西部水泥

WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

2019 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights:

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

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

Notes:

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

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

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

The board ("Board") of directors ("Directors") of West China Cement Limited (the "Company") is pleased to announce its annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with the comparative figures for the corresponding year of 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**7,793,345**	7,180,198
Right-of-use assets		**469,021**	–
Prepaid lease payments		**–**	459,275
Mining rights		**542,352**	326,926
Other intangible assets		**199,235**	199,561
Interest in an associate		**80,269**	80,661
Loan receivables	*11*	**724,182**	837,203
Deferred tax assets		**36,557**	39,110
Amount due from a non-controlling shareholder of a subsidiary		**–**	15,218
Prepayments for construction in progress		**518,276**	101,002
Prepayments for right-of-use assets		**100,278**	–
Debt instruments at fair value through other comprehensive income		**181,855**	–
		10,645,370	9,239,154
Current assets			
Inventories		**665,526**	491,116
Loan receivables	*11*	**1,055,444**	855,453
Trade and other receivables and prepayments	*12*	**800,090**	477,284
Bill receivables at fair value through other comprehensive income		**189,676**	253,972
Financial assets at fair value through profit or loss		**90,000**	–
Restricted/pledged bank deposits		**354,148**	189,032
Bank balances and cash		**779,559**	886,046
		3,934,443	3,152,903
Current liabilities			
Borrowings	*13*	**1,126,000**	863,571
Senior notes	*14*	**–**	2,188,003
Trade and other payables	*15*	**1,735,544**	1,152,034
Contract liabilities		**226,589**	231,000
Income tax payable		**121,005**	186,738
		3,209,138	4,621,346
Net current assets (liabilities)		**725,305**	(1,468,443)
Total assets less current liabilities		**11,370,675**	7,770,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*
At 31 December 2019

	NOTES	**2019** **RMB'000**	2018 *RMB'000*
Non-current liabilities			
Borrowings	*13*	**1,189,589**	–
Medium-term notes	*16*	**521,098**	–
Asset retirement obligation		**336,398**	45,935
Deferred tax liabilities		**63,721**	80,279
Deferred income		**34,205**	45,542
		2,145,011	171,756
Net assets		**9,225,664**	7,598,955
Capital and reserves			
Share capital		**141,771**	141,771
Share premium and reserves		**8,911,168**	7,383,494
Equity attributable to owners of the Company		**9,052,939**	7,525,265
Non-controlling interests		**172,725**	73,690
		9,225,664	7,598,955

NOTES:

(All amounts in RMB thousands unless otherwise stated)

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

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

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

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

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

IFRS 16 *Leases*

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

Definition of a lease

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

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

As a leasee

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

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

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

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

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

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

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

IFRS 16 *Leases* — *Continued*

As a leasee — *Continued*

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

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

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

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

Note:

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

Sales and leaseback transactions

The Group acts as a buyer-lessor

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

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

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

IFRS 16 *Leases* — *Continued*

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

Impact on the consolidated statement of financial position

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2022

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

New and amendments to IFRSs in issue but not yet effective — *Continued*

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

Amendments to IFRS 3 Definition of a Business

The amendments:

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

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

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

New and amendments to IFRSs in issue but not yet effective — *Continued*

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

The New Framework:

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

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

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

2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

3. OTHER INCOME

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

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

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

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

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

5. OTHER GAINS AND LOSSES, NET

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

Notes:

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

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

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

6. INTEREST INCOME

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

7. FINANCE COSTS

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

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

8. PROFIT BEFORE TAX

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

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

9. INCOME TAX EXPENSE

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

9. INCOME TAX EXPENSE — *Continued*

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

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

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

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

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

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

Notes:

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

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

9. **INCOME TAX EXPENSE** — *Continued*

Notes: — Continued

(b) — *Continued*

Entities	Place of establishment	Tax rate for the year ended 31 December 2019	2018	Tax benefit
和田堯柏水泥有限公司 Hetian Yaobai Cement Co., Ltd. * ("Hetian Yaobai")	Xinjiang	**15%**	15%	(i)
和田魯新建材有限公司 Luxin Building Materials Co., Ltd. * ("Luxin")	Xinjiang	**15%**	15%	(i)
西安藍田堯柏水泥有限公司 Xi'an Lantian Yaobai Cement Co., Ltd. * ("Lantian Yaobai")	Shaanxi	**15%**	15%	(i)
陝西富平水泥有限公司 Fuping Cement Co., Ltd. * ("Fuping")	Shaanxi	**15%**	15%	(i)
陝西實豐水泥股份有限公司 Shifeng Cement Co., Ltd. * ("Shifeng")	Shaanxi	**15%**	15%	(i)
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd. * ("Longqiao Yaobai")	Shaanxi	**15%**	15%	(i)
蒲城堯柏特種水泥有限公司 Pucheng Yaobai Special Cement Co., Ltd * ("Pucheng Yaobai")	Shaanxi	**15%**	15%	(i)
西安中港智慧物流有限公司 Xi'an Zhonggang Intelligent Logistics Co., Ltd * ("Zhonggang Logistics")	Shaanxi	**15%**	15%	(i)
貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd. * ("Guizhou Linshan")	Guizhou	**15%**	25%	(i)
西安光信小額貸款有限公司 Xi'an Guangxin Microfinance Co., Ltd. *	Shaanxi	**15%**	25%	(i)
光信(伊犁)融資租賃有限公司 Guangxin (Yili) Financial Leasing Co., Ltd. * ("Guangxin Yili)	Xinjiang	**0%**	0%	(ii)

9. INCOME TAX EXPENSE — *Continued*

Notes: — Continued

(b) — *Continued*

Entities	Place of establishment	Tax rate for the year ended 31 December 2019	2018	Tax benefit
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd. *	Shaanxi	**20%**	25%	(iii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd. *	Xinjiang	**20%**	(iv)	(iii)
渭南華源碩混凝土有限公司 Weinan Huayuanshuo Concrete Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
銅川堯柏節能環保建材有限公司 Tongchuan Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
陝西堯柏節能環保建材有限公司 Shaanxi Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
漢中堯柏節能環保建材有限公司 Hanzhong Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
韓城市堯柏節能環保建材有限公司 Hancheng Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
漢中堯柏磊金節能環保建材有限公司 Hanzhong Yaobai Leijin Energy Conservation and Environmental Protection Building Materials Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
西安新柏商業運營管理有限公司曲江新區分公司 Xinbai Commercial Operation Management Co., Ltd Qujiang Branch Office. *	Shaanxi	**20%**	(iv)	(iii)

9. **INCOME TAX EXPENSE** — *Continued*

Notes: — Continued

(b) — *Continued*

Entities	**Place of establishment**	**Tax rate for the year ended 31 December 2019**	2018	**Tax benefit**
西安新柏騰鴻旅遊有限公司 Xinbai Tenghong Travel Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)
陝西柏源盛通人力資源有限公司 Baiyuan Shengtong Human Resources Co., Ltd. *	Shaanxi	**20%**	(iv)	(iii)

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

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

(iii) 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) Subsidiaries established in 2019.

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

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

* *The English name is for identification purpose*

10. EARNINGS PER SHARE

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

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

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

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

11. LOAN RECEIVABLES

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

11. LOAN RECEIVABLES — *Continued*

Notes:

(a) As at 31 December 2019 and 2018, the Group has entered into certain arrangements (the "Arrangements") with the third parties for periods ranging from 1 to 3 years under which:

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2019, carrying amount of loan receivables of RMB36,192,000 (2018: nil) which are past due at report date.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — *Continued*

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

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

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

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

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

13. BORROWINGS

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

13. BORROWINGS — *Continued*

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 ("Syndicate Loan"). The Syndicated Loan carried variable interest rate of 3% plus London Interbank Offered Rate with effective interest rate of 6.86% per annum as at year end date after adjusted for transaction cost of US$6,708,000 (equivalent to RMB47,521,000).

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

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

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

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

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

14. SENIOR NOTES

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

According to the terms and conditions of the 2019 Senior Notes, at any time or from time to time prior to 11 September 2017, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 11 September 2017, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 11 September 2017, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 11 September 2017, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 106.50% of the principal amount of the notes, plus accrued and unpaid interest, if any, with the proceeds from issue of shares of the Company.

On or after 11 September 2017, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 103.25% (if redeemed prior to 11 September 2018) or 101.625% (if redeemed on or after 11 September 2018), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period is insignificant.

In June 2019, the Company early redeemed and repaid US$120 million (equivalent to RMB827 million) (2018: US$80,000,000, equivalent to RMB553 million), plus the applicable redemption premium of US$2 million (equivalent to RMB13.4 million) (2018: US$1.3 million, equivalent to RMB9.0 million). The outstanding balance of US$200 million (equivalent to RMB1,148 million) was due and repaid in full in September 2019.

	2019 ***RMB'000***	2018 *RMB'000*
Carrying amount at 1 January	**2,188,003**	2,596,470
Interest expenses	**90,766**	183,831
Redemption premium on partial redemption of senior notes	**13,435**	8,993
Interest paid	**(82,893)**	(179,625)
Exchange losses	**48,456**	140,774
Partial redemption including early redemption premium	**(840,187)**	(562,440)
Repayment on maturity	**(1,417,580)**	–
Carrying amount at 31 December	**–**	2,188,003

15. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**992,162**	713,154
Bill payables	**256,218**	40,000
	1,248,380	753,154
Amount due to non-controlling shareholder of a subsidiary	**–**	1,888
Payables for constructions and equipment purchase	**10,490**	34,926
Other tax liabilities	**86,321**	90,248
Payroll and welfare payable	**73,617**	66,023
Interest payable	**12,382**	43,893
Other payables *(Note)*	**246,182**	109,093
Deposits payables	**47,195**	42,095
Deferred income — current portion	**10,978**	10,714
	1,735,544	1,152,034

Note: According to the Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province 陝西省礦業權出讓收益徵收管理實法, an entity is required to pay a premium when acquiring the relevant exploration right or mining right. Included in other payable as of 31 December 2019 represents an amount of RMB137,854,000 (2018: nil) payable to the Department of Land and Resource of Fuping County which is expected to be settled in 2020.

The following is an aged analysis of trade payables presented based on the date of delivering of goods at the end of the reporting period.

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**697,675**	579,338
91 to 180 days	**150,404**	101,986
181 to 360 days	**120,106**	16,380
361 to 720 days	**14,908**	9,698
Over 720 days	**9,069**	5,752
	992,162	713,154

Bills payables are mainly due within six months based on the issuance date.

16. MEDIUM-TERM NOTES

On 30 April 2019, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), a subsidiary of the Company, registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000. On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusted for transaction costs of RMB4,500,000.

	2019
	RMB'000
Carrying amount at 1 January	**–**
Proceeds from issuance	**500,000**
Interest expenses	**25,598**
Transaction cost	**(4,500)**
Carrying amount at 31 December	**521,098**

17. 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 follow:

	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	**2,734,801**	1,899,516
Trade receivables	**186,944**	–
Right-of-use assets	**140,813**	–
Pledged bank deposits	**23,924**	122,025
Financial assets at fair value though profit and loss	**90,000**	–
Prepaid lease payments	**–**	123,229
Bill receivables at FVTOCI	**25,800**	11,570
	3,202,282	2,156,340

During the year ended 31 December 2019, the Group pledged its equity interests in three subsidiaries, 漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd * ("Hanzhong Mianxian"), Xiushan Yaobai and 貴州麟山水泥有限公司 Guizhou Linshan Cement Co., Ltd*, to the bank to secure a banking facility totaling RMB420,000,000 for a period of one year which has already been drawn down as at 31 December 2019. The pledge will be released upon the repayment of the borrowing to the bank.

* *The English name is for identification purpose*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

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

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

Operating Environment

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

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

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

Southern Shaanxi

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

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

Whilst sales volumes of cement in Southern Shaanxi have increased slightly by approximately 6.9% to approximately 8.06 million tons in 2019 (2018: 7.54 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs, especially in Hanzhong District, due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition supported pricing in Ankang District in particular. During 2019, the Group recorded an increase of approximately 1.5% in cement ASPs in Southern Shaanxi to approximately RMB333 per ton (2018: RMB327 per ton) (excluding VAT), which is the same as the Group's overall ASP of RMB333 per ton (2018: RMB314 per ton), with capacity utilization rate at approximately 83% (2018: 78%).

Central Shaanxi

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

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

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

Xinjiang & Guizhou Provinces

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

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

Energy Conservation, Emissions & Environmental

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

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

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

Yaobai Environmental — Waste Treatment

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

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

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

Financial leasing business

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

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

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

Safety and Social Responsibility

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

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

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

PROSPECTS

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

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

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

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

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

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

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

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

Operations — Shaanxi

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

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

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

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

Operations — Xinjiang & Guizhou

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

Costs Control

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

Environment, Health & Safety

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

Impairment loss under expected credit loss model, net of reversal

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

Administrative and Selling & Marketing Expenses

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

Other Income

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

Other Gains and Losses, net

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

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

Interest Income

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

Finance Costs

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

Income Tax Expense

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

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

Profit Attributable to the Owners of the Company

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

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

FINANCIAL AND LIQUIDITY POSITION

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

As at 31 December 2019, the Group had bank balances and cash, restricted/pledged bank deposits as well as financial assets at FVTPL, amounting to RMB1,223.7 million (2018: RMB1,075.1 million). After deducting total borrowings, Senior Notes and medium term notes ("MTN") of RMB2,836.7 million (2018: RMB3,051.6 million), the Group had net debt of RMB1,613.0 million (2018: RMB1,976.5 million). 48.1% (2018: 81.5%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB1,779.6 million (2018: RMB1,692.7 million) at fixed interest rates. Please refer to Notes 11, 13, 14, 16 and 17 to the consolidated financial statements above for the details of the loan receivables, borrowings, Senior Notes, MTN and the respective pledge of assets.

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

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

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

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

EMPLOYEE AND REMUNERATION POLICY

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

CREDIT RISK MANAGEMENT

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

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

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

DIVIDENDS

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

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

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

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

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

AUDIT COMMITTEE

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

SCOPE OF WORKS OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and will be made available on the abovementioned websites in due course.

By Order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin and Dr. Ma Weiping, the non-executive Directors are Mr. Ma Zhaoyang, Ms. Liu Yan and Mr. Fan Changhong and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong and Mr. Tam King Ching, Kenny.

* *For identification purposes only*