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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights:

<i>RMB' Million (unless otherwise specified)</i>	Year ended 31 December 2021 (million)	Year ended 31 December 2020 (million)	% Change
Total Cement and Clinker Sales Volume (million tons)	20.3	19.9	2.0%
Cement Sales Volume (million tons)	19.9	19.6	1.5%
Aggregates Sales Volume (million tons)	4.40	3.44	27.9%
Commercial Concrete sales volume (million cubic meters)	1.34	1.57	(14.6%)
Revenue	8,002.8	7,131.1	12.2%
Gross Profit	2,376.6	2,342.5	1.5%
EBITDA ⁽¹⁾	3,194.8	2,996.8	6.6%
Profit Attributable to Owners of the Company	1,585.1	1,560.5	1.6%
Basic Earnings Per Share	29.1 cents	28.7 cents	1.4%
Proposed Final Dividend	8.7 cents	8.6 cents	1.2%
Proposed Special Dividend	N/A	3.4 cents	N/A
Gross Profit Margin	29.7%	32.9%	(3.2 ppt)
EBITDA Margin	39.9%	42.0%	(2.1 ppt)

	31 December 2021	31 December 2020	% Change
Total Assets	26,648.4	18,906.2	41.0%
Net Debt ⁽²⁾	4,990.4	2,237.0	123.1%
Net Gearing ⁽³⁾	42.3%	21.2%	21.1 ppt
Net Assets Per Share	217 cents	194 cents	11.9%

Notes:

- (1) EBITDA equal to profit before tax plus finance costs, depreciation and amortisation, impairment losses and net foreign exchange gains/(losses) less interest income and gain on disposal of an associate.
- (2) Net debt equal to borrowings, medium-term notes and senior notes less bank balances and cash and restricted/pledged bank deposits.
- (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 2021 together with the comparative figures for the corresponding year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>NOTES</i>	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Revenue	2	8,002,791	7,131,052
Cost of sales		(5,626,224)	(4,788,586)
Gross profit		2,376,567	2,342,466
Other income	3	252,958	285,476
Selling and marketing expenses		(74,499)	(63,413)
Administrative expenses		(554,316)	(405,389)
Other expenses		(24,326)	(77,819)
Other gains and losses, net	4	386,608	(152,663)
Impairment losses under expected credit loss model, net of reversal	5	(189,450)	(128,408)
Share of result of an associate		1,904	16,628
Share of result of a joint venture		(190)	–
Interest income	6	169,416	195,762
Finance costs	7	(261,081)	(165,184)
Profit before tax	8	2,083,591	1,847,456
Income tax expense	9	(300,639)	(264,494)
Profit for the year		<u>1,782,952</u>	<u>1,582,962</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME — Continued**

For the year ended 31 December 2021

	<i>NOTES</i>	2021 RMB'000	2020 <i>RMB'000</i>
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>88,630</u>	<u>(3,552)</u>
Total comprehensive income for the year		<u>1,871,582</u>	<u>1,579,410</u>
Profit for the year attributable to:			
— Owners of the Company		<u>1,585,070</u>	<u>1,560,480</u>
— Non-controlling interests		<u>197,882</u>	<u>22,482</u>
		<u>1,782,952</u>	<u>1,582,962</u>
Total comprehensive income attributable to:			
— Owners of the Company		<u>1,640,021</u>	<u>1,556,928</u>
— Non-controlling interests		<u>231,561</u>	<u>22,482</u>
		<u>1,871,582</u>	<u>1,579,410</u>
Earnings per share			
— Basic (RMB)	<i>10</i>	<u>0.291</u>	<u>0.287</u>
— Diluted (RMB)	<i>10</i>	<u>0.291</u>	<u>0.287</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		13,884,979	11,161,110
Right-of-use assets		823,707	643,185
Mining rights		1,117,095	539,903
Other intangible assets		232,195	208,186
Interest in an associate		–	77,643
Interest in a joint venture		9,810	–
Equity investment at fair value through profit or loss (“FVTPL”)		162,181	–
Loan receivables	<i>11</i>	323	524,091
Deferred tax assets		92,463	42,673
Prepayments for right-of-use assets		58,506	100,278
Prepayments for mining rights		9,500	49,170
Deposits paid for acquisition of property, plant and equipment		317,301	199,497
Deposits paid for acquisition of subsidiaries		404,200	85,200
Deposits paid for acquisition of an associate		164,257	–
Other deposits		2,884	23,123
Amount due from a joint venture		534,064	–
Investment in entrusted product		–	81,855
		<hr/> 17,813,465	<hr/> 13,735,914
Current assets			
Inventories		1,111,169	731,434
Trade and other receivables and prepayments	<i>12</i>	2,497,218	1,748,635
Loan receivables	<i>11</i>	1,004,581	1,214,955
Structure deposits		–	100,000
Investment in entrusted product		81,855	–
Restricted/pledged bank deposits		632,348	723,831
Bank balances and cash		3,507,715	651,463
		<hr/> 8,834,886	<hr/> 5,170,318

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — Continued
At 31 December 2021

		2021	2020
	NOTES	RMB'000	RMB'000
Current liabilities			
Borrowings	13	2,725,704	1,878,894
Medium-term notes		524,132	–
Trade and other payables	14	3,788,985	2,721,557
Dividend payable		8,000	8,000
Contract liabilities		257,925	260,594
Deferred income		320,995	12,961
Income tax payable		108,877	63,698
		<u>7,734,618</u>	<u>4,945,704</u>
Net current assets		<u>1,100,268</u>	<u>224,614</u>
Total assets less current liabilities		<u>18,913,733</u>	<u>13,960,528</u>
Non-current liabilities			
Borrowings	13	1,291,488	600,548
Medium-term notes	15	712,284	1,232,842
Asset retirement obligation		337,043	347,413
Deferred tax liabilities		83,783	78,701
Deferred income		27,771	35,301
Senior notes	16	3,876,911	–
Amount due to a non-controlling shareholder of a subsidiary		–	1,138,506
Other long-term payables		792,826	–
		<u>7,122,106</u>	<u>3,433,311</u>
Net assets		<u>11,791,627</u>	<u>10,527,217</u>
Capital and reserves			
Share capital		141,837	141,837
Share premium and reserves		11,171,711	10,188,965
		<u>11,313,548</u>	<u>10,330,802</u>
Equity attributable to owners of the Company		11,313,548	10,330,802
Non-controlling interests		478,079	196,415
		<u>11,791,627</u>	<u>10,527,217</u>
Total Equity		<u>11,791,627</u>	<u>10,527,217</u>

NOTES:

(All amounts in RMB thousands unless otherwise stated)

1. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements.

Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform— Phase 2</i>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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	<i>Insurance Contracts and the related Amendments</i> ³
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current and</i> ³
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ³
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ³
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ²
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018–2020</i> ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

1. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) — *Continued*

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

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

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by the IASB in March 2018 (the “Conceptual Framework”) instead of the International Accounting Standards Committee’s Framework for the Preparation and Presentation of Financial Statements (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

1. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) — *Continued*

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

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

1. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) — *Continued*

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

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

In addition, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related assets.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

2. REVENUE AND SEGMENT INFORMATION

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Types of products and services		
Sales of cement and related products	7,771,971	6,751,524
Trading of cement-related raw materials	45,218	220,007
Others	185,602	159,521
	<u>8,002,791</u>	<u>7,131,052</u>

Performance obligation for contracts with customers

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

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.

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Geographical Information

The Group's operations are located in the PRC (including Hong Kong) and Africa for both years. Information about the Group's revenue from external customers is presented based on the location of the operations.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	7,520,301	7,101,682
Mozambique	416,288	—
Others	66,202	28,816
	<u>8,002,791</u>	<u>7,131,052</u>

The proportion of the Group's non-current assets by locations is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	12,860,695	10,947,565
Mozambique	2,877,719	2,003,738
Others	1,283,136	112,869
	<u>17,021,550</u>	<u>13,064,172</u>

No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2021 and 2020.

Operating Segments

The Group is principally engaged in the production and sale of cement and related products, both in the PRC and overseas. Information reported to the Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on different regions.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The management had designated the Group to be divided into two operating segments owing to the rapid development of its overseas operations. Prior year segment disclosures have been represented to conform with the current year's presentation.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

1. The PRC
2. Overseas

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(i) *Segment revenue and results*

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2021

	The PRC RMB'000	Overseas RMB'000	Total RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	7,520,301	482,490	8,002,791	–	8,002,791
Inter-segment sales	245,210	–	245,210	(245,210)	–
Total	<u>7,765,511</u>	<u>482,490</u>	<u>8,248,001</u>	<u>(245,210)</u>	<u>8,002,791</u>
SEGMENT PROFIT	<u>1,859,905</u>	<u>382,171</u>	<u>2,242,076</u>	<u>–</u>	<u>2,242,076</u>
Share of result of an associate					1,904
Share of result of a joint venture					(190)
Gain on disposal of an associate					79,254
Fair value change on equity instrument at FVTPL					3,380
Dividend income from equity investment at FVTPL					3,032
Unallocated other income					32
Unallocated directors' emoluments					(9,484)
Unallocated central administrative costs					(169,074)
Unallocated legal and professional expenses					(17,514)
Unallocated finance cost on senior notes					(30,571)
Unallocated finance cost on bank loans					(19,254)
Profit before tax					<u>2,083,591</u>

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(i) *Segment revenue and results — Continued*

For the year ended 31 December 2020

	The PRC <i>RMB'000</i>	Overseas <i>RMB'000</i>	Total <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
SEGMENT REVENUE					
External sales	7,101,682	29,370	7,131,052	–	7,131,052
Inter-segment sales	<u>41,754</u>	<u>–</u>	<u>41,754</u>	<u>(41,754)</u>	<u>–</u>
Total	<u>7,143,436</u>	<u>29,370</u>	<u>7,172,806</u>	<u>(41,754)</u>	<u>7,131,052</u>
SEGMENT PROFIT (LOSS)					
	<u>2,232,481</u>	<u>(174,716)</u>	<u>2,057,765</u>	<u>–</u>	2,057,765
Share of result of an associate					16,628
Unallocated other income					44
Unallocated directors' emoluments					(9,564)
Unallocated central administrative costs					(108,037)
Unallocated legal and professional expenses					(53,109)
Unallocated finance cost on bank loans					<u>(56,271)</u>
Profit before tax					<u>1,847,456</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of share of results of an associate and a joint venture, gain on disposal of an associate, other income, fair value change and dividend income from equity instrument at FVTPL, central administrative costs, legal and professional expenses, directors' emoluments and interest expenses on senior notes and bank loans. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(ii) *Segment assets and liabilities*

The CODM makes decision according to the operating results of each segment. No analysis of segment asset and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(iii) *Other segment information*

For the year ended 31 December 2021

	The PRC RMB'000	Overseas RMB'000	Consolidated RMB'000
Depreciation and amortisation			
— property, plant and equipment	965,237	61,323	1,026,560
— right of use assets	27,086	29	27,115
— mining rights	27,464	—	27,464
— other intangible assets	3,272	407	3,679
Impairment loss recognised in profit or loss in respect of:			
— property, plant and equipment	96,346	—	96,346
— mining rights	20,803	—	20,803
— loan receivables	88,459	—	88,459
— trade and other receivables	97,518	3,473	100,991
Loss on disposal of property, plant and equipment	5,758	—	5,758
Reversal of write-down of inventories	<u>(1,701)</u>	<u>—</u>	<u>(1,701)</u>

For the year ended 31 December 2020

	The PRC RMB'000	Overseas RMB'000	Consolidated RMB'000
Depreciation and amortisation			
— property, plant and equipment	860,464	4,424	864,888
— right of use assets	14,267	—	14,267
— mining rights	21,159	—	21,159
— other intangible assets	1,400	69	1,469
Impairment loss recognised in profit or loss in respect of:			
— loan receivables	85,921	—	85,921
— trade and other receivables	42,484	3	42,487
Loss on disposal of property, plant and equipment	18,909	—	18,909
Reversal of write-down of inventories	<u>(18,726)</u>	<u>—</u>	<u>(18,726)</u>

3. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Tax refund (<i>Note</i>)	199,682	246,635
Government grant, including release from deferred income	50,212	38,797
Dividend income from equity investment at FVTPL	3,032	–
Others	32	44
	<u>252,958</u>	<u>285,476</u>

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. OTHER GAINS AND LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fair value change on investment in entrusted product	5,600	16,030
Fair value change on equity instrument at FVTPL	3,380	–
Net foreign exchange gain (loss) (<i>Note</i>)	292,598	(149,725)
Loss on disposal of property, plant and equipment	(5,758)	(18,909)
Gain on disposal of an associate	79,254	–
Others	11,534	(59)
	<u>386,608</u>	<u>(152,663)</u>

Note: The amounts during the years ended 31 December 2021 and 2020 mainly relate to the translation of the amounts due to the non-controlling shareholder of a subsidiary and other long-term payables from United States Dollar (“US\$”) to Meticaïs (“MZN”) as well as the exchange differences incurred on intercompany balances between the subsidiaries with different functional currencies.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses (reversed) recognised on:		
— trade receivables	101,676	41,170
— loan receivables	88,459	85,921
— other receivables	(685)	1,317
	<u>189,450</u>	<u>128,408</u>

6. INTEREST INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income from:		
— loan receivables	157,553	183,998
— bank deposits	<u>11,863</u>	<u>11,764</u>
	<u>169,416</u>	<u>195,762</u>

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on:		
— bank loans	189,458	143,051
— senior notes	99,671	—
— medium-term notes	<u>90,074</u>	<u>55,544</u>
	379,203	198,595
Less: amount capitalised	<u>(135,018)</u>	<u>(50,489)</u>
	244,185	148,106
Unwinding of discount	<u>16,896</u>	<u>17,078</u>
	<u>261,081</u>	<u>165,184</u>

Borrowing costs capitalised during the year arose on general borrowing by applying capitalisation rates at 5.40% (2020: 5.55%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation and amortisation:		
— Depreciation of property, plant and equipment	1,026,560	864,888
— Depreciation of right-of-use assets	27,115	14,267
— Amortisation of mining rights	27,464	21,159
— Amortisation of other intangible assets	3,679	1,469
	<hr/>	<hr/>
Total depreciation and amortisation	1,084,818	901,783
Recognised in cost of sales	(103,024)	(79,179)
Capitalised in inventories	(896,456)	(745,770)
	<hr/>	<hr/>
	85,338	76,834
	<hr/> <hr/>	<hr/> <hr/>
Staff costs (including directors' emoluments):		
— Salaries and allowances	722,338	619,512
— Retirement benefits (<i>Note</i>)	54,497	4,646
	<hr/>	<hr/>
Total staff costs	776,835	624,158
Recognised in cost of sales	(21,134)	(16,275)
Capitalised in inventories	(402,120)	(354,207)
	<hr/>	<hr/>
	353,581	253,676
	<hr/> <hr/>	<hr/> <hr/>
Research and development costs recognised as an expense (included in cost of sales)	341,896	366,737
Impairment loss on:		
— mining rights (included in cost of sales)	20,803	—
— property, plant and equipment (included in cost of sales)	96,346	—
Auditors' remuneration	3,397	3,252
Cost of inventories recognised as expenses	5,044,722	4,345,121
Reversal of write-down of inventories	(1,701)	(18,726)
Donations (included in other expenses)	6,812	24,710
Legal and professional fees (included in other expenses)	17,514	53,109
	<hr/> <hr/>	<hr/> <hr/>

Note: During the outbreak of COVID-19 in the prior year, the Group received support from the PRC government and the payment of social welfare pension amounting to RMB54,354,000 was waived by the PRC government. No such waive was granted by the PRC government in the current year.

9. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
PRC enterprise income tax (“EIT”)	266,055	287,115
Withholding tax	67,294	49,836
	<u>333,349</u>	<u>336,951</u>
Under (over) provision in prior years:		
PRC EIT	11,998	(81,321)
Deferred tax:		
Current year	(44,708)	14,010
Attributable to change in tax rate	–	(5,146)
	<u>(44,708)</u>	<u>8,864</u>
Income tax expense	<u><u>300,639</u></u>	<u><u>264,494</u></u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>1,585,070</u>	<u>1,560,480</u>
Number of shares	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,438,883	5,437,167
Effect of dilutive potential ordinary shares from share options issued by the Company	<u>6,344</u>	<u>8,314</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>5,445,227</u></u>	<u><u>5,445,481</u></u>

The computation of diluted earnings per share in 2021 and 2020 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loans collateralised by property, plant and equipment (<i>Note a</i>)	605,590	1,111,189
Entrusted loan (<i>Note b</i>)	100,000	200,000
Loans collateralised by receivables (<i>Note b</i>)	449,800	473,800
Small loans (<i>Note c</i>)	49,290	65,374
	<hr/>	<hr/>
	1,204,680	1,850,363
Less: Allowance for credit losses	(199,776)	(111,317)
	<hr/>	<hr/>
	1,004,904	1,739,046
	<hr/>	<hr/>
Analysed as:		
Current	1,004,581	1,214,955
Non-current	323	524,091
	<hr/>	<hr/>
	1,004,904	1,739,046
	<hr/>	<hr/>

Notes:

- (a) As at 31 December 2021 and 2020, the Group has entered into certain arrangements (the “Arrangements”) with the third parties for periods ranging from one to four years under which:
- (i) The third parties transferred the ownership titles of their certain assets to the Group and leased back those assets;
 - (ii) The third parties pledged those assets to the Group;
 - (iii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and
 - (iv) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.
- Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.
- (b) The entrusted loan and loans collateralised by receivables are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.
- (c) Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

11. LOAN RECEIVABLES — *Continued*

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	1,004,581	1,214,955
In more than one year but not more than two years	<u>323</u>	<u>524,091</u>
	<u>1,004,904</u>	<u>1,739,046</u>

The ranges of effective rates on the Group's loan receivables was 10% to 15% per annum as at 31 December 2021 (2020: 10% to 15%).

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

As at 31 December 2021, carrying amount of loan receivables of RMB872,012,000 (2020: RMB1,023,325,000) were past due.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	1,155,025	778,993
Trade receivables backed by bills	<u>489,119</u>	<u>539,557</u>
	1,644,144	1,318,550
Less: Allowance for credit losses	<u>(162,652)</u>	<u>(62,276)</u>
	<u>1,481,492</u>	<u>1,256,274</u>
Other receivables (<i>Note</i>)	367,083	177,713
Less: Allowance for credit losses	<u>(3,724)</u>	<u>(4,409)</u>
	<u>363,359</u>	<u>173,304</u>
VAT recoverable	433,677	231,275
VAT refund receivable	37,401	20,841
Dividend receivable from an associate	–	12,000
Prepayments to suppliers	<u>184,173</u>	<u>78,064</u>
	2,500,102	1,771,758
Less:		
Non-current portion of other deposits (included in "Other receivables" above)	<u>(2,884)</u>	<u>(23,123)</u>
	<u>2,497,218</u>	<u>1,748,635</u>

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

Note:

During the year ended 31 December 2020, the Group entered into a sale and purchase agreement with independent third parties to acquire 97.5% from these third parties their interest in Kangding Paomashan Cement Co., Ltd.* (“Kangding Paomashan”) 康定跑馬山水泥責任有限公司. As at 31 December 2021, the equity of Kangding Paomashan was being pledged by the existing shareholder of Kangding Paomashan and hence the Group is unable to complete the transaction. Owing to the fact that the bank accounts of Kangding Paomashan were being restricted from use by the relevant authority during the current year. As at 31 December 2021, the Group had paid on behalf of Kangding Paomashan for its daily operations of approximately RMB106,990,000. It is expected that acquisition be completed and advances be fully recovered in 2022.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB650,930,000.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 90 days	468,259	293,632
91 to 180 days	174,718	193,677
181 to 360 days	247,991	182,348
361 to 720 days	204,480	95,224
Over 720 days	59,577	14,112
	<u>1,155,025</u>	<u>778,993</u>

As at 31 December 2021, total bills received amounting to RMB310,030,000 (2020: RMB493,764,000) are held by the Group, which were further endorsed by the Group. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise their full carrying amounts and the corresponding trade payables.

* *The English name is for identification purpose only*

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

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 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB552,828,000 (2020: RMB425,034,000) which are past due as at the reporting date. Out of the past due balances, RMB382,414,000 (2020: RMB235,188,000) 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Secured bank loans	4,017,192	2,300,959
Unsecured — syndicated loan (<i>Note</i>)	—	178,483
	<u>4,017,192</u>	<u>2,479,442</u>
Carrying amount repayable as follows:		
— within one year	2,725,704	1,878,894
— more than one year but not more than two years	104,800	493,483
— more than two years but not more than five years	515,400	—
— within a period of more than five years	671,288	107,065
	<u>4,017,192</u>	<u>2,479,442</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(2,725,704)</u>	<u>(1,878,894)</u>
Amounts shown under non-current liabilities	<u>1,291,488</u>	<u>600,548</u>

Note: On 5 September 2019, the Company entered into term and revolving credit facilities agreement with a group of financial institutions for a loan of US\$150,000,000 (equivalent to RMB1,062,690,000) for a period of 3 years (“Syndicated Loan”). The Syndicated Loan carried variable interest rate of 3% plus London Interbank Offered Rate with an effective interest rate of 6.83% per annum as at 31 December 2020. The Syndicated Loan was fully repaid in 2021.

13. BORROWINGS — *Continued*

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate borrowings:		
— repayable within one year	2,429,104	1,583,894
— repayable more than one year but not more than two years	76,000	—
— repayable more than two years but not more than five years	141,000	—
— repayable more than five years	196,088	107,065
Variable rate borrowings		
— repayable within one year	296,600	295,000
— repayable more than one year but not more than two years	28,800	493,483
— repayable more than two years but not more than five years	374,400	—
— repayable within a period of more than five years	475,200	—
	<u>4,017,192</u>	<u>2,479,442</u>

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

	2021	2020
Effective interest rate per annum:		
Fixed rate borrowings	0.75% to 8.00%	0.70% to 8.00%
Variable rate borrowings	<u>4.65% to 6.48%</u>	<u>4.65% to 6.83%</u>

In respect of a bank loan with carrying amount of RMB430,000,000 as at 31 December 2021 (2020: RMB430,000,000) raised by Yaobai Special Cement Group Co., Ltd. (“Shaanxi Yaobai”), a subsidiary of the Company, Shaanxi Yaobai is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

- the ratio of debts to total assets shall not be more than 0.7:1;
- the ratio of debts to equity shall not be more than 0.5:1; and
- the operating cashflow shall not be negative for two consecutive years.

The Subsidiary has complied with these covenants throughout the reporting period.

Included in borrowing represents carrying amount of RMB1,289,200,000 (2020: RMB960,000,000) jointly guaranteed by Mr. Zhang Jimin, the executive director and his wife.

14. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	1,805,500	1,715,273
Bill payables	<u>178,000</u>	<u>121,500</u>
	1,983,500	1,836,773
Payables for constructions and equipment purchase	911,976	334,221
Other tax liabilities	177,134	98,238
Payroll and welfare payable	106,249	101,197
Interest payable	4,215	610
Other payables (<i>Note</i>)	238,114	117,156
Amounts due to non-controlling shareholders of subsidiaries	–	9,060
Deposits payables	118,618	86,448
Other long-term payable — current portion	<u>249,179</u>	<u>137,854</u>
	<u>3,788,985</u>	<u>2,721,557</u>

Note: Included in other payables as of 31 December 2021 represented a balance of RMB60,000,000 payable to an independent third party for an acquisition of a subsidiary.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 90 days	1,174,941	909,144
91 to 180 days	279,110	376,923
181 to 360 days	236,641	379,245
361 to 720 days	95,163	38,455
Over 720 days	<u>19,645</u>	<u>11,506</u>
	<u>1,805,500</u>	<u>1,715,273</u>

15. MEDIUM-TERM NOTES

On 30 April 2019, Shaanxi Yaobai registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000.

On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 (“First Tranche of the Medium-term Note”) was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusting for transaction costs of RMB4,500,000.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount at 1 January	1,232,842	521,098
Proceeds from issuance	–	700,000
Interest expenses	90,074	55,544
Interest paid	(86,500)	(37,500)
Transaction cost	–	(6,300)
	<u>1,236,416</u>	<u>1,232,842</u>
Carrying amount at 31 December		
	<u>1,236,416</u>	<u>1,232,842</u>
Analysed as:		
Current liabilities	<u>524,132</u>	<u>–</u>
Non-current liabilities	<u>712,284</u>	<u>1,232,842</u>

As at 31 December 2021, the First Tranche of Medium-term Note is due to be repaid within one year and is reclassified as current liabilities.

16. SENIOR NOTES

On 9 July 2021, the Company issued 4.95%, five-year senior notes with an aggregated principal amount of US\$600,000,000 due in 2026 (the “Senior Notes”) at 100% of the face value. The effective interest rate was approximately 5.18% per annum after adjusting for transaction costs. The Senior Notes were listed on the HKSE and guaranteed by certain subsidiaries of the Company and secured by pledges of the shares of these subsidiaries.

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, 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 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, 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 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% 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 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

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

	2021
	RMB’000
Carrying amount at 1 January	–
Proceeds from issuance of Senior Notes	3,834,221
Interest expenses	99,671
Exchange adjustment	(56,981)
	<hr/>
Carrying amount at 31 December	3,876,911
	<hr/> <hr/>

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 follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	3,424,848	2,815,916
Trade receivables	39,570	21,600
Right-of-use assets	85,084	88,202
Pledged bank deposits	478,861	565,434
	<u>4,028,363</u>	<u>3,491,152</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group has faced a stable operating environment in the year ended 31 December 2021. Sales volume in Shaanxi Province remained stable even under the continuous low demand in the Xi'an Metropolitan Area and Central Shaanxi region through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. Sales volume in Guizhou Province remained stable while Xinjiang Province recorded an increase during the year. The sales volume of cement and clinker of the Group for the year ended 31 December 2021 was 20.3 million tons, representing a 2.0% increase from 19.9 million tons recorded in 2020.

The Group has maintained a strong market position in the Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling prices (“ASPs”) premiums and more stable margins. ASPs in Central Shaanxi have been increasing in recent years even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. In 2021, the impact of the coronavirus disease 2019 (“COVID-19”) outbreak was mitigating and the PRC government continued to closely coordinate the pandemic prevention and control as well as the economic work. The performance of infrastructure investment continued to improve, while that of property investment remained stable, maintaining the continuous solid support in the demand of cement. ASPs in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang were improving. Moreover, the Group has continued to implement efficiency enhancements and cost control measures and has been able to maintain a stable cost during the year. Overall, the Group's margins remained stable in 2021.

The Group has maintained healthy cash flows, with EBITDA of RMB3,194.8 million for the year ended 31 December 2021, which is higher than that of RMB2,996.8 million recorded in 2020.

Operating Environment

In 2021, the impact of the COVID-19 outbreak was mitigating. The PRC government continued to closely coordinate the pandemic prevention and control as well as the economic work. The performance of infrastructure investment continued to improve, while that of property investment remained stable, maintaining the continuous solid support in the demand of cement. Furthermore, in order to control air pollution and preserve the blue sky, the environmental management of atmospheric pollution did not relax and the local environmental control became more stringent. As a result, the effect of various policies such as peak-shifting production halts and mine comprehensive regulation are more and more favorable to balancing the supply and demand of the cement industry.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment (“FAI”) and Real Estate Development Investment (“RDI”) in 2021. During the year, the FAI decreased slightly by 3.0% and the RDI increased slightly by 0.8% as compared with that of 2020. Both FAI and RDI have returned to normal level during 2021 as a result of the government’s economic stimulating policies and the mitigating impact of the COVID-19 outbreak. The stable FAI and RDI have led to a stable demand for cement products from all producers in the Shaanxi Province. Accordingly, intense competition from the supply side is still a strong factor affecting the ASPs in Shaanxi Province, which continued to be balanced through the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

Another important factor contributing to the Group’s stable margins was the limitation of the increase in cost under the increasing prices of bulk raw materials and coal during 2021. This was resulted from the consolidation of the long-term cooperation in procurement of coal, maintaining reasonable procurement pace to control the cost of material and the implementation of efficiency enhancements as well as cost control measures by the Group.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi remained reasonable and stable during 2021. The supply side has remained rational, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

During the year, demand in this region has remained reasonable, supported by continued growth in railway and road infrastructure project construction. The Ankang to Langao Expressway, the Wuxi to Zhenping Expressway, the Shiyan to Wuxi Expressway, the Hanzhong to Bazhong to Nanchong High-Speed Railway and the Xi'an to Ankang High-Speed Railway, have been, amongst others, particularly important demand drivers; and the constructions of the Lushi to Luanchuan Expressway, the Ningshan to Shiquan Expressway, the Xixia to Xichuan Expressway, the Lushi Ecological Corridor, the Micangshan Avenue Project, Kangxian to Lueyang Expressway, the Cangxi to Bazhong Expressway, the Chengkou to Kaizhou Expressway, the Lushi to Luonan Expressway, the Danfeng to Ningshan Expressway, the Yuehe Hydropower Station, the Xunyang Hydropower Station and the Tuxikou Reservoir have also supported the demand. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project which has been important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have decreased by approximately 9.9% to approximately 6.94 million tons in 2021 (2020: 7.70 million tons), there have been an increase in ASPs. During the year, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB321 per ton (2020: RMB291 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB339 per ton (2020: RMB301 per ton), with capacity utilization rate at approximately 81% (2020: 79%).

Central Shaanxi

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with a significant build-out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of such new capacity is still being reflected through intense competition. Fortunately, through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government's economic stimulating policies in response to the impact of the COVID-19 outbreak, sales volume in Central Shaanxi still kept stable even under the abovementioned continuing low demand scenario in 2021.

During the year, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of the Xi'an to Yan'an High-Speed Railway, the Huaneng Power — Coal Transportation Railway, the Hancheng to Huanglong Expressway, the Chengcheng to Weizhuang Expressway, the Beijing to Kuming Expressway, the Weizhuang to Luofu Expressway, the Yan'an East Ring Expressway, the Xi'an Metro/Municipal Projects, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II) and the Xianyang Airport. The largest project, Xixian Expressway- Southern Section, has consumed over 260,000 tons of cement in 2021.

Sales volumes in Central Shaanxi have decreased slightly by approximately 5.6% to approximately 8.07 million tons in 2021 (2020: 8.55 million tons) and have been accompanied by increased ASPs. During the year, the Group has recorded an increase of approximately 10.5% in cement ASPs in Central Shaanxi to approximately RMB325 per ton (2020: RMB294 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB339 per ton (2020: RMB301 per ton), with capacity utilization rate at approximately 62% (2020: 61%).

Xinjiang & Guizhou Provinces

Operations at the Group's plant in Xinjiang Province has been improving in 2021. Sales volume in Xinjiang have increased by approximately 32.4% to approximately 2.70 million tons (2020: 2.04 million tons). During the year, both sales volume and ASPs in Xinjiang have increased as a result of the government's economic stimulating policies and the mitigating impact of the COVID-19 outbreak. The Group has recorded an increased cement ASPs of approximately RMB424 per ton (2020: RMB406 per ton) (excluding VAT), with capacity utilization rate at approximately 77% (2020: 50%).

In Guizhou Province, the Group's plant contributed approximately 1.18 million tons of cement to the total sales volume as compared to that of 1.33 million tons in 2020, which represented a decrease of approximately 11.3%. During the year, the Group has recorded cement ASPs in Guizhou of approximately RMB318 per ton (2020: RMB240 per ton) (excluding VAT), with capacity utilization rate at approximately 66% (2020: 74%). The ASPs was improved as a result of the decrease in cement supply under the occasional peak-shifting production halts during low season periods and the limitation of electricity supply during the year. However, the ASPs were still lower than that of prior years 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 2021, these systems were in operation at 14 out of 17 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production.

The Group has already completed the installation of de-nitration equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrogen oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants in China having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation.

The Group's plants that are capable of treating dangerous and hazardous waste currently include (i) the Municipal Waste Treatment Facility at the Group's Fuping Plant, which has been operating since March 2016; and (ii) the Solid Waste Treatment Facility at the Group's Mianxian Plant which has been in full operations since October 2017. In 2022, the Group 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 of the specific conditions in the solid waste market of Shaanxi.

During the year, the Group has increased the investment in environmental protection, carried out ultra-low emission remodeling at its environmental treatment facilities, established an early warning platform for pollutants exceeding standards, and strictly controlled the concentration of pollutant emissions, so as to achieve the management goal of limiting its pollutant emissions concentration well below the national emission standard. In addition, the Group also regularly invites external online monitoring experts to conduct system checks on the Company's online monitoring equipment, and conduct comprehensive analyses of the equipment operation principle, monitoring principle and production system operation, so as to switch from equipment troubleshooting to fault prevention, thus reduce the equipment failure rate, improve the accuracy of online monitoring equipment measurements, and ensure that the real-time monitoring and control of pollutants meets the national emission standards. Moreover, all plants in China were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Green limestone mines projects, including soil reclamation and mine re-greening, have been already commenced construction to comply with the environmental policy. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of “managing while mining” in the future.

Financial leasing business

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

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

In 2021, the Group recorded loan receivables of approximately RMB1,004.9 million (2020: RMB1,739.0 million) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB157.6 million for the year ended 31 December 2021 (2020: RMB184.0 million). The Group intends to continue the operations of the financial leasing business; however, the Group expects the capital deployed as well as the size of such business will be gradually decreased.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2021, 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.

During the year, charitable donations made by the Group amounted to approximately RMB6.8 million, including donations made in sponsoring deprived students for college education as well as supporting education, sports and cultural events.

PROSPECTS

In 2022, the central government will adhere to the keynote of seeking progress in a stable manner, complete, refine and thoroughly execute the new development concept, deepen the supply-side structural reform, speed up the establishment of the new development layout, and promote quality development. It will continue to work on the "six stabilities" (六穩) and "six guarantees" (六保), make proper cross-cycle adjustments in response to macro policies, uphold the continuity, stability and sustainability of macro policies, maintain economic operation at a reasonable level, and endeavor to achieve the goals of economic and social development for the year. It will accelerate the progress of significant construction projects of the "14th Five-year" Plan, providing certain support for infrastructure investments. The PRC will adhere to the stance of "houses are for inhabitation and not for speculation" to stabilize land price, house price and expectation and promote the stable and healthy development of the real estate market. Given the impact of regulatory policies, it is expected that the pace of development of and investments in real estate will gradually slow down. At the same time, the PRC will continue to make greater efforts on ecological and environmental treatment, strive for peaking carbon emissions and carbon neutrality in an orderly manner, extend comprehensive and normalized peak-shifting production halts for the cement industry, implement increasingly stringent policies of capacity replacement, which will be a great boost to the supply and demand relationship in the industry.

In 2022, the Group will persist on the requirements of high-quality development. In terms of investment development, the Group plans to increase investment and development efforts around the Company's annual investment plan. First, the Group will accelerate the implementation of a complete supply chain development approach through active development of its aggregate, commercial concrete, and commercial prefabricated concrete housing business, with an aim to create new industrial growth poles. Second, the Group will steadily promote its international development strategy, make progress in the development of existing projects, and step up efforts in carrying out expansion projects. Third, the Group will further develop intelligence and information technology, accelerate the pace of innovation, increase investment in research and development, and consolidate and enhance the Company's core competitiveness.

In terms of operation and management, the Group will pay close attention to changes in the macro-economy at home and abroad, coordinate and implement epidemic prevention and control and production, operation, and management. First, the Group will conduct further analysis and studies on the market conditions; make better adjustment to sales organization and reasonably control the pace of production and sales; deepen strategic cooperation with major customers and increase control of the end-user market. Second, the Group will continue to trace and control the source of bulk raw materials and fuel; deepen strategic cooperation with large coal enterprises; actively explore sourcing channels, with an emphasis on securing the supply of key resources at competitive prices; explore the development and utilization of alternative resources, and strive to reduce overall procurement costs. Third, the Group will implement the "green building materials" strategy; continue to increase investment in environmental protection; actively implement technical reform and employ technological measures, and accelerate industrial transformation and upgrading. Fourth, the Group will focus on achieving peak carbon emission and carbon neutrality; deepen cooperation among industry, academia and research institutions in order to carryout joint scientific and technological efforts to explore medium- and long-term solutions to reduce pollution and lower carbon emission, and promote green and low-carbon circular development, consolidate the competitiveness and comparative advantage. Fifth, the Group will strengthen the development of talent pool, accelerate the implementation of medium to long-term employee incentive mechanisms, stimulate talent innovation and creativity, so as to maintain high-quality development.

Operations — Shaanxi

Under the current macroeconomic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant increase in demand in 2022. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2022, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanization trends supporting rural growth rates.

With regards to the supply side, the Group expects stable prices in 2022, as a result of the limited supply under the increasingly stringent environmental policies imposed by the government.

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 and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2022, including the constructions of several Central Shaanxi Intercity Railways and the Guxian Reservoir.

In Southern Shaanxi, the Group expects to maintain its relatively stable performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2022, including the constructions of the Xi'an to Wuhan High-Speed Railway and the Yangxian to Xixiang Expressway. In addition, the Group expects to see substantial demand from a number of infrastructure projects in 2022 and 2023, including the constructions of, the High-Speed Railway from Lanzhou to Hanzhong to Shiyan and the Hengkou Reservoir.

Operations — Xinjiang & Guizhou

Operations in Xinjiang are improving, while that of Guizhou are likely to remain subdued in 2022. 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 as well as the occasional peak-shifting production halts during low season periods under the stringent environmental policy, the Group can see a more stable market of the cement industry with increasing ASPs since then. In Southern Xinjiang, where the Group's Moyu Plant is located with 2.0 million tons of capacity, there are a number of on-going infrastructure projects, which are expected to contribute to support the demand in 2022 and beyond. These include the constructions of the Minfeng to Heishihu Expressway and the Minfeng to Luopu Expressway. Moreover, in Northern Xinjiang, where the Group's Yili Plant is located with 1.5 million tons of capacity, sales volume remained low but the ASPs were improving. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2022. In Guizhou, the ASPs were improving with stable sales volume. However, the ASPs were still lower than that of prior years due to the imbalance between demand and supply resulting from the continuation of decreasing demand scenario and the Group expects that such situation 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 volume than other locations in Guizhou in 2022 and beyond.

Capacity Development

The Tongchuan Plant in Shaanxi Province is a key capacity replacement project for the Group to actively respond to the national strategic call for smart manufacturing, green development and supply-side reform. The production line with a daily production capacity of 10,000 tons of clinker in Tongchuan County, Shaanxi Province, is the world's most advanced second generation new dry process cement production line, with a site area of 828 mu. The production line has abandoned the traditional backward production capacity and technology, which is high energy consumption, high emission and high pollution, but highlighted its three major advantages of intelligence, environment-friendly and cost-effective. The production line is a digital plant with unmanned workshop and ultra-low emissions, which will meet the Class A national energy efficiency and emission standards. It will utilize waste heat to generate electricity and recycle waste and hazardous waste, with global leading electricity and energy consumption standards. The Tongchuan Plant was commissioned in June 2021.

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

Costs Control

The Group will continue to implement a number of cost control measures, which are expected to benefit the control of cost of sales and selling, general and administrative expenses in 2022. 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 NO_x 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 2022 and will continue to implement the "Sustainable Safety Development Project". Moreover, the Group will continue to implement the green mine project to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the PRC government policy of "managing while mining" in the future.

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 12.2% from RMB7,131.1 million for the year ended 31 December 2020 to RMB8,002.8 million for the year ended 31 December 2021. Cement sales volume increased by 1.5%, from approximately 19.6 million tons to approximately 19.9 million tons during the year. Including clinker sales, total sales volume for the year ended 31 December 2021 amounted to approximately 20.3 million tons, compared to the 19.9 million tons sold in 2020.

Overall cement prices were higher than those in 2020, and this has resulted in higher revenue. Cement ASPs for the year ended 31 December 2021 were RMB339 per ton as compared with RMB301 per ton in 2020. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Other than the above increase in cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete increased by approximately 20.3% as a result of the increase in sales volume and decreased by approximately 20.6% as a result of the decrease in both ASPs and sales volume, to RMB154.8 million and RMB571.6 million, for the year ended 31 December 2021, respectively.

Cost of Sales

Cost of sales increased by 17.5% from RMB4,788.6 million for the year ended 31 December 2020 to RMB5,626.2 million for the year ended 31 December 2021.

Coal costs were increasing in the PRC over 2021 since the supply and production of coal were reduced as a result of the decrease in import of coal and the limited local supply under the stringent environmental policy as well as the increase in the demand of coal as a result of the recovery of economic activities under the mitigating COVID-19 impact. The average cost per ton of coal increased by approximately 60.3% to approximately RMB779 per ton from approximately RMB486 per ton in 2020. As a result, the coal cost increased by approximately RMB29.9 per ton of total cement produced, with total coal costs increased by approximately 58.2% as compared with that of 2020.

The average prices of raw materials were increasing over 2021. The average cost per ton of limestone increased by approximately 2.3% to approximately RMB17.9 per ton from approximately RMB17.5 per ton in 2020. Benefiting from the increase in efficiency gains, which mitigating the effect of the increasing raw materials prices, the raw materials cost increased by only approximately RMB1.6 per ton of total cement produced, with total raw materials costs increased by only approximately 4.4% as compared with that of 2020.

There was no material fluctuation in the average cost of electricity. Benefiting from the increase in efficiency gains, the electricity costs decreased by approximately RMB2.1 per ton of total cement produced, with total electricity costs decreased by approximately 5.4% as compared with that of 2020.

In prior year, the government promulgated policies on social insurance relief in response to the impact of the COVID-19 outbreak. In 2021, total staff costs returned to a normal level without such preferential policies, which led to an increase of staff cost of approximately RMB1.1 per ton of total cement produced, with total staff cost increased by approximately 10.2% as compared with that of 2020.

As to other items in the costs balance, the balance mainly represented certain environmental related expenses, i.e. sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Benefiting from the effective cost control measures implemented during the year, other costs decreased by approximately RMB1.2 per ton of total cement produced, with total other costs decreased by approximately 5.9% as compared with that of 2020.

Moreover, there were impairment losses recognised on mining right as well as property, plant and equipment of RMB20.8 million and RMB96.3 million which were included in the cost of sales for the year ended 31 December 2021 (2020: Nil), respectively, as the government requested to close a mine in Lantian due to the environmental protection reason during the year.

As mentioned in the revenue analysis above, the costs arising from the production of aggregates and commercial concrete also decreased by approximately 7.3% as a result of the increase in efficiency gains and approximately 18.8% as a result of the decrease in sales volumes, to RMB64.8 million and RMB465.0 million, for the year ended 31 December 2021, respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB34.1 million, or 1.5%, from RMB2,342.5 million for the year ended 31 December 2020 to RMB2,376.6 million for the year ended 31 December 2021. The increase in gross profit was mainly due to the increase in ASPs and sales volume as described above. Gross profit margins remained stable and slightly decreased from 32.9% for the year ended 31 December 2020 to 31.2% for the year ended 31 December 2021.

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government subsidies. Other income decreased by approximately 11.4% from RMB285.5 million for the year ended 31 December 2020 to RMB253.0 million for the year ended 31 December 2021. The ratio of VAT rebates over revenue was 2.5% for the year ended 31 December 2021 (2020: 3.5%). The decrease in the VAT rebates was mainly due to the decrease in the ratio of cement produced by using recycled industrial waste during the year.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 36.7% from RMB405.4 million for the year ended 31 December 2020 to RMB554.3 million for the year ended 31 December 2021. Selling & marketing expenses increased by 17.5% from RMB63.4 million to RMB74.5 million for the year ended 31 December 2021 as compared with that of 2020. The increase in these balances were mainly attributable to the following factors: (i) as mentioned in the cost of sales analysis above, in prior year, the government promulgated policies on social insurance relief in response to the impact of the COVID-19 outbreak. In 2021, total staff costs returned to a normal level without such preferential policies; and (ii) the increase in the number of staff and all the other respective expenses as a result of the increase in production capacities, i.e. the Moyu Plant and the Mozambique Plant, commissioned in December 2020, as well as the Tongchuan Plant commissioned in June 2021, and the development of new businesses, such as trading of cement related raw materials, i.e. white ash and calcium oxide, as well as the production and the sale of packing bags and prefabricated building.

Other Expenses

Other expenses primarily included the donations and legal and professional fee. The amount decreased by RMB53.5 million from RMB77.8 million for the year ended 31 December 2020 to RMB24.3 million for the year ended 31 December 2021. The decrease was mainly due to (i) the decrease in the donations to RMB6.8 million for the year ended 31 December 2021 (2020: RMB24.7 million); and (ii) the decrease in the legal and professional fee to RMB17.5 million for the year ended 31 December 2021 (2020: RMB53.1 million), during the year. In the prior year, among the donations, RMB20.0 million was a one-off donation regarding the establishment of a school for deprived students. There were also legal and professional fee paid for certain acquisitions and expansions activities.

Other Gains and Losses, net

Other gains increased by RMB539.3 million from losses of RMB152.7 million for the year ended 31 December 2020 to gains of RMB386.6 million for the year ended 31 December 2021. The increase was mainly due to the net effect of the following factors. Firstly, there were net foreign exchange gains mainly relating to the translation of the Group's other long term payable from USD to Meticals, the official currency of Mozambique and the translation of the intercompany balances between the subsidiaries with different functional currencies of RMB292.6 million for the year ended 31 December 2021 (2020: losses of RMB149.7 million). Secondly, the Group disposed of 20% interests in Yaobai Environmental Technology Engineering Co., Ltd during the year. The disposal was made to a direct wholly-owned subsidiary of China Conch Venture Holdings Limited ("China Conch Venture"), a company listed on the Main Board of The Hong Kong Stock Exchange Limited (stock code: 586). The Group received 5,206,349 shares issued by China Conch Venture in return. This transaction has resulted in the Group recognising a gain on disposal of RMB79.3 million in profit or loss.

Impairment losses under expected credit loss model, net of reversal

The balance increased by RMB61.1 million from RMB128.4 million for the year ended 31 December 2020 to RMB189.5 million for the year ended 31 December 2021. The increase was mainly due to the increases in impairment losses recognised on loan receivables and trade receivables to RMB88.5 million for the year ended 31 December 2021 (2020: RMB85.9 million) and RMB101.7 million for the year ended 31 December 2021 (2020: RMB41.2 million), respectively, as a result of the downturn of the economy under the impact of the COVID-19 outbreak to certain clients.

Interest Income

Interest income decreased by RMB26.4 million from RMB195.8 million for the year ended 31 December 2020 to RMB169.4 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in the interest income arising from the loan receivables business to RMB157.6 million recorded for the year ended 31 December 2021 (2020: RMB184.0 million) as a result of the decrease in loan receivables business.

Finance Costs

Finance costs increased by RMB95.9 million, or 58.1%, from RMB165.2 million for the year ended 31 December 2020 to RMB261.1 million for the year ended 31 December 2021. The increase was mainly due to the increase in the bank borrowings and the issuance of senior notes during the year.

Income Tax Expense

Income tax expenses increased by RMB36.1 million, from RMB264.5 million for the year ended 31 December 2020 to RMB300.6 million for the year ended 31 December 2021. Current income tax expense plus under provision increased by RMB89.7 million to RMB345.3 million (2020: RMB255.6 million), whereas deferred tax credit increased by RMB53.6 million to RMB44.7 million (2020: deferred tax expense of RMB8.9 million).

In the prior year, as certain subsidiaries were entitled to enjoy a concession income tax rate of 15% instead of 25% in western region upon 2019 final settlement with relevant tax authorities, there was an increase in the utilisation of the overprovision in prior year, which led to the significant decrease in the current income tax expense. No such situation was recorded in the current year which led to the significant increase in the balance. The increase in the deferred tax credit was mainly due to the increases in the withholding tax on undistributed profits of PRC subsidiaries and the allowance on doubtful debt and accruals during the year.

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 increased from RMB1,560.5 million for the year ended 31 December 2020 to RMB1,585.1 million for the year ended 31 December 2021. This is primarily due to net effect of the increase in gross profit as a result of the increase in ASPs and sales volume, the increases in net foreign exchange gains and gain on disposal of an associate as well as the increases in impairment losses and income tax expenses as mentioned above.

Basic earnings per share increased from RMB28.7 cents for the year ended 31 December 2020 to RMB29.1 cents for the year ended 31 December 2021.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2021, the Group's total assets increased by 41.0% to RMB26,648.4 million (2020: RMB18,906.2 million) while total equity increased by 12.0% to RMB11,791.6 million (2020: RMB10,527.2 million).

As at 31 December 2021, the Group had bank balances and cash as well as restricted/pledged bank deposits, amounting to RMB4,140.1 million (2020: RMB1,475.3 million). After deducting total borrowings, medium term notes ("MTN") and senior notes ("SN") of RMB9,130.5 million (2020: RMB3,712.3 million), the Group had net debt of RMB4,990.4 million (2020: RMB2,237.0million). 87.1% (2020: 68.2%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB1,004.9 million (2020: RMB1,739.0 million) at fixed interest rates. Please refer to Notes 11, 13, 15, 16 and 17 to the consolidated financial statements above for the details of the loan receivables, bank borrowings, MTN, SN and the respective pledge of assets.

As at 31 December 2021, the Group's net gearing ratio, measured as net debt to equity, was 42.3% (2020: 21.2%). 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 2021, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets and mining rights, for year ended 31 December 2021 amounted to RMB4,240.3 million (2020: RMB3,127.6 million). Capital commitments as at 31 December 2021 amounted to RMB1,416.4 million (2020: RMB1,942.1 million). Both capital expenditure and capital commitments were mainly related to the maintenance and upgrading of existing production facilities as well as the construction of new production facilities in Ethiopia and Democratic Republic of the Congo. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 7,118 (2020: 6,374) full-time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2021, employees benefit expenses were RMB776.9 million (2020: RMB624.2 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 3 March 2021, West International Holding Limited (“West International”), a wholly-owned subsidiary of the Company, entered into the a share purchase agreement with East African Mining Corporation PLC, pursuant to which West International agreed to purchase 41,661 shares of National Cement Share Company (“NCSC”), a company incorporated and registered in the Federal Democratic Republic of Ethiopia, at a consideration of US\$17,000,204.03 (equivalent to approximately HK\$132,091,585).

On 16 July 2021, West International further entered into: (a) a share purchase agreement with SGI Africa Cement Partners, L.P. and Schulze Global Ethiopia Growth and Transformation Fund I L.P., pursuant to which West International agreed to purchase 100 shares of SGI Ethiopia Cement Ltd., which in turn owns 35,040 shares in NCSC, at a consideration of US\$14,058,659 (equivalent to approximately HK\$109,235,780); and (b) a share purchase agreement with Schulze Global Ethiopia Growth and Transformation Fund I L.P., pursuant to which West International agreed to purchase 1,000 shares of Schulze Global EGTF Cement Ltd., which in turn owns 23,233 shares in NCSC, at a consideration of US\$9,321,485 (equivalent to approximately HK\$72,427,938). Upon completion of the transactions under the aforementioned share purchase agreements, the Group has acquired approximately 23.99% shareholding interest in NCSC.

On 7 September 2021, West International and West International New Building Materials Pte. Ltd (“WINBM”), both are wholly-owned subsidiaries of the Company, entered into a share subscription agreement with East Africa Mining Corporation PLC, East Africa Group (Ethiopia) PLC, Ato Buzuayehu Tadele and NCSC, pursuant to which the Group will be entitled to subscribe for further shares in NCSC in tranches, leading to the Group to ultimately acquiring a 61.9% shareholding interest in NCSC, at a total subscription price of US\$170,000,000 (equivalent to approximately HK\$1,320,900,000). The above subscription of shares in NCSC has not completed as at 31 December 2021.

For further details in relation to the above acquisition, please refer to the announcements of the Company dated 7 September 2021 and 18 October 2021.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the year ended 31 December 2021.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2021, the Group's sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash, medium-term notes and bank borrowings were mainly denominated in Renminbi. Moreover, the Group's other long term payables and senior notes were denominated in United States Dollars as well as several intercompany balances between the subsidiaries were denominated in different functional currencies, i.e. Meticaís. Renminbi and Meticaís are not a freely convertible currency. Future exchange rates of the Renminbi and Meticaís could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government and Mozambique government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi and Meticaís. The appreciation or depreciation of Renminbi and Meticaís 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.

DIVIDEND

At the Board meeting held on 27 March 2022, the Directors proposed to recommend the payment of a final dividend of RMB0.087 per ordinary share for the year ended 31 December 2021.

The final dividend of RMB0.087 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 27 May 2022 (Friday), and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 7 June 2022 (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 27 May 2022 (Friday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 27 May 2022 (Friday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2022 (Monday). The register of members of the Company will be closed from 24 May 2022 (Tuesday) to 27 May 2022 (Friday), both days inclusive, during which period no transfer of shares will be registered.

In addition, for the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from 6 June 2022 (Monday) to 7 June 2022 (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 2 June 2022 (Thursday). Subject to shareholder’s approval of the proposed final dividend at the annual general meeting to be held on 27 May 2022 (Friday), the final dividend will be paid on or around 29 July 2022 (Friday) to shareholders whose names appear on the register of members of the Company at the close of business on 7 June 2022 (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.

The Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code (the “Code”) as set forth in Appendix 14 of the Listing Rules during the year ended 31 December 2021.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, 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 2021.

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 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2022. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the 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 2021 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, 27 March 2022

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, Mr. Shi Guanglei 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*