 2019.

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 85.9% and 44.0% to RMB69.9 million and RMB572.7 million, for the year ended 31 December 2020, respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB98.0 million, or 4.0%, from RMB2,440.5 million for the year ended 31 December 2019 to RMB2,342.5 million for the year ended 31 December 2020. The decrease in gross profit was mainly due to the decrease in ASPs as described above. Gross profit margins therefore slightly decreased from 33.7% for the year ended 31 December 2019 to 32.9% for the year ended 31 December 2020.

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government subsidies. Other income decreased by approximately 0.8% from RMB287.8 million for the year ended 31 December 2019 to RMB285.5 million for the year ended 31 December 2020. The ratio of VAT rebates over revenue was 3.5% for the year ended 31 December 2020 (2019: 3.7%). The decrease in the VAT rebates was mainly due to the decreases in ASPs, with lower ASPs resulting in lower output VAT which in turn resulted in lower net VAT and rebates, as well as the decrease in the ratio of cement produced by using recycled industrial waste during the year.

Other Expenses

Other expenses primarily included the donations and legal and professional fee. The amount increased by RMB52.1 million from RMB25.7 million for the year ended 31 December 2019 to RMB77.8 million for the year ended 31 December 2020. The increase was mainly due to the increase in the legal and professional fee related to the acquisition and expansion activities of RMB53.1 million for the year ended 31 December 2020 (2019: RMB22.0 million) and the increase in the donations to RMB24.7 million for the year ended 31 December 2020 (2019: RMB3.7 million) during the year. Among the donations, RMB20.0 million was a one-off donation regarding the establishment of a school for deprived students during the year.

Management Discussion and Analysis

Other Gains and Losses, net

Other losses increased by RMB84.7 million from RMB68.0 million for the year ended 31 December 2019 to RMB152.7 million for the year ended 31 December of 2020. The increase was mainly due to the net effect of the following factors. Firstly, there were net foreign exchange losses mainly relating to the translation of the Group's amount due to the non-controlling shareholder of a subsidiary from USD to MZN and the translation of the intercompany balances between the subsidiaries with different functional currencies of RMB149.7 million recorded for the year ended 31 December 2020 (2019: RMB21.5 million was mainly related to the translation of senior notes from USD to RMB). Secondly, the loss on disposal of property, plant and equipment ("PPE") decreased to RMB18.9 million for the year ended 31 December 2020 (2019: RMB37.7 million) as most obsolete PPE were disposed under the technology improvement of PPE to meet the tightened stringent environmental policy requirement in 2019. Thirdly, the fair value gain arising from the disposal of entrusted product purchased in May 2019 of RMB16.0 million was recorded for the year ended 31 December 2020 (2019: Nil). Finally, the loss on partial redemption of Senior Notes of RMB13.4 million was recorded for the year ended 31 December 2019 as the Group early redeemed part of the then outstanding Senior Notes of US$120 million in June 2019 while there was no such loss for the year ended 31 December 2020.

Impairment losses under expected credit loss model, net of reversal

The balance increased by RMB91.9 million from RMB36.5 million for the year ended 31 December 2019 to RMB128.4 million for the year ended 31 December 2020. The increase was mainly due to the net effect of the following factors. Firstly, the loss on impairment of amounts due from non-controlling interests of a subsidiary of RMB22.0 million was recorded in 2019 while there was no such loss in 2020. Secondly, there were increases in losses on impairment of loan receivables and trade receivables to RMB85.9 million for the year ended 31 December 2020 (2019: RMB5.8 million) and RMB41.2 million for the year ended 31 December 2020 (2019: RMB7.5 million), respectively, as a result of the downturn of the economy under the impact of the COVID-19 outbreak to certain clients.

Interest Income

Interest income decreased by RMB32.4 million from RMB228.2 million for the year ended 31 December 2019 to RMB195.8 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in the interest income arising from the loan receivables business to RMB184.0 million recorded for the year ended 31 December 2020 (2019: RMB213.0 million) as a result of the impact of the downturn of the economy due to COVID-19 outbreak on certain clients.

Finance Costs

Finance costs decreased by RMB21.9 million, or 11.7%, from RMB187.1 million for the year ended 31 December 2019 to RMB165.2 million for the year ended 31 December 2020. The decrease was mainly due to the increase in capitalised interests as a result of the construction of the new plants during the year.

Income Tax Expense

Income tax expenses decreased by RMB129.8 million, from RMB394.3 million for the year ended 31 December 2019 to RMB264.5 million for the year ended 31 December 2020. Current income tax expense net of over provision decreased by RMB141.2 million to RMB255.6 million (2019: RMB408.3 million), whereas deferred tax expenses increased by RMB22.9 million to RMB8.9 million (2019: Deferred tax credit of RMB14.0 million).

As certain subsidiaries were entitled to enjoy a concession income tax rate of 15% instead of 25% in western region upon 2019 final settlement with relevant tax authorities, there was an increase in the overprovision in prior year, which led to the significant decrease in the current income tax expense. The increase in the deferred tax expense is mainly due to the increase in the withholding tax on undistributed profits of PRC subsidiaries and the tax losses during the year.

The detailed income tax expenses for the Group are outlined in Note 12 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB1,801.3 million for the year ended 31 December 2019 to RMB1,560.5 million for the year ended 31 December 2020. This is primarily due to net effect of the decrease in gross profit as a result of the decrease in ASPs, increases in impairment losses and net foreign exchange losses as well as the decrease in income tax expenses as mentioned above.

Basic earnings per share decreased from RMB33.1 cents for the year ended 31 December 2019 to RMB28.7 cents for the year ended 31 December 2020.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2020, the Group's total assets increased by 29.7% to RMB18,906.2 million (2019: RMB14,579.8 million) while total equity increased by 14.1% to RMB10,527.2 million (2019: RMB9,225.7 million).

As at 31 December 2020, the Group had bank balances and cash, restricted/pledged bank deposits as well as structure deposits, amounting to RMB1,475.3 million (2019: RMB1,223.7 million). After deducting total borrowings and medium term notes ("MTN") of RMB3,712.3 million (2019: RMB2,836.7 million), the Group had net debt of RMB2,237.0 million (2019: RMB1,613.0 million). 68.2% (2019: 48.1%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB1,708.6 million (2019: RMB1,779.6 million) at fixed interest rates. Please refer to Notes 23, 31, 36 and 46 to the consolidated financial statements below for the details of the loan receivables, bank borrowings, MTN and the respective pledge of assets.

As at 31 December 2020, the Group's net gearing ratio, measured as net debt to equity, was 21.2% (2019: 17.5%). 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 2020, 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 and mining rights, for year ended 31 December 2020 amounted to RMB3,127.6 million (2019: RMB1,712.2 million). Capital commitments as at 31 December 2020 amounted to RMB1,942.1 million (2019: RMB2,298.1 million). Both capital expenditure and capital commitments were mainly related to the maintenance and upgrading of existing production facilities, the capacity replacement projects as well as the construction of a new production facility in Mozambique. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 6,374 (2019: 5,750) full-time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2020, employees benefit expenses were RMB624.2 million (2019: RMB591.0 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 31 July 2020, Yaobai Special Cement Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into share purchase agreements to acquire 97.5% equity interest of Kangding Paomashan Cement Ltd. for an aggregate consideration of RMB729.4 million. The acquisition has not completed as of 31 December 2020.

For further details in relation to the above acquisition, please also refer to the announcements of the Company dated 31 July 2020 and 25 September 2020.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the year ended 31 December 2020.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2020, the Group's sales, purchases, loans receivables, structured deposits, restricted/pledged deposit, bank balances and cash and bank borrowings were mainly denominated in Renminbi. However, the proceeds raised through the syndicated loan by the Company in September 2019 and the amount due to the non-controlling shareholder of a subsidiary 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 Renminbi. The appreciation or depreciation of 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.

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.

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.

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 2020.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by 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 2020.

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 2020, 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.

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 35 to 37 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 2020, 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 2020, 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 2020, 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 2020 are as follows:

Directors	External training	In-house training
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. Fan Changhong	–	2/2
Independent Non-Executive Directors		
Mr. Lee Kong Wai Conway	6	2/2
Mr. Tam King Ching Kenny	23	2/2
Mr. Zhu Dong	–	2/2

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 2020, 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.

The table below sets out the attendance records of each Director at the Board Meetings and the annual general meeting for the year 2020 ("2020 AGM") during the year ended 31 December 2020:

Directors	Number of Board meetings attended	2020 AGM attended
Mr. Zhang Jimin	4/4	1/1
Dr. Ma Weiping	4/4	1/1
Mr. Ma Zhaoyang	4/4	1/1
Ms. Liu Yan	4/4	1/1
Mr. Fan Changhong	4/4	1/1
Mr. Lee Kong Wai Conway	4/4	1/1
Mr. Tam King Ching Kenny	4/4	1/1
Mr. Zhu Dong	4/4	1/1

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 2020.

Corporate Governance Report

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 2020.

Directors	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	2/2
Mr. Tam King Ching Kenny	2/2
Mr. Zhu Dong	2/2

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:

— assessing performance of executive Directors and approving the terms of service contracts of executive Directors;

— 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;

— 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 2020.

Directors	Number of Remuneration Committee meetings attended
Mr. Zhang Jimin	1/1
Mr. Tam King Ching Kenny	1/1
Mr. Lee Kong Wai Conway	1/1
Mr. Zhu Dong	1/1

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 separate meeting of the Nomination Committee was held during the year ended 31 December 2020 and the members of the Nomination Committee discussed (among others) composition of the board in board meeting during the year.

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 2020, 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 53 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 53 to 55 of this annual report.

The remuneration paid and payable to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2020 is as follows:

	2020 **RMB'000**
Audit services	**2,230**
Non-audit services (for review of the unaudited interim results of the Group for the six months ended 30 June 2020)	**450**
Total	**2,680**

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 2019 Annual Results and our 2020 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 66, 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 59, 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 52, 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 53, 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 55, 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 66, 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 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 and April 2017 respectively. He was also an independent non-executive director of China Taiping

Directors and Senior Management

Insurance Holdings Company Limited, Merry Garden Holdings Limited, Citic Securities Company Limited, Tibet Water Resources Ltd. and China Rundong Auto Group Limited, 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, from March 2011 to February 2020 and from August 2014 to December 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 59, 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 71, 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 — Chief Executive Officer

Ms. Wang, aged 43, 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. In January 2020, Ms. Wang was appointed as the chief executive officer of the Yaobai Group. 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 50, 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 43, 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.

Mr. Liu Jianjun (劉建軍先生) — Deputy Chief Executive Officer

Mr. Liu, aged 52, is mainly responsible for production technology, product quality, and equipment operation. He received a degree in Business Administration from Guangdian (廣電大學). He has the title of Engineer. Mr. Liu joined the Group in January 1988 and has held various positions, including Workshop Supervisor, Plant Manager, Head of Operation, and Regional General Manager. Mr. Liu has extensive experience in production technology and operation security. He has received several awards from the Shaanxi Building Materials Industry Technology Innovation Association (陝西建材行業技術創新協會).

Mr. Liu Xiaojun (劉曉軍先生) — Deputy Chief Executive Officer and General Sales Manager of Headquarter

Mr. Liu, aged 50, is mainly responsible for sales, logistics, special cement and marketing departments. He holds an EMBA degree from Xi'an Jiaotong University. Mr. Liu joined the Group in September 2009 and has held the positions of Sales Operation Manager, Assistant General Manager and General Manager. Mr. Liu has extensive experience in marketing, market planning and management.

Mr. Lui Wing'on (雷永安先生) — Deputy Chief Executive Officer and General Manager of Yaobai Building Materials Company (堯柏建材公司)

Mr. Lei, aged 45, is mainly responsible for commercial cement and cement products. He joined the Group in October 2000 and has held the positions of Accountant, Head of Financial Department, Assistant Financial Director, Deputy Sales Manager and General Manager of Building Materials Company (建材公司). Mr. Lei has extensive experience in financial management, material procurement, sales cement and commercial cement.

West China Cement Limited

Mr. Chan King Sau — Financial Controller and Company Secretary

Mr. Chan, aged 43, 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 2020.

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 133 to 134 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.

BUSINESS REVIEW

The business review of the Group as at 31 December 2020 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 15 to 25.

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 2020, these systems are operational at 14 out of 22 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 22,000 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 2020, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

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 DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56.

At the Board meeting held on 29 March 2021, the Directors proposed to recommend the payment of a final dividend of RMB0.086 per ordinary share for the year ended 31 December 2020. To celebrate the 10th anniversary of the listing of the Company and to reward the shareholders, the Directors also proposed to recommend the payment of a special dividend of RMB0.034 per ordinary share for the year ended 31 December 2020.

The final dividend of RMB0.086 per ordinary share and a special dividend of RMB0.034 per ordinary share are subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 28 May 2021 (Friday), 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 June 2021 (Monday).

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 28 May 2021 (Friday). 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 28 May 2021 (Friday), 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 24 May 2021 (Monday). The register of members of the Company will be closed from 25 May 2021 (Tuesday) to 28 May 2021 (Friday), 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 and special dividend, the register of members will be closed from 4 June 2021 (Friday) to 7 June 2021 (Monday), 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 June 2021 (Thursday). Subject to shareholder's approval of the proposed final dividend and the proposed special dividend at the annual general meeting to be held on 28 May 2021 (Friday), the final dividend and special dividend will be paid on or around 30 July 2021 (Friday) to shareholders whose names appear on the register of members of the Company at the close of business on 7 June 2021 (Monday).

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 138 and the consolidated statement of changes in equity on page 59, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, 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 RMB3,327.3 million.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2020 amounted to RMB24.7 million (2019: RMB3.7 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group, during the year ended 31 December 2020 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

During the year ended 31 December 2020, 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 2020, 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 2020, total sales attributable to the largest customer of the Group was approximately 2.7% of total sales of the Group and total sales attributable to the top five customers of the Group were approximately 8.1% of total sales of the Group.

For the financial year ended 31 December 2020, total purchase attributable to the largest supplier accounted for approximately 3.2% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 13.3% 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. Fan Changhong

Independent non-executive Directors

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

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 35 to 38 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 2020 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

Except for service contracts entered into with the Directors or any person engaged in full-time employment of the Company, 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 2020 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 2020, 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 2020:

Name of Director	Capacity	Number of ordinary shares held as at 31 December 2020 Total (Note 1)	Approximate % of issued share capital of the Company as at 31 December 2020
Zhang Jimin	Interest of a controlled corporate	1,756,469,900 (L) *(Note 2)*	32.30%
Ma Zhaoyang	Interest of a controlled corporate	221,587,950 (L) *(Note 3)*	4.07%

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 2020:

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 2020
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 2020, 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 2020, 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 2020, 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:

		As at 31 December 2020	
Name of shareholder	**Capacity**	**Number of ordinary shares of held** *(Note 1)*	**Approximate % of issued share capital of the Company**
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,147,565,970 (L)	21.10%
Anhui Conch Cement Co., Ltd. ("Conch Cement") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.10%
安徽海螺集團有限責任公司*(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.10%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.10%
Citigroup Inc.	Beneficial owner	545,451,802 (L) 620,432 (S)	10.03% 0.00%
GIC Private Limited	Beneficial owner	430,582,000 (L)	7.92%
AllianceBernstein L.P	Beneficial owner	271,782,000 (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.

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 2020 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 2020.

Furthermore, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries subsisted at the end of the financial year under review or was made during the year under review.

SHARE OPTION SCHEMES

The Company has adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010 and it has ended on 30 March 2020. Outstanding share options granted under the scheme remain valid in accordance with its terms.

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).

   As the Post-IPO Share Option Scheme expired on 30 March 2020, except for 56,650,000 shares which may be issued upon exercise of the outstanding options granted under the Post-IPO Share Option Scheme, (representing about 1.04% of the issued share capital of the Company as at the date of this annual report), no further shares were available for issue 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 2020:

				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 2020	Granted during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020
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	–	1,225,000	–	6,750,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	18,800,000	–	2,175,000	–	16,625,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,550,000	–	350,000	–	11,200,000
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	–	3,750,000	–	57,750,000

Notes:

1. The closing prices of the shares of the Company on 22 March 2011, 21 March 2013, 21 March 2014 and 10 April 2015, being the dates immediately before the dates on which the share options were granted, were HK$3.32, HK$1.25, HK$0.91 and HK$1.37 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 prices of the shares of the Company immediately before 11 May and 20 July 2020, being the dates on which 575,000 and 650,000 options were exercised, were HK$1.53 and HK$1.56 per share, respectively.

4. The weighted average closing prices of the shares of the Company immediately before 11 May , 12 May, 13 May, 14 May and 20 July 2020, being the dates on which 400,000, 200,000, 300,000, 300,000 and 975,000 options were exercised, were HK$1.53, HK$1.61, HK$1.59, HK$1.57 and HK$1.56 per share, respectively.

5. The weighted average closing price of the shares of the Company immediately before 16 June 2020, being the date on which 350,000 options were exercised, was HK$1.47 per share.

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 2020 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

29 March 2021

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 56 to 139, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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"). 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' International Code of Ethics for Professional Accountants (including International Independence Standard) (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
Impairment assessment for past due loan receivables	
We identified the impairment assessment of the past due loan receivables as a key audit matter due to the significance of the past due loan receivables to the Group's consolidated financial statements and the involvement of significant judgement and management estimates in assessing the expected credit losses ("ECL") of the Group's past due loan receivables at the end of the reporting period. As disclosed in Note 23 to the consolidated financial statements, as at 31 December 2020, the Group had past due loan receivables of approximately RMB1,023.3 million which represented approximately 5.4% of the total assets of the Group. As detailed in Notes 3 and 4 to the consolidated financial statements, the ECL measurement involves significant management judgement, with the involvement of: (i) the selection of appropriate models and key inputs used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL model.	Our procedures in relation to the impairment assessment of the past due loan receivables included: • Obtaining an understanding of the Group's key controls on how the management estimates the credit loss allowance for the past due loan receivables; • Testing the input data of the ECL model on a sample basis to evaluate the completeness and accuracy of the data input as well as testing the calculation of the ECL model; • Selecting samples to test the reasonableness of future cash flows from borrowers estimated by the Group, including the expected recoverable amounts of collaterals, to assess whether there were material misstatements in the loss allowance; and • With the support of our internal modelling specialist, we have reviewed and assessed on the reasonableness of the key parameters and assumptions used in the ECL model adopted by the management, this included PD, LGD and forward looking information.

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 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, actions taken to eliminate threats or safeguards applied.

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 Gladys Fung Suet Ngan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	**7,131,052**	7,247,389
Cost of sales		**(4,788,586)**	(4,806,905)
Gross profit		**2,342,466**	2,440,484
Other income	6	**285,476**	287,753
Selling and marketing expenses		**(63,413)**	(57,406)
Administrative expenses		**(405,389)**	(360,319)
Other expenses		**(77,819)**	(25,729)
Other gains and losses, net	7	**(152,663)**	(68,008)
Impairment losses under expected credit loss model, net of reversal	8	**(128,408)**	(36,517)
Share of profit of an associate		**16,628**	22,388
Interest income	9	**195,762**	228,231
Finance costs	10	**(165,184)**	(187,076)
Profit before tax	11	**1,847,456**	2,243,801
Income tax expense	12	**(264,494)**	(394,272)
Profit for the year		**1,582,962**	1,849,529
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(3,552)**	–
Other comprehensive expense for the year		**(3,552)**	–
Total comprehensive income for the year		**1,579,410**	1,849,529
Profit for the year attributable to:			
— Owners of the Company		**1,560,480**	1,801,281
— Non-controlling interests		**22,482**	48,248
		1,582,962	1,849,529
Total comprehensive income attributable to:			
— Owners of the Company		**1,556,928**	1,801,281
— Non-controlling interests		**22,482**	48,248
		1,579,410	1,849,529
Earnings per share	14		
— Basic (RMB)		**0.287**	0.331
— Diluted (RMB)		**0.287**	0.331

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	17	**11,161,110**	7,793,345
Right-of-use assets	18	**643,185**	469,021
Mining rights	19	**539,903**	542,352
Other intangible assets	20	**208,186**	199,235
Interest in an associate	22	**77,643**	80,269
Loan receivables	23	**524,091**	724,182
Deferred tax assets	24	**42,673**	36,557
Prepayments for right-of-use assets		**100,278**	100,278
Prepayments for mining rights		**49,170**	–
Deposits paid for acquisition of property, plant and equipment		**199,497**	518,276
Deposits paid for acquisition of subsidiaries		**85,200**	–
Other deposits	26	**23,123**	31,241
Investment in entrusted product	28	**81,855**	181,855
		13,735,914	10,676,611
Current assets			
Inventories	25	**731,434**	665,526
Trade and other receivables and prepayments	26	**1,748,635**	958,525
Loan receivables	23	**1,214,955**	1,055,444
Structure deposits	29	**100,000**	90,000
Restricted/pledged bank deposits	30	**723,831**	354,148
Bank balances and cash	30	**651,463**	779,559
		5,170,318	3,903,202
Current liabilities			
Borrowings	31	**1,878,894**	1,126,000
Trade and other payables	33	**2,734,518**	1,735,544
Dividend payable		**8,000**	–
Contract liabilities	34	**260,594**	226,589
Income tax payable		**63,698**	121,005
		4,945,704	3,209,138
Net current assets		**224,614**	694,064
Total assets less current liabilities		**13,960,528**	11,370,675

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Borrowings	31	**600,548**	1,189,589
Medium-term notes	36	**1,232,842**	521,098
Asset retirement obligation	35	**347,413**	336,398
Deferred tax liabilities	24	**78,701**	63,721
Deferred income	37	**35,301**	34,205
Amount due to a non-controlling shareholder of a subsidiary	38	**1,138,506**	–
		3,433,311	2,145,011
Net assets		**10,527,217**	9,225,664
Capital and reserves			
Share capital	39	**141,837**	141,771
Share premium and reserves	40	**10,188,965**	8,911,168
Equity attributable to owners of the Company		**10,330,802**	9,052,939
Non-controlling interests		**196,415**	172,725
Total Equity		**10,527,217**	9,225,664

The consolidated financial statements on pages 56 to 139 were approved and authorised for issue by the Board of Directors on 29 March 2021 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 2020

	Attributable to owners of the Company									
	Share capital RMB'000	**Share premium** RMB'000	**Equity reserve** RMB'000 *(Note 40)*	**Translation reserve** RMB'000	**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 2019	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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,560,480**	**1,560,480**	**22,482**	**1,582,962**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(3,552)**	**–**	**–**	**–**	**(3,552)**	**–**	**(3,552)**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**(3,552)**	**–**	**–**	**1,560,480**	**1,556,928**	**22,482**	**1,579,410**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**160,493**	**(160,493)**	**–**	**–**	**–**
Shares issued for share options exercised *(Note 43)*	**66**	**5,041**	**–**	**–**	**(1,453)**	**–**	**–**	**3,654**	**–**	**3,654**
Appropriation of maintenance and production funds *(Note a)*	**–**	**–**	**–**	**–**	**–**	**56,365**	**(56,365)**	**–**	**–**	**–**
Utilisation of maintenance and production funds *(Note a)*	**–**	**–**	**–**	**–**	**–**	**(22,758)**	**22,758**	**–**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**2,093**	**–**	**–**	**–**	**–**	**2,093**	**(16,953)**	**(14,860)**
Deemed contribution from non-controlling interests *(Note 40(h))*	**–**	**–**	**53,686**	**–**	**–**	**–**	**–**	**53,686**	**37,924**	**91,610**
Dividends recognised as distribution *(Note 13)*	**–**	**(338,498)**	**–**	**–**	**–**	**–**	**–**	**(338,498)**	**–**	**(338,498)**
Dividends recognised as distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,763)**	**(19,763)**
At 31 December 2020	**141,837**	**2,484,484**	**(250,227)**	**(3,552)**	**24,034**	**1,254,149**	**6,680,077**	**10,330,802**	**196,415**	**10,527,217**

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 represented the dividend payable waived by the non-controlling shareholder of a subsidiary and was 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 2020

	NOTE	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**1,847,456**	2,243,801
Adjustments for:			
Finance costs		**165,184**	187,076
Interest income		**(195,762)**	(228,231)
Net foreign exchange losses		**149,725**	20,954
Depreciation of property, plant and equipment		**864,888**	803,080
Depreciation of right-of-use assets		**14,267**	14,013
Amortisation of mining rights		**21,159**	17,985
Amortisation of other intangible assets		**1,469**	1,950
Loss on disposal of property, plant and equipment		**18,909**	37,662
Fair value gain on investment in entrusted product		**(16,030)**	–
Impairment loss under expected credit loss model, net of reversal	8	**128,408**	36,517
Reversal of write-down of inventories		**(18,726)**	–
Share of profit of an associate		**(16,628)**	(22,388)
Loss on partial redemption of senior notes		**–**	13,435
Government grants released to profit or loss		**(13,221)**	(10,978)
Recognition of equity-settled share-based payments		**–**	264
Operating cash flows before movements in working capital		**2,951,098**	3,115,140
Increase in inventories		**(47,182)**	(174,410)
Increase in trade and other receivables and prepayments		**(320,992)**	(217,048)
Increase in trade and other payables		**378,127**	449,504
Increase (decrease) in contract liabilities		**34,005**	(4,411)
Cash generated from operations		**2,995,056**	3,168,775
Income tax paid		**(312,937)**	(474,010)
Net cash from operating activities		**2,682,119**	2,694,765

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Interest received		195,762	245,419
Dividend received from an associate		7,254	22,780
Purchase of property, plant and equipment		(2,675,120)	(1,614,768)
Purchase of mining rights		(67,880)	(42,650)
Payments for right-of-use assets		(188,431)	(9,971)
Purchase of other intangible assets		(10,420)	(1,624)
Purchase of entrusted product		–	(181,855)
Purchase of structure deposits		(100,000)	(534,337)
Proceeds from disposal of property, plant and equipment		23,120	14,960
Proceeds from disposal of structure deposits		90,000	455,707
Proceeds from disposal of entrusted product		116,030	–
Prepayments for right-of-use assets		–	(100,278)
Payment for acquisition of subsidiaries		(85,200)	–
Loans to third parties		(249,770)	(460,485)
Repayments received for loans to third parties		204,429	367,764
Net cash outflow on acquisition of a subsidiary	41	(22,199)	–
Winding of a subsidiary		–	(3,587)
Advance to a non-controlling shareholder of a subsidiary		–	(6,000)
Government grants received for acquisition of property, plant and equipment		16,300	–
Advance to third parties		(94,448)	(106,414)
Repayment of advances from third parties		92,268	24,655
Withdrawal of restricted/pledged bank deposits		661,782	341,236
Placement of restricted/pledged bank deposits		(1,031,465)	(506,352)
Net cash used in investing activities		(3,117,988)	(2,095,800)
FINANCING ACTIVITIES			
New borrowings raised		2,311,972	1,316,000
Repayments of borrowings		(2,166,436)	(863,571)
Repayments of senior notes including early redemption premium	32	–	(2,257,767)
Proceeds from issuance of medium-term notes	36	700,000	500,000
Medium-term notes issue costs paid	36	(2,100)	(2,250)
Proceeds from issuance of syndicated loan	31	–	1,062,690
Syndicated loan issue costs paid	31	–	(47,521)
Dividends paid to non-controlling shareholders of a subsidiary		(11,763)	(4,853)
Dividends paid		(338,498)	(273,871)
Shares issued for share options exercised		3,654	–
Capital injection by non-controlling interests		–	59,000
Acquisition of non-controlling interests		(1,579)	–
Interest paid		(173,210)	(193,861)
Net cash from (used in) financing activities		322,040	(706,004)
Net decrease in cash and cash equivalents		(113,829)	(107,039)
Cash and cash equivalents at 1 January		779,559	886,046
Effect of foreign exchange rate changes		(14,267)	552
Cash and cash equivalents at 31 December, represented by bank balances and cash		651,463	779,559

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year *(Cont'd)*

Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The Group has elected not to apply the optional concentration test on the acquisition of Hongxing Glass Congo SARL ("Hongxing Glass") (as detailed in Note 41) and concluded that such acquisition does not constitute a business upon application of the amendments.

2.2 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 and related Amendments*[1]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[4]
Amendments to IFR 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[5]
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	*Classification of Liabilities as Current or Non-current*[1]
Amendment to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018–2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16 *Lease*;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has a London Interbank Offered Rate ("LIBOR") bank loan which will be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis for preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKSE ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, after taking into consideration the events after the reporting period as disclosed in Note 51, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.1 Basis for preparation of consolidated financial statements *(Cont'd)*

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, 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.

3.2 Significant accounting policies

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Basis of consolidation *(Cont'd)*

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.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Business combinations or asset acquisitions *(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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

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);

- 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; and

- 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Goodwill *(Cont'd)*

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).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

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.

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

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a leasee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Leases *(Cont'd)*

The Group as a leasee *(Cont'd)*

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 assets 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Leases *(Cont'd)*

Sale and leaseback transactions

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.

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 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 related to income 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. Such grants are presented under "other income".

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

Share options granted to employees

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

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

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.

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 is presented as "right-of-use assets" 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

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.

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.

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

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.

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 testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGU.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Cont'd)*

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.

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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

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

All other financial assets are subsequently measured at FVTPL, except that at the date of 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. 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) 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.

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, other deposits, bank balances and restricted/pledged bank deposits) which are subject to impairment assessment 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.

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, in which case 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 Significant accounting policies *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

(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; or

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 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 and 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. The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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.

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 and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

3.2 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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

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, amount due to non-controlling shareholder of a subsidiary, 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.

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across financial assets measured at amortised costs 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 practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix. 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 26 and 47, respectively.

Loan receivables

The Group makes allowance for loan receivables based on the ECL model on an individual basis which requires significant judgement and management estimates. Elements of significant management judgement includes: (i) the selection of appropriate models and key inputs used in the ECL model, including the probability of default and loss given default, and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL model..

The information about the Group's loan receivables and the ECL are disclosed in Notes 23 and 47, respectively.

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

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 2020, the carrying amounts of goodwill is RMB193,357,000 (2019: RMB193,357,000) as disclosed in Note 21.

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 RMB347,413,000 (2019: RMB336,398,000) as disclosed in Note 35.

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's chief executive officer, being the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by the following areas, namely central and southern Shaanxi, Xinjiang, Guizhou and overseas. 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. Accordingly, no further segment information of operating and reportable segment has been disclosed in the consolidated financial statements.

	2020 **RMB'000**	2019 RMB'000
Geographical markets		
Central Shaanxi	**3,475,818**	3,322,621
Southern Shaanxi	**2,460,125**	2,782,957
Xinjiang	**843,968**	800,369
Guizhou	**321,771**	341,442
Overseas	**29,370**	–
	7,131,052	7,247,389

The proportion of the Group's non-current assets located in the PRC by locations of assets is 84% as at 31 December 2020 (31 December 2019: 100% located in the PRC). The remaining 16% of non-current assets were located in Africa (2019: nil).

Revenue is recognised at a point in time when control of the goods has been 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 years ended 31 December 2020 and 2019.

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For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

During the year ended 31 December 2020, RMB226,589,000 (2019: RMB231,000,000) 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

	2020 RMB'000	2019 RMB'000
Tax refund *(Note)*	**246,635**	269,634
Government grant, including release from deferred income	**38,797**	18,102
Others	**44**	17
	285,476	287,753

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.

7. OTHER GAINS AND LOSSES, NET

	2020 RMB'000	2019 RMB'000
Fair value gain on investment in entrusted product	**16,030**	–
Net foreign exchange losses *(Note a)*	**(149,725)**	(21,506)
Loss on disposal of property, plant and equipment	**(18,909)**	(37,662)
Loss on partial redemption of senior notes *(Note b)*	**–**	(13,435)
Others	**(59)**	4,595
	(152,663)	(68,008)

Notes:

(a) The amounts during the year ended 31 December 2020 mainly relate to the translation of the amounts due to the non-controlling shareholder of a subsidiary from United States Dollar ("US$") to Meticais ("MZN") as well as the exchange loss incurred on intercompany balances between the subsidiaries with different functional currencies.

The amount during the year ended 31 December 2019 mainly related to the translation of senior notes from US$ to RMB.

(b) During the year ended 31 December 2019, the Company early redeemed part of the outstanding senior notes of US$120,000,000 (equivalent to RMB826,752,000) and recorded loss on early redemption of senior notes of US$1,950,000 (equivalent to RMB13,435,000). The remaining balance was due and repaid during the year ended 31 December 2019.

Notes to the Consolidated Financial Statements

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8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000
Impairment losses recognised on:		
— Trade receivables	**41,170**	7,463
— Loan receivables	**85,921**	5,751
— Other receivables	**1,317**	1,333
— Amount due from non-controlling shareholder of a subsidiary *(Note)*	**–**	21,970
	128,408	36,517

Details of impairment assessment are set out in Note 47.

Note: In 2011, the Group entered into a shareholder agreement with an independent third party who became the then non-controlling interest 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 in 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 during the year ended 31 December 2019 after YSZ had failed to adhere to its repayment schedule signed in 2017 and such amount was written off during the year ended 31 December 2020.

9. INTEREST INCOME

	2020 RMB'000	2019 RMB'000
Interest income from:		
— loan receivables	**183,998**	212,995
— bank deposits	**11,764**	15,236
	195,762	228,231

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on:		
— bank loans	**143,051**	79,457
— senior notes	**–**	90,766
— medium-term notes	**55,544**	25,598
	198,595	195,821
Less: amount capitalised	**(50,489)**	(10,265)
	148,106	185,556
Unwinding of discount *(Note 35)*	**17,078**	1,520
	165,184	187,076

Borrowing costs capitalised during the year arose on general borrowing by applying capitalisation rates at 5.55% (2019: 6.48%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

11. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**864,888**	803,080
Depreciation of right-of-use assets	**14,267**	14,013
Amortisation of mining rights	**21,159**	17,985
Amortisation of other intangible assets	**1,469**	1,950
Total depreciation and amortisation	**901,783**	837,028
Recognised in cost of sales	**(79,179)**	(63,735)
Capitalised in inventories	**(745,770)**	(704,601)
	76,834	68,692
Staff costs (including directors' emoluments):		
Salaries and allowances	**619,512**	542,544
Share-based payments	**–**	264
Retirement benefits *(Note)*	**4,646**	48,167
Total staff costs	**624,158**	590,975
Recognised in cost of sales	**(16,275)**	(17,171)
Capitalised in inventories	**(354,207)**	(362,052)
	253,676	211,752
Research and development costs recognised as an expense (included in cost of sales)	**366,737**	304,788
Auditors' remuneration	**3,252**	3,244
Cost of inventories recognised as expenses	**4,440,575**	4,502,117
Reversal of write-down of inventories	**(18,726)**	–
Donations (included in other expenses)	**24,710**	3,695
Legal and professional fees (included in other expenses)	**53,109**	22,034

Note: During the outbreak of COVID-19 in the current year, the Group received support from the PRC government and the payment of social welfare pension amounting to approximately RMB54,354,000 was waived by the PRC government (2019: Nil).

12. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**287,115**	387,512
Withholding tax	**49,836**	66,018
	336,951	453,530
Over provision in prior years:		
PRC EIT *(Note)*	**(81,321)**	(45,253)
Deferred tax: *(Note 24):*		
Current year	**14,010**	(15,031)
Attributable to change in tax rate	**(5,146)**	1,026
	8,864	(14,005)
Income tax expense	**264,494**	394,272

Note: Certain of the Group's subsidiaries were subject to PRC EIT at the rate of 25% in 2019. However, these subsidiaries are entitled to enjoy concession rate of 15% in western region upon their 2019 final settlement and payment of PRC EIT with relevant tax authorities and thus resulted in the over provision of PRC EIT during the current year.

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.

The Group's subsidiaries in Mozambique, Mauritius, the Republic of Congo and Ethiopia are subject to profit tax at the rates of 32%, 15%, 30% and 30%, respectively. There is no taxable profits for the year ended 31 December 2020.

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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For the year ended 31 December 2020

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

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

	2020 RMB'000	2019 RMB'000
Profit before tax	**1,847,456**	2,243,801
Tax at domestic income tax rate of 25% (2019: 25%)	**461,864**	560,950
Tax effects on:		
Expenses not deductible for tax purpose	**93,930**	57,201
Income not taxable for tax purpose	**(16,327)**	(17,008)
Additional tax benefit applicable to the Group *(Note a)*	**(66,160)**	(54,048)
Tax holiday and concession rates of group entities *(Note b)*	**(196,170)**	(150,502)
Tax effect of share of profit of an associate	**(4,157)**	(5,597)
Change in tax rate for deferred tax assets recognised	**(5,146)**	1,026
Tax on interest income on intra-group loans *(Note c)*	**3,235**	4,762
Withholding tax on undistributed profits of PRC subsidiaries *(Note d)*	**81,021**	36,018
Tax losses not recognised as deferred tax assets	**5,510**	7,372
Utilisation of tax losses previously not recognised as deferred tax assets	**(9,009)**	(358)
Recognition of deferred tax assets on tax losses generated in previous years	**–**	(291)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,776)**	–
Over provision in respect of prior years	**(81,321)**	(45,253)
Tax expense for the year	**264,494**	394,272

Notes:

a. Pursuant to the relevant tax rules and regulation in the PRC, expenses in research nature are deductible at 75% (2019: 75%) of such expenses incurred additionally. The related tax benefit amounted to RMB66,160,000 (2019: RMB54,048,000) for the year ended 31 December 2020.

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 2020	2019	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)
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd. * ("Longqiao Yaobai")	Shaanxi	**15%**	15%	(i)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Notes: (Cont'd)

b. *(Cont'd)*

Entities	Place of establishment	Tax rate for the year ended 31 December 2020	2019	Tax benefit
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%**	15%	(i)
西安光信小額貸款有限公司 Xi'an Guangxin Microfinance Co., Ltd. *	Shaanxi	**15%**	15%	(i)
韓城堯柏陽山莊水泥有限公司 Hancheng Yangshanzhuang Cement Co., Ltd. * ("Hancheng")	Shaanxi	**15%**	15%	(i)
安康市堯柏水泥有限公司 Ankang Yaobai Cement Co., Ltd. * ("Xunyang")	Shaanxi	**15%**	15%	(i)
漢中堯柏水泥有限公司 Hanzhong Yaobai Cement Co., Ltd. * ("Yangxian")	Shaanxi	**15%**	15%	(i)
漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd. * ("Mianxian")	Shaanxi	**15%**	15%	(i)
漢中西鄉堯柏水泥有限公司 Hanzhong Xixiang Yaobai Cement Co., Ltd. * ("Xixiang")	Shaanxi	**15%**	15%	(i)
伊犁堯柏水泥有限公司 Yili Yaobai Cement Co., Ltd. * ("Yili")	Xinjiang	**15%**	15%	(i)
銅川藥王山生態水泥有限公司 Tongchuan Yaowangshan Ecological Cement Co., Ltd. * ("Yaowangshan")	Shaanxi	**15%**	25%	(i)
陝西新意達建材產業發展有限公司 Shaanxi Xinyida Building Materials Industry Development Co., Ltd. * ("Xinyida Jiancai")	Shaanxi	**15%**	25%	(i)
陝西新意達恒眾混凝土有限公司 Shaanxi Xinyida Hengzhong Concrete Co., Ltd. * ("Xinyida Hengzhong")	Shaanxi	**15%**	25%	(i)
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	**15%**	20%	(i)
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	**15%**	20%	(i)

Notes to the Consolidated Financial Statements

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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 2020	2019	Tax benefit
安康堯柏節能環保建材有限公司 Ankang Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**15%**	(vi)	(i)
陝西堯柏新材料科技有限公司 Shaanxi Yaobai New Material Technology Co., Ltd. * ("Xincai")	Shaanxi	**15%**	25%	(i)
銅川中港智慧物流有限公司 Tongchuan Zhonggang Intelligent Logistics Co., Ltd * ("Tongchuan Zhonggang Logistics")	Shaanxi	**15%**	(vi)	(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)
陝西柏源盛通人力資源有限公司 Baiyuan Shengtong Human Resources Co., Ltd. *	Shaanxi	**20%**	20%	(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%**	20%	(iii)
渭南華源碩混凝土有限公司 Weinan Huayuanshuo Concrete Co., Ltd. *	Shaanxi	**20%**	20%	(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%**	20%	(iii)
銅川柏雲智能數據技術有限公司 Tongchuan Baiyun Intelligent Data Technology Co., Ltd. *	Shaanxi	**20%**	(vi)	(iii)
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd. *	Shaanxi	**25%**	20%	(vii)
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	**25%**	20%	(vii)
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	**25%**	20%	(vii)
西安新柏騰鴻旅遊有限公司 Xinbai Tenghong Travel Co., Ltd. *	Shaanxi	**25%**	20%	(vii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd. * ("Moyu Jiancai")	Xinjiang	**0%**	20%	(iv)
和田堯柏建材有限公司 Hetian Yaobai Building Materials Co., Ltd. * ("Hetian Jiancai")	Xinjiang	**0%**	(vi)	(iv)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Notes: (Cont'd)

b. *(Cont'd)*

Entities	Place of establishment	Tax rate for the year ended 31 December 2020	2019	Tax benefit
陝西豐盛德遠實業有限公司 Shaanxi Fengshengdeyuan Industrial Co., Ltd. * ("Shaanxi Fengsheng")	Shaanxi	**15%**	15%	(v)
西安柏雲智能數據技術有限公司 Baiyun Intelligent Data Technology Co., Ltd. * ("Baiyun")	Shaanxi	**15%**	15%	(v)
商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd. * ("Xiushan")	Shaanxi	**15%**	25%	(v)

(i) Concession rate of 15% is granted by the local tax authorities in western region expiring in 2030. According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 2012) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 15), companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% till 31 December 2020 if the operating revenue of the encouraged business in a year accounted for more than 70% of the total income in that year. During the years ended 31 December 2019 and 2020, the aforesaid group entities, which are located in the western region, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major business for the years ended 31 December 2019 and 2020 accounted for more than 70% of their total revenue in these years. Therefore these entities enjoy the preferential EIT rate of 15%.

In addition, according to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 2020) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. Accordingly, the Group adjusted the applicable tax rate for its deferred tax assets and liabilities as at 31 December 2020.

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

(iii) Concession rate of 20% were granted to the 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) Tax incentive of "兩免三減半" was granted to these subsidiaries starting from 2020.

(v) Three-year tax holidays with 15% tax rate were granted to high-tech enterprises from 2020.

(vi) Subsidiaries were established in 2020.

(vii) These subsidiaries enjoyed the tax benefits as disclosed in (iii) above during the year ended 31 December 2019 but are no long entitled to such benefits in 2020 and are hence taxed at 25% during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Notes: (Cont'd)

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*

13. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim — nil (2019 Interim: RMB3.6 cents) per share	–	197,781
2019 Final — RMB6.3 cents (2018 Final: RMB1.4 cents) per share	**338,498**	76,090
	338,498	273,871

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB8.6 cents (2019: RMB6.3 cents) per ordinary share, in an aggregate amount of RMB467,744,000 (2019: RMB338,498,000), and a special dividend of RMB3.4 cents (2019: nil) per ordinary share, in an aggregate amount of RMB184,922,000 (2019: nil), have 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:

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**1,560,480**	1,801,281

Number of shares	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,437,167**	5,435,133
Effect of dilutive potential ordinary shares from share options issued by the Company	**8,314**	5,595
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,445,481**	5,440,728

The computation of diluted earnings per share in 2020 and 2019 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:

2020	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	–	–	3,800
Ma Weiping *(Chief Executive)*	–	2,012	1,667	3	–	3,682
Non-executive directors						
Ma Zhaoyang	347	–	–	–	–	347
Liu Yan	347	–	–	–	–	347
Fan Changhong	347	–	–	–	–	347
Independent non-executive directors						
Lee Kong Wai Conway	347	–	–	–	–	347
Zhu Dong	347	–	–	–	–	347
Tam King Ching Kenny	347	–	–	–	–	347
	2,082	3,512	3,967	3	–	9,564

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

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.

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

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 (2019: 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 (2019: nil).

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include two directors (2019: two) of whose remuneration are set out in Note 15 above. The remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and allowances	**4,955**	3,798
Retirement benefits	**8**	81
Share-based payments	**–**	40
	4,963	3,919

The above employees' emoluments were within the following bands:

	Number of employees	
	2020	2019
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**3**	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 (2019: 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 2019	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
Exchange realignment	–	(1,060)	(746)	(1,424)	–	(256,871)	(260,101)
Additions	14,489	61,947	101,545	70,705	23,114	2,648,615	2,920,415
Acquisition of a subsidiary	–	–	–	–	–	93,987	93,987
Assets injection by non-controlling interests	–	–	–	–	–	1,520,381	1,520,381
Transfers	290,634	10,753	199,988	346,839	114,612	(962,826)	–
Disposals	(23,423)	(9,211)	(7,222)	(143,939)	–	–	(183,795)
At 31 December 2020	**4,256,392**	**339,718**	**582,789**	**7,023,497**	**1,554,256**	**4,063,951**	**17,820,603**
ACCUMULATED DEPRECIATION							
At 1 January 2019	1,305,360	25,663	221,499	3,322,447	356,081	–	5,231,050
Depreciation charge	166,207	39,744	38,339	490,318	68,472	–	803,080
Disposals	(28,046)	(6,008)	(4,489)	(59,216)	–	–	(97,759)
At 31 December 2019	1,443,521	59,399	255,349	3,753,549	424,553	–	5,936,371
Depreciation charge	186,965	49,543	38,363	499,667	90,350	–	864,888
Disposals	(11,703)	(6,021)	(6,030)	(118,012)	–	–	(141,766)
At 31 December 2020	**1,618,783**	**102,921**	**287,682**	**4,135,204**	**514,903**	**–**	**6,659,493**
CARRYING VALUES							
At 31 December 2020	**2,637,609**	**236,797**	**295,107**	**2,888,293**	**1,039,353**	**4,063,951**	**11,161,110**
At 31 December 2019	2,531,171	217,890	33,875	2,997,767	991,977	1,020,665	7,793,345

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

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17. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

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.

18. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000
As at 31 December 2020	
Carrying amount	643,185
As at 31 December 2019	
Carrying amount	469,021

	2020 RMB'000	2019 RMB'000
Depreciation charge	**14,267**	14,013
Total cash outflow for leases	**188,431**	9,971
Additions to right-of-use assets	**188,431**	9,971

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB177,852,000 (2019: RMB37,112,000) 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.

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19. MINING RIGHTS

	RMB'000
COST	
At 1 January 2019	426,402
Addition	233,411
At 31 December 2019	659,813
Addition	18,710
At 31 December 2020	678,523
AMORTISATION	
At 1 January 2019	99,476
Charge for the year	17,985
At 31 December 2019	117,461
Charge for the year	21,159
At 31 December 2020	138,620
CARRYING AMOUNT	
At 31 December 2020	539,903
At 31 December 2019	542,352

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 2020, the Group has obtained all mining right certificates. As at 31 December 2019, carrying amount of RMB13,956,000 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.

Notes to the Consolidated Financial Statements

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20. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Emission rights RMB'000	Total RMB'000
COST					
At 1 January 2019	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
Addition	–	–	8,537	1,883	10,420
At 31 December 2020	193,357	20,610	16,548	1,883	232,398
ACCUMULATED AMORTISATION					
At 1 January 2019	–	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
Charge for the year	–	–	1,462	7	1,469
At 31 December 2020	–	20,610	3,595	7	24,212
CARRYING AMOUNT					
At 31 December 2020	193,357	–	12,953	1,876	208,186
At 31 December 2019	193,357	–	5,878	–	199,235

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

Customer relationships *(Note)*	10 years
Computer software	5 years
Emission rights	20 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 and was fully amortised during the year ended 31 December 2019.

* *The English name is for identification purpose only*

Notes to the Consolidated Financial Statements

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21. 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:

	2020 RMB'000	2019 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")	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 terminal growth of 2.6% (2019:5.7%) and pre-tax discount rate of 15% (2019: 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 assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and 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 2020 and 2019. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the above CGUs to exceed the recoverable amounts of respective CGUs.

22. INTEREST IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Unlisted equity investment, at cost	31,425	31,425
Share of post-acquisition profits and other comprehensive income, net of dividends received	46,218	48,844
	77,643	80,269

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
			2020	2019	2020	2019	
Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental")	China	Shaanxi	20%	20%	20%	20%	Treatment of dangerous and hazardous waste

Notes to the Consolidated Financial Statements

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22. INTEREST IN AN ASSOCIATE *(Cont'd)*

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

	2020 RMB'000	2019 RMB'000
Current assets	**150,096**	151,008
Non-current assets	**321,346**	308,804
Current liabilities	**84,894**	60,134
Revenue	**170,086**	185,882
Profit and total comprehensive income for the year	**83,142**	111,940
Dividends receivable from the associate during the year	**19,254**	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:

	2020 RMB'000	2019 RMB'000
Net assets of Yaobai Environmental	**386,548**	399,678
Proportion of the Group's ownership interest in Yaobai Environmental	**20%**	20%
The Group's share of net assets of Yaobai Environmental	**77,310**	79,936
Others	**333**	333
Carrying amount of the Group's interest in Yaobai Environmental	**77,643**	80,269

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23. LOAN RECEIVABLES

	2020 RMB'000	2019 RMB'000
Loans collateralised by property, plant and equipment *(Note a)*	**1,111,189**	1,157,376
Entrusted loan *(Note b)*	**200,000**	200,000
Loans collateralised by receivables *(Note b)*	**473,800**	383,800
Small loans *(Note c)*	**65,374**	63,846
	1,850,363	1,805,022
Less: Allowance for credit losses	**(111,317)**	(25,396)
	1,739,046	1,779,626
Analysed as:		
Current	**1,214,955**	1,055,444
Non-current	**524,091**	724,182
	1,739,046	1,779,626

Notes:

(a) As at 31 December 2020 and 2019, 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 their 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 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.

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23. LOAN RECEIVABLES *(Cont'd)*

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

	2020 RMB'000	2019 RMB'000
Within one year	**1,214,955**	1,055,444
In more than one year but not more than two years	**524,091**	724,182
	1,739,046	1,779,626

The ranges of effective rates on the Group's loan receivables was 10% to 15% per annum as at 31 December 2020 (2019: 10% to 24%).

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

Included in the carrying amount of loans receivables as at 31 December 2020 is accumulated impairment losses of RMB111,317,000 (2019: RMB25,396,000).

As at 31 December 2020, carrying amount of loan receivables of RMB1,023,325,000 (2019: RMB36,192,000) were past due. Details of impairment assessment are set out in Note 47.

24. 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:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**42,673**	36,557
Deferred tax liabilities	**(78,701)**	(63,721)
	(36,028)	(27,164)

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24. DEFERRED TAX *(Cont'd)*

The following are the major deferred tax assets (liabilities) 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 2019	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)
Credited (charged) to profit or loss	12,793	363	(282)	4,301	(31,185)	(14,010)
Effect of change in tax rate	(5,058)	(1,864)	–	12,068	–	5,146
At 31 December 2020	44,472	7,613	9	(36,937)	(51,185)	(36,028)

At the end of the reporting period, the Group had unused tax losses of RMB40,006,000 (2019: RMB55,129,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB36,000 (2019: RMB1,164,000) of such losses.

No deferred tax have been recognised in respect of the tax losses of RMB39,970,000 (2019: RMB53,965,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	2020 RMB'000	2019 RMB'000
2021	–	2,986
2022	–	9,306
2023	–	12,185
2024	17,931	29,488
2025	22,039	–
	39,970	53,965

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 2020, the Group recognised deferred taxation in respect of withholding tax of RMB51,185,000 (2019: RMB20,000,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2020, 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 RMB4,840,264,000 (2019: RMB4,928,235,000) 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.

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25. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials and consumables	362,860	357,105
Work in progress	226,127	189,051
Finished goods	142,447	119,370
	731,434	665,526

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Trade receivables	778,993	461,254
Trade receivables backed by bills	539,557	189,676
	1,318,550	650,930
Less: Allowance for credit losses	(62,276)	(21,106)
	1,256,274	629,824
Other receivables *(Note a)*	177,713	172,131
Less: Allowance for credit losses	(4,409)	(3,095)
	173,304	169,036
VAT recoverable	231,275	101,680
VAT refund receivable	20,841	26,119
Amount due from a non-controlling shareholder of a subsidiary *(Note b)*	–	6,000
Dividend receivable from associate	12,000	–
Prepayments to suppliers	78,064	57,107
	1,771,758	989,766
Less: Non-current portion of other deposits (included in "Other receivables" above)	(23,123)	(31,241)
	1,748,635	958,525

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

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

Notes:

(a) Included in other receivables represent amounts of RMB108,594,000 (2019: RMB106,414,000) advanced to third parties.

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") would 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 had yet to establish (subsequently established and became the Group's non-wholly owned subsidiary during the year ended 31 December 2020) 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. During the year ended 31 December 2020, the joint venture partner repaid RMB45,108,000 and the remaining balance is expected to be settled in 2021.

The remaining balances as at 31 December 2020 and 2019 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 and the amount of which has been recovered by offsetting the future dividend payable to non-controlling shareholder of the subsidiary.

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB181,753,000.

All bills received by the Group are due within 1 year from the issuance date of the bills.

The following is an aged analysis of trade receivables, excluding bills held by the Group, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2020 **RMB'000**	2019 RMB'000
0 to 90 days	**293,632**	196,954
91 to 180 days	**193,677**	75,155
181 to 360 days	**182,348**	164,779
361 to 720 days	**95,224**	15,931
Over 720 days	**14,112**	8,435
	778,993	461,254

As at 31 December 2020, total bills received amounting to RMB493,764,000 (2019: RMB31,191,000) are held by the Group, which were further endorsed by the Group. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise their full carrying amounts and the corresponding trade payables.

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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB425,034,000 (2019: RMB243,867,000) which are past due as at the reporting date. Out of the past due balances, RMB235,188,000 (2019: RMB169,605,000) 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.

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27. TRANSFER OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 December 2020 and 2019 that were transferred to suppliers by endorsing the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2020 **RMB'000**	2019 RMB'000
Carrying amount of transferred assets	**493,764**	31,191
Carrying amount of associated liabilities	**493,764**	31,191
Net position	**–**	–

28. INVESTMENT IN ENTRUSTED PRODUCT

Balance of RMB81,855,000 (2019: RMB181,855,000) represents an investment in entrusted product named "國民信託穩鑫1號", with a contractual term of three years, which is classified as financial assets at FVTPL.

The scope of investment covers the purchase or reverse report of central bank bills, treasury bonds, financial bonds, short-term financing bonds, medium-term bills, corporate bonds and other types of standardised financial products listed and traded in the inter-bank market etc.. The return of the entrusted product is based on the performance of the entrusted product adjusted by related custodian fee. During the year ended 31 December 2020, the Group redeemed entrusted product of RMB100,000,000 (2019: Nil).

29. STRUCTURE DEPOSITS

Balance at 31 December 2019 represents the structure deposits placed in the bank with maturity of 1 year. In accordance with the relevant terms of the deposits, the expected yield rate was floating and linked with US$ 3-month LIBOR. The balance was mature and redeemed during the year ended 31 December 2020.

During the year ended 31 December 2020, the Group invested RMB100,000,000 in another structure deposits product of "芙蓉景程*月月得益4號" issued by the Bank of Chengdu, with a contractual term of 35 days. The investment scope covers the purchase 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 financial asset is based on the performance of the underlying investment scope. The financial product has been matured and redeemed in January 2021.

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

	2020 RMB'000	2019 RMB'000
Restricted/pledged bank deposits		
— denominated in RMB	**723,831**	354,148
Bank balances and cash		
— denominated in RMB	**490,763**	747,552
— denominated in US$	**133,083**	6,849
— denominated in other currency	**27,617**	25,158
	651,463	779,559

Bank balances and restricted/pledged bank deposits carry interest at market rates of 0.30% to 2.75% (2019: 0.10% to 2.75%) per annum.

Restricted/pledged bank deposits represent bank deposits of RMB158,397,000, RMB328,434,000 and RMB237,000,000 (2019: RMB240,224,000, RMB113,924,000 and nil) set aside as securities deposits for projects bidding, bills payable and bank loans (Note 46), respectively. The Group used the trade facilities in projects bidding process which were required by contractors.

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31. BORROWINGS

	2020 **RMB'000**	2019 RMB'000
Secured bank loans	**2,300,959**	1,316,000
Unsecured — syndicated loan *(Note)*	**178,483**	999,589
	2,479,442	2,315,589
Carrying amount repayable as follows:		
— Within one year	**1,878,894**	1,126,000
— More than one year but not more than two years	**493,483**	472,159
— More than two years but not more than five years	**–**	717,430
— Within a period of more than five years	**107,065**	–
	2,479,442	2,315,589
Less: Amount due for settlement within one year and shown under current liabilities	**(1,878,894)**	(1,126,000)
Amounts shown under non-current liabilities	**600,548**	1,189,589

Note: On 5 September 2019, the Company entered into term and revolving credit facilities agreement with a group of financial institutions for a loan of US$150,000,000 (equivalent to RMB1,062,690,000) for a period of 3 years ("Syndicated Loan"). The Syndicated Loan carried variable interest rate of 3% plus LIBOR with an effective interest rate of 6.83% (2019: 6.86%) per annum as at year end date after adjusting for transaction cost of US$6,708,000 (equivalent to RMB47,521,000). During the year ended 31 December 2020, the Group repaid US$120,000,000 (equivalent to RMB800,436,000).

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

	2020 **RMB'000**	2019 RMB'000
Fixed rate borrowings		
— expiring within one year	**1,583,894**	1,116,000
— Within a period of more than five years	**107,065**	–
Variable rate borrowings		
— expiring within one year	**295,000**	10,000
— expiring more than one year but not more than two years	**493,483**	472,159
— expiring more than two years but not more than five years	**–**	717,430
	2,479,442	2,315,589

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

31. BORROWINGS *(Cont'd)*

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

	2020	2019
Effective interest rate per annum:		
Fixed rate borrowings	**0.70% to 8.00%**	2.90% to 6.12%
Variable rate borrowings	**4.65% to 6.83%**	5.46% to 7.12%

Included in borrowing represents carrying amount of RMB960,000,000 (2019: 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.

32. 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 was approximately 6.80% per annum after adjusting for transaction costs. The 2019 Senior Notes were 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 were 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 was insignificant.

32. SENIOR NOTES *(Cont'd)*

In June 2019, the Company early redeemed and repaid US$120 million (equivalent to RMB827 million), plus the applicable redemption premium of US$2 million (equivalent to RMB13.4 million). The outstanding balance of US$200 million (equivalent to RMB1,418 million) was due and repaid in full in September 2019.

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**–**	2,188,003
Interest expenses	**–**	90,766
Redemption premium on partial redemption of senior notes	**–**	13,435
Interest paid	**–**	(82,893)
Exchange losses	**–**	48,456
Partial redemption including early redemption premium	**–**	(840,187)
Repayment on maturity	**–**	(1,417,580)
Carrying amount at 31 December	**–**	–

33. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**1,968,450**	992,162
Bill payables	**121,500**	256,218
	2,089,950	1,248,380
Payables for constructions and equipment purchase	**81,044**	10,490
Other tax liabilities	**98,238**	86,321
Payroll and welfare payable	**101,197**	73,617
Interest payable	**610**	12,382
Other payables *(Note)*	**255,010**	246,182
Amounts due to non-controlling shareholders of subsidiaries	**9,060**	–
Deposits payables	**86,448**	47,194
Deferred income — current portion *(Note 37)*	**12,961**	10,978
	2,734,518	1,735,544

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 2020 represents an amount of RMB137,854,000 (2019: RMB137,854,000) payable to the Department of Land and Resource of Fuping County which is expected to be settled in 2021.

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33. TRADE AND OTHER PAYABLES *(Cont'd)*

The following is an aged analysis of trade payables (excluding those bills transferred by the Group for settlement which are due within six months to one year based on the issuance date) presented based on the date of delivering of goods at the end of the reporting period.

	2020 RMB'000	2019 RMB'000
0 to 90 days	**1,061,310**	697,675
91 to 180 days	**407,598**	150,404
181 to 360 days	**434,008**	120,106
361 to 720 days	**50,217**	14,908
Over 720 days	**15,317**	9,069
	1,968,450	992,162

34. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
	260,594	226,589

As at 1 January 2019, contract liabilities amounted to RMB231,000,000.

Contract liabilities at the end of the reporting period represent the advances from customers in respect of cement sales contracts.

35. ASSET RETIREMENT OBLIGATION

	2020 RMB'000	2019 RMB'000
At 1 January	**336,398**	45,935
Addition *(Note)*	**20,297**	288,943
Unwinding of discount	**17,078**	1,520
Utilisation of provision	**(26,360)**	–
At 31 December	**347,413**	336,398

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 2020, the Group recognised assets retirement obligation of RMB20,297,000 (2019: RMB288,943,000) relating to the acquired mining assets as disclosed in Note 17.

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 adjusting for transaction costs of RMB4,500,000.

On 2 September 2020, the Group issued the second tranche of the medium-term note with principal amount of RMB700,000,000 ("Second Tranche of the Medium-term Note") which carry interest of 7% per annum with maturity date of three years from the date of 4 September 2020. The Second Tranche of the Medium-term Note carries effective interest rate of approximately 7.11% per annum after adjustment for transaction costs of RMB6,300,000.

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**521,098**	–
Proceeds from issuance	**700,000**	500,000
Interest expenses	**55,544**	25,598
Interest paid	**(37,500)**	–
Transaction cost	**(6,300)**	(4,500)
Carrying amount at 31 December	**1,232,842**	521,098

37. DEFERRED INCOME

	2020 **RMB'000**	2019 RMB'000
Government grants relating to acquisition of property, plant and equipment *(Note)*	**48,262**	45,183
Less: current portion *(Note 33)*	**(12,961)**	(10,978)
	35,301	34,205

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. RMB13,221,000 (2019: RMB10,978,000) was released to profit or loss and recorded in other income in the current reporting period.

38. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

During the year ended 31 December 2019, pursuant to a cooperation agreement entered into, among an indirect wholly-owned subsidiary of the Company and the other three non-controlling shareholders, the Group formed a non-wholly owned subsidiary, Moçambique Dugongo Cimentos, S.A. ("Dugongo") in Africa.

During the year ended 31 December 2020, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo. These assets, with original carrying amount of approximately US$201,804,000 (equivalent to RMB1,428,771,000), was revalued at approximately of US$214,758,000 (equivalent to RMB1,520,381,000) at the time of injection. Dugongo was liable to take up the respective payable of approximately US$201,804,000 (equivalent to RMB1,428,771,000) as a result of such injection. The balance as at the end of the reporting period represents the amount that is due to the non-controlling shareholder of the subsidiary which is non-interest bearing and is repayable after one year pursuant to an agreement signed between the non-controlling shareholder and Dugongo.

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39. SHARE CAPITAL

	Number of shares	Share capital	
			Shown in the consolidated financial statements
	'000	GBP'000	RMB'000
Ordinary shares of 0.002 Great Britain Pound ("GBP") each			
Authorised:			
At 1 January 2019, 31 December 2019 and 2020	10,000,000	20,000	
Issued and fully paid:			
At 1 January 2019 and 31 December 2019	5,435,133	10,868	141,771
Exercise of share options *(Note 43)*	3,750	8	66
At 31 December 2020	5,438,883	10,876	141,837

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.

* *The English name is for identification purpose only*

Notes to the Consolidated Financial Statements

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40. RESERVES *(Cont'd)*

Equity reserve *(Cont'd)*

(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 consideration paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.

(f) On 5 August 2020, the Group signed an agreement with the non-controlling shareholder of 陝西新意達恒眾混凝土有限公司 Shaanxi Xinyida Hengzhong Concrete Company Limited* ("Xinyida Hengzhong") to acquire 9.6% equity interests in Xinyida Hengzhong from the non-controlling shareholder. The difference amounted to RMB3,651,000 between the consideration of RMB3,360,000 and the non-controlling interest decreased of RMB7,011,000 was debited directly to equity reserve.

(g) On 21 November 2020, the Group entered into an agreement with the non-controlling shareholder of 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited* ("Baihong Ouli") to acquire the remaining 20% equity interests in Baihong Ouli from the non-controlling shareholder. The difference amounted to RMB1,558,000 between the consideration of RMB11,500,000 and the non-controlling interest increased of RMB9,942,000 was credited directly to equity reserve.

(h) As described in Note 38 above, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo. The difference of RMB89,477,000 (after deducting the capital contribution of RMB2,133,000 by the non-controlling shareholder) was deemed as the contribution from the non-controlling shareholder. Amount of RMB53,686,000 was directly credited to the equity reserve which represents the portion attributed to the Group as a result of such injection.

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.

41. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 31 March 2020, the Group acquired an entire interest in Hongxing Glass at a cash consideration of RMB43,000,000. Hongxing Glass is principally engaged in the manufacture and sales of glass and was acquired with the objective of diversifying the Group's business. The transaction was accounted for as purchase of assets and liabilities. As of 31 December 2020, the manufacture plant is under construction. Details are summarised as below:

Consideration transferred

	RMB'000
Cash	43,000

* *The English name is for identification purpose only*

41. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY *(Cont'd)*

Assets acquired and liabilities recognised at the date of acquisition were as follow:

	RMB'000
Assets	
Other receivables	8,464
Bank balances and cash	20,801
Property, plant and equipment	93,987
Liabilities	
Trade and other payables	(41,265)
Borrowings	(38,987)
Net assets	43,000

Net cash outflow arising on acquisition of Hongxing Glass

	RMB'000
Consideration paid in cash	43,000
Less: bank balances and cash acquired	(20,801)
	22,199

42. CAPITAL COMMITMENTS

	2020 **RMB'000**	2019 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,942,054**	2,298,051

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.

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.

43. SHARE-BASED PAYMENTS *(Cont'd)*

Fair value of the share options *(Cont'd)*

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 2020 and 2019:

Year ended 31 December 2020

					Number of options ('000)				
	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2020
First Issuance	23 March 2011	3 months	23 March 2012 to 22 March 2021	HK$3.41	1,100	–	–	–	1,100
Second Issuance	22 March 2013	2 years 3 months	22 March 2014 to 21 March 2023	HK$1.25	11,275	–	1,225	–	10,050
Third Issuance	24 March 2014	3 years 3 months	24 March 2015 to 23 March 2024	HK$0.91	24,075	–	2,175	–	21,900
Forth Issuance	13 April 2015	4 years 3 months	13 April 2016 to 12 April 2025	HK$1.45	25,050	–	350	–	24,700
					61,500	–	3,750	–	57,750
Exercisable at the end of the year									57,750
Weighted average exercise price									HK$1.25

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43. SHARE-BASED PAYMENTS *(Cont'd)*

Fair value of the share options *(Cont'd)*

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	1 year 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

No share-based payment expense was recognised in relation to the share options granted by the Company in the current year (2019: RMB264,000).

During the year ended 31 December 2020, 350,000 share options were exercised at the exercise price of HK$1.45 per share or approximately RMB1.22 per share at the weighted average exchange rate or HK$1: RMB0.84, 2,175,000 share options were exercised at the exercise price of HK$0.91 per share or approximately RMB0.77 per share at the weighted average exchange rate of HK$1: RMB0.84 and 1,225,000 share options were exercised at the exercise price of HK$1.25, or approximate RMB1.05 per share at weighted average exchange rate of HK$1: RMB0.84. No share options were exercised during the year ended 31 December 2019.

During the years ended 31 December 2020 and 2019, no share options were lapsed or expired.

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.

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44. RETIREMENT BENEFITS PLANS *(Cont'd)*

The total expense recognised in the profit or loss of RMB4,646,000 (2019: RMB48,167,000) represents contributions paid or payable under the retirement benefit scheme.

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

	2020 **RMB'000**	2019 RMB'000
Salaries and other short-term employee benefits	**15,686**	14,286
Post-employment benefits	**26**	159
Share-based payments	**–**	228
	15,712	14,673

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:

	2020 **RMB'000**	2019 RMB'000
Property, plant and equipment	**2,815,916**	2,734,801
Trade receivables	**21,600**	212,744
Right-of-use assets	**88,202**	140,813
Pledged bank deposits	**565,434**	113,924
Structure deposits	**–**	90,000
	3,491,152	3,292,282

During the year ended 31 December 2019, the Group pledged its equity interests in three subsidiaries, Mianxian, Xiushan Yaobai and Guizhou Linshan, to the banks to secure banking facilities totalling RMB400,000,000 for a period of one year and a borrowing of RMB400,000,000 was incepted. The Group fully repaid the borrowings to the bank during the year ended 31 December 2020 and the pledge has been released accordingly.

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 31, 36 and 32, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as disclosed 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 adjusting the payment of dividends paid to shareholders, issuance of new shares or issue of new debt or the redemption of existing debt.

b. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
— Loans and receivables at amortised cost (including cash and cash equivalents)	**4,555,918**	3,718,193
— Investment in entrusted products	**81,855**	181,855
— Structure deposits	**100,000**	90,000
Financial liabilities		
— Amortised cost	**7,482,109**	4,474,932

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, entrusted products, structure deposits, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders of subsidiaries, borrowings 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(i) Foreign currency risk

The Group undertakes transactions, mainly the issuance of senior notes, borrowings 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**	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
The US$	**406,777**	1,005,353	**133,083**	6,849
The Central African CFA franc ("XAF")	**107,065**	–	**15,506**	–
	513,842	1,005,353	**148,589**	6,849
Other foreign currency (including HK$, US$, Euros ("EUR"), MZN, ETB ("Ethiopian Birr"), and Singapore Dollar)	**–**	–	**12,111**	25,158

The Group is mainly exposed to the fluctuation in US$ and XAF against RMB.

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2019: 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 the relevant foreign currencies, there will be a decrease in post-tax profit for the year of RMB13,697,000 (2019: RMB37,444,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against relevant foreign currencies.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to loan receivables, fixed-rate borrowings, medium-term notes and senior notes (as detailed in Notes 23, 31, 36 and 32, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (as detailed in Note 31).

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.

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(ii) Interest rate risk *(Cont'd)*

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure for variable-rate borrowings at the end of each reporting period. For variable-rate 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 2020 would be decreased/increased by approximately RMB2,957,000 (2019: RMB4,520,000).

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, 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 23.

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.

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 2020 and 2019 within lifetime ECL. Debtors with significant outstanding balances with gross carrying amounts of RMB47,841,000 (2019: RMB71,498,000) as at 31 December 2020 were assessed individually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)*

As at 31 December 2020

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.7%	293,632
1 to 90 days past due	2.0%	193,677
91 to 360 days past due	15.2%	200,720
Over 360 days past due	54.4%	43,123
		731,152

As at 31 December 2019

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.3%	196,954
1 to 90 days past due	1.2%	75,155
91 to 360 days past due	3.6%	93,280
Over 360 days past due	60.6%	24,367
		389,756

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 2020, the Group provided RMB40,106,000 (2019: RMB6,691,000) as an additional impairment allowance for trade receivables based on the provision matrix.

The Group's trade receivables backed by bills represent the bills 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 2020 and 2019, the directors of the Company consider that ECL on trade receivables backed by bills was insignificant.

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 under ECL model upon application of IFRS 9, the Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Loan receivables
Low risk	Debtor has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information development internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficult and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The Group considers a loan receivable in default and therefore as loss in internal credit rating (credit-impaired) for ECL calculations in all cases when there is evidence indicating the asset is credit-impaired. 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 in default and therefore assessed as Loss for ECL calculations or whether other internal credit rating is appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

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.

Other receivables/amount due from 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 of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL.

For other receivables, the management make periodic individual assessment on the recoverability based historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

For amounts due from non-controlling shareholder of subsidiaries, the Group is able to control the future distribution of profits and the dividend payable to these non-controlling shareholders can be used to net off with the amounts due from these non-controlling shareholders and thus the management is of the opinion that the risk on ECL is limited.

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	2020 Gross carrying amount RMB'000	RMB'000	2019 Gross Carrying amount RMB'000	RMB'000
Financial assets at amortised cost								
— Loan receivables	23	N/A	Low risk	12m ECL	**830,030**		1,768,830	
			Doubtful	Lifetime ECL – not credit-impaired	**967,140**		–	
			Loss	Lifetime ECL – credit-impaired	**53,193**	**1,850,363**	36,192	1,805,022
— Trade receivables backed by bills	26	N/A	*(note 2)*	12m ECL	**539,557**	**539,557**	189,676	189,676
— Trade receivables	26	N/A	*(note 3)*	Lifetime ECL (provision matrix)	**727,748**		382,858	
			Watch list	Lifetime ECL (significant balances, individually assessed)	**47,841**		71,498	
			Loss	Credit-impaired	**3,404**	**778,993**	6,898	461,254
— Other receivables	26	N/A	*(note 1)*	12m ECL	**177,713**	**177,713**	172,131	172,131
— Dividend receivables	26	N/A	*(note 1)*	12m ECL	**12,000**	**12,000**	–	–
— Amount due from a non-controlling shareholder of a subsidiary	26	N/A	*(note 1)*	12m ECL	**–**	**–**	6,000	6,000
— Bank balances	30	AA+	N/A	12m ECL	**647,820**	**647,820**	778,050	778,050
— Restricted/pledged bank deposits	30	AA+	N/A	12m ECL	**723,831**	**723,831**	354,148	354,148

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Notes:

1. 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 RMB'000	Total RMB'000
2020			
Other receivables	**–**	**177,713**	**177,713**
Dividend receivables	**–**	**12,000**	**12,000**
2019			
Other receivables	–	172,131	172,131
Amount due from a non-controlling shareholder of a subsidiary	–	6,000	6,000

2. The Group set different categories for customers settling with bills according to the internal credit rating assessment. The Group does not accept bills from customers with lower credit ratings.

3. 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. 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 2019	8,030	5,613	13,643
Changes due to financial instruments recognised as at 1 January 2019:			
— Transfer to credit-impaired	(431)	431	–
— Impairment losses recognised	6,982	854	7,836
— Impairment losses reversed	(6,725)	–	(6,725)
New financial assets originated or purchased	6,352	–	6,352
As at 31 December 2019	14,208	6,898	21,106
Changes due to financial instruments recognised as at 1 January 2020:			
— Transfer to credit-impaired	(542)	542	–
— Impairment losses recognised	11,589	191	11,780
— Impairment losses reversed	(5,206)	(4,227)	(9,433)
New financial assets originated or purchased	38,823	–	38,823
As at 31 December 2020	58,872	3,404	62,276

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

	2020		2019	
	Increase/(decrease) in lifetime ECL		Increase/(decrease) in lifetime ECL	
	(not credit impaired) RMB'000	**(credit impaired) RMB'000**	(not credit impaired) RMB'000	(credit impaired) RMB'000
One trade debtor with a gross carrying amount of RMB3,404,000 (2019: RMB6,898,000) defaulted and transferred to credit-impaired	**(542)**	**542**	(431)	431
Settlement in full of trade debtors with a gross carrying amount of RMB234,934,000 (2019: RMB22,263,000)	**(5,206)**	**(4,227)**	(6,725)	–
New trade receivables with gross carrying amount of RMB735,870,000 (2019: RMB436,887,000)	**38,823**	**–**	6,352	–

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12m ECL RMB'000	**Lifetime ECL (not credit-impaired)** RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2019	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
Changes due to financial instruments recognised as at 1 January 2020:				
— Transfer to credit-impaired	(176)	–	176	–
— Transfer to lifetime ECL	(10,790)	10,790	–	–
— Impairment losses recognised	5,441	43,238	36,206	84,885
— Impairment losses reversed	(1,876)	(129)	(6)	(2,011)
New financial assets originated or purchased	3,047	–	–	3,047
As at 31 December 2020	13,333	53,899	44,085	111,317

The average loss rate of loan receivables for the year is 6.0% (2019: 1.4%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Credit risk and impairment assessment *(Cont'd)*

Changes in the loss allowance for loan receivables are mainly due to:

	31 December 2020		
		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	**3,047**	**–**	**–**
Settlement in full of loan receivables	**(1,876)**	**(129)**	**(6)**
Past due loan receivables	**(5,525)**	**54,028**	**36,382**
	(4,354)	**53,899**	**36,376**

	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
Settlement in full of loan receivable	(6,383)	–	–
Past due loan receivables	373	–	7,497
	(1,958)	–	7,709

The changes in the loss allowance for other receivables is RMB1,317,000 (2019: RMB1,333,000) for the year ended 31 December 2020 and the Group write off other receivables of RMB3,000 (2019: RMB499,000) 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 considers 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020							
Trade and other payables	–	2,623,319	–	–	–	2,623,319	2,623,319
Amount due to non-controlling shareholder of a subsidiary		–	1,138,506	–	–	1,138,506	1,138,506
Borrowings							
— variable rates	4.91%	326,057	523,933	–	–	849,990	788,483
— fixed rates	4.04%	1,590,654	8,483	25,449	135,474	1,760,060	1,690,959
Dividend payables	–	8,000	–	–	–	8,000	8,000
Medium-term notes (including related interest)	7.25%	127,833	567,750	736,750	–	1,432,333	1,232,842
		4,675,863	2,238,672	762,199	135,474	7,812,208	7,482,109

	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

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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 investment in entrusted product and structure deposits measured at FVTPL, the Group does not hold any other financial instruments measured at fair value.

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.

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)
	31/12/2020 RMB'000	31/12/2019 RMB'000		
Investment in entrusted product	**81,855**	181,855	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.
Structure deposits	**100,000**	–	Level 3 *(Note)*	Discounted cash flow. Future cash flow are estimated based on the net asset values of the investment portfolios and market interest rates of the portfolios
Structure deposits	**–**	90,000	Level 3 *(Note)*	Discounted cash flow. Future cash flow are estimated based on US$ 3-Month LIBOR (from observable yield curve at the end of the reporting period) and contracted interest rate, discounted at a rate that reflects the credit risk of various counterparties.

Note: In the opinion of the management of the Group, the fluctuations in the key unobservable inputs in determining the fair value of the structure deposits are not significant to the Group, accordingly, no sensitivity analysis is presented.

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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 RMB'000	Senior Notes RMB'000	Medium-term Notes RMB'000	Dividend payables RMB'000	Interest payables RMB'000 *(Note)*	Total RMB'000
At 1 January 2019	863,571	2,188,003	–	–	43,893	3,095,467
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
New borrowings raised	2,311,972	–	–	–	–	2,311,972
Repayments of borrowings	(2,166,436)	–	–	–	–	(2,166,436)
Proceeds from issuance of medium-term notes	–	–	700,000	–	–	700,000
Medium-term notes issue cost paid	–	–	(2,100)	–	–	(2,100)
Interest paid	(123,938)	–	(37,500)	–	(11,772)	(173,210)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	(11,763)	–	(11,763)
Dividends paid	–	–	–	(338,498)	–	(338,498)
Non-cash financing activities:						
Interest expenses	143,051	–	55,544	–	–	198,595
Foreign exchange gain	(39,783)	–	–	–	–	(39,783)
Dividends declared	–	–	–	358,261	–	358,261
Acquisition of a subsidiary	38,987	–	–	–	–	38,987
Accrued transaction cost	–	–	(4,200)	–	–	(4,200)
At 31 December 2020	2,479,442	–	1,232,842	8,000	610	3,720,894

Note: Interest payables are included in trade and other payables (Note 33).

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For the year ended 31 December 2020

49. 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 subsidiaries	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 2020	2019	Principal activities
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
Shifeng 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement

Notes to the Consolidated Financial Statements

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Name of subsidiaries	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
				2020	2019	
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
Dugongo	Ordinary	Moçambique	MTN 100,000	**60%**	N/A	Production and sale of cement and related material
Hongxing Glass	Ordinary	Republic of Congo	XAF100,000,000	**100%**	N/A	Production and sale of glass

Notes to the Consolidated Financial Statements

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

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, Faithful Alliance, Dugongo and Hongxing Glass, 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 2020, none of the other subsidiaries had issued any debt securities at the end of the year.

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 subsidiaries	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	
		2020	2019	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Hancheng Yaobai	Shaanxi, PRC	**20%**	20%	**16,169**	15,339	**51,488**	51,319
Shaanxi Fengsheng	Shaanxi, PRC	**45%**	45%	**12,959**	5,567	**39,173**	29,977
Individually immaterial subsidiaries with non-controlling interests						**105,754**	91,429
Total						**196,415**	172,725

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49. 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

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.

	2020 RMB'000	2019 RMB'000
Current assets	**89,585**	57,069
Non-current assets	**221,164**	257,240
Current liabilities	**52,807**	57,134
Non-current liabilities	**500**	583
Equity attributable to owners of the Company	**205,954**	205,273
Non-controlling interests	**51,488**	51,319
Revenue	**358,714**	393,681
Expenses	**277,868**	316,986
Profit for the year	**80,846**	76,695
Profit attributable to owners of the Company	**64,677**	61,356
Profit attributable to non-controlling interests	**16,169**	15,339
Dividends paid to non-controlling interests of Hancheng Yaobai	**16,000**	–
Deemed contribution from non-controlling shareholder	**–**	227
Net cash inflow from operating activities	**98,707**	10,705
Net cash outflow from investing activities	**(101,652)**	(10,320)
Net cash outflow from financing activities	**(2,000)**	(35,390)
Net cash outflow	**(4,945)**	(35,005)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly-owned subsidiaries that have material non-controlling interests *(Cont'd)*

Shaanxi Fengsheng

Summarised financial information of Shaanxi Fengsheng which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 RMB'000	2019 RMB'000
Current assets	**123,513**	74,534
Non-current assets	**23,303**	27,367
Current liabilities	**59,764**	35,286
Equity attributable to owners of the Company	**47,879**	36,638
Non-controlling interests	**39,173**	29,977
Revenue	**171,230**	119,436
Expenses	**142,433**	107,064
Profit for the year	**28,797**	12,372
Profit attributable to owners of the Company	**15,838**	6,805
Profit attributable to non-controlling interests	**12,959**	5,567
Dividends paid to non-controlling interests of Shaanxi Fengsheng	**3,763**	–
Net cash inflow from operating activities	**5,962**	5,522
Net cash outflow from investing activities	**(449)**	(787)
Net cash outflow from financing activities	**(5,110)**	(4,754)
Net cash inflow (outflow)	**403**	(19)

Notes to the Consolidated Financial Statements

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50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	**1,700,742**	1,700,742
Amounts due from subsidiaries	**2,121,105**	2,052,385
Property, plant and equipment	**114**	8
	3,821,961	3,753,135
Current asset		
Bank balances and cash	**28,367**	30,075
Current liability		
Other payables	**178,698**	18,015
Net current (liabilities) assets	**(150,331)**	12,060
Total assets less current liabilities	**3,671,630**	3,765,195
Non-current liability		
Borrowings	**178,483**	1,005,353
Net assets	**3,493,147**	2,759,842
Capital and reserves		
Share capital	**141,837**	141,771
Share premium and reserves	**3,351,310**	2,618,071
	3,493,147	2,759,842

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Movements in reserves

	Share premium	Share option reserve	(Accumulated losses)/retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	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**
Profit and total comprehensive income for the year	**–**	**–**	**1,068,149**	**1,068,149**
Shares issued for share options exercised *(Note 43)*	**5,041**	**(1,453)**	**–**	**3,588**
Dividends recognised as distribution	**(338,498)**	**–**	**–**	**(338,498)**
At 31 December 2020	**2,484,484**	**24,034**	**842,792**	**3,351,310**

51. EVENTS AFTER THE REPORTING PERIOD

(a) On 31 July 2020, Shaanxi Yaobai entered into share purchase agreements to acquire 97.5% equity interest of Kangding Paomashan Cement Ltd ("Kangding Paomashan") for an aggregate consideration of RMB729.4 million. During the year ended 31 December 2020, the Group had paid deposits of RMB62.5 million for the acquisition of Kangding Paomashan. The acquisition has not completed as of the date of this report.

(b) On 12 January 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of the subsidiary to transfer the full amount due to the non-controlling shareholder of the subsidiary as disclosed in Note 38 to the consolidated financial statements to the independent third party. In addition, pursuant to a repayment agreement duly signed between Dugongo and the independent third party on 18 February 2021, an amount of US$34,000,000 (equivalent to RMB221,846,000) is due to repay within 2021.

As at 31 December 2020, the Group had unutilised loan facilities for working capital purpose of RMB2,494,217,000 and unused medium-term notes of RMB300,000,000 readily available for drawdown within the next twelve months from the date of the approval of these consolidated financial statements. Based on the Company's forecasts and projections of business performance, taking into account of operating as well as capital expenditure and availability of the facilities, the directors of the Company are of the view that the Group is able to maintain its existing operation.

In view of these circumstances, the director of the Company expect that the Group will have sufficient liquidity to finance its operations for the next twelve months from the date of approval of consolidated financial statements. Therefore, the consolidated financial statements have been prepared on going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,131,052**	7,247,389	5,911,744	4,760,038	3,719,280
Profit (loss) before tax	**1,847,456**	2,243,801	1,632,111	974,206	119,398
Income tax expense	**(264,494)**	(394,272)	(451,648)	(248,010)	(104,460)
Profit (loss) and total comprehensive income (expense) for the year	**1,579,410**	1,849,529	1,180,463	726,196	14,938
Attributable to:					
Owners of the Company	**1,556,928**	1,801,281	1,159,449	710,843	10,319
Non-controlling interests	**22,482**	48,248	21,014	15,353	4,619
	1,579,410	1,849,529	1,180,463	726,196	14,938

ASSETS AND LIABILITIES

	At 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**18,906,232**	14,579,813	12,392,057	11,671,939	11,181,577
Total liabilities	**(8,379,015)**	(5,354,149)	(4,793,102)	(5,043,233)	(5,268,220)
	10,527,217	9,225,664	7,598,955	6,628,706	5,913,357
Equity attributable to:					
Owners of the Company	**10,330,802**	9,052,939	7,525,265	6,578,674	5,862,630
Non-controlling interests	**196,415**	172,725	73,690	50,032	50,727
	10,527,217	9,225,664	7,598,955	6,628,706	5,913,357