



**中國西部水泥有限公司**  
**WEST CHINA CEMENT LIMITED**

(Incorporated in Jersey with limited liability with registered number 94796)  
**Stock Code: 2233**

ANNUAL REPORT  
**2021**





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# Corporate Information

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## REGISTERED OFFICE

13 Castle Street  
St Helier  
Jersey JE1 1ES  
Channel Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3705, 37/F  
Tower 6  
The Gateway  
Harbour City, 9 Canton Road  
Tsim Sha Tsui  
Hong Kong

## COMPANY WEBSITE

[www.westchinacement.com](http://www.westchinacement.com)

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Directors

Ma Zhaoyang  
Liu Yan (resigned with effect from 23 July 2021)  
Shi Guanglei (appointed with effect from 23 July 2021)  
Fan Changhong

### Independent Non-Executive Directors

Lee Kong Wai Conway  
Zhu Dong  
Tam King Ching Kenny

## COMPANY SECRETARY

Chan King Sau *HKICPA*

## AUTHORIZED REPRESENTATIVES

Ma Weiping  
Chan King Sau *HKICPA*

## MEMBERS OF THE AUDIT COMMITTEE

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

## MEMBERS OF THE REMUNERATION COMMITTEE

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

## MEMBERS OF THE NOMINATION COMMITTEE

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

## INDEPENDENT AUDITORS

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

## JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Bank of Xi'an

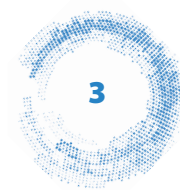


# Financial Highlights

<i>RMB' Million (unless otherwise specified)</i>	<b>Year ended</b>	Year ended	% Change
	<b>31 December</b>	31 December	
	<b>2021</b>	2020	
	<b>(million)</b>	(million)	
Total Cement and Clinker Sales Volume (million tons)	<b>20.3</b>	19.9	2.0%
Cement Sales Volume (million tons)	<b>19.9</b>	19.6	1.5%
Aggregates Sales Volume (million tons)	<b>4.40</b>	3.44	27.9%
Commercial Concrete sales volume (million cubic meters)	<b>1.34</b>	1.57	(14.6%)
Revenue	<b>8,002.8</b>	7,131.1	12.2%
Gross Profit	<b>2,376.6</b>	2,342.5	1.5%
EBITDA <sup>(1)</sup>	<b>3,194.8</b>	2,996.8	6.6%
Profit Attributable to Owners of the Company	<b>1,585.1</b>	1,560.5	1.6%
Basic Earnings Per Share	<b>29.1 cents</b>	28.7 cents	1.4%
Proposed Final Dividend	<b>8.7 cents</b>	8.6 cents	1.2%
Proposed Special Dividend	<b>N/A</b>	3.4 cents	N/A
Gross Profit Margin	<b>29.7%</b>	32.9%	(3.2 ppt)
EBITDA Margin	<b>39.9%</b>	42.0%	(2.1 ppt)
	<b>31 December</b>	31 December	
	<b>2021</b>	2020	% Change
Total Assets	<b>26,648.4</b>	18,906.2	41.0%
Net Debt <sup>(2)</sup>	<b>4,990.4</b>	2,237.0	123.1%
Net Gearing <sup>(3)</sup>	<b>42.3%</b>	21.2%	21.1 ppt
Net Assets Per Share	<b>217 cents</b>	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.



## Business Overview

West China Cement Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a presence in Xinjiang and Guizhou Provinces as well as Mozambique, Africa. As at 31 December 2021, the Group had a total production capacity of 29.0 million tons, comprising 17 NSP cement production lines, with 21.7 million tons in Shaanxi Province, 3.5 million tons in Xinjiang Province, 1.8 million tons in Guizhou Province and 2.0 million tons in Mozambique, Africa. Moreover, the Group had total production capacities of 15.0 million tons in aggregates and 10.0 million cubic meters of commercial concrete.

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

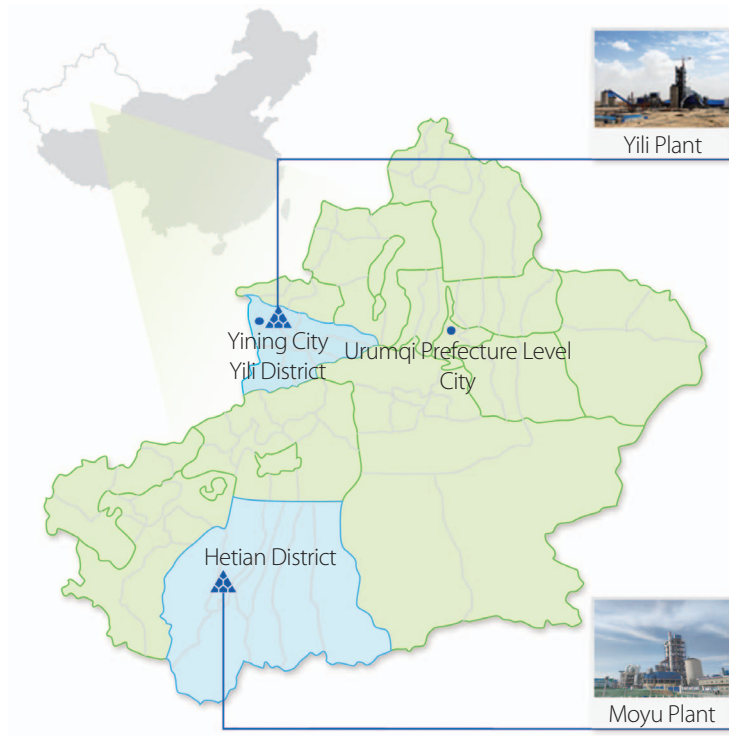


# Business Overview



# Business Overview

## Xinjiang Province



## Guizhou Province





## Business Overview

The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused by high transportation costs. The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling price (“ASPs”) premiums and more stable margins. ASPs in Central Shaanxi have been increasing in recent years even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. 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-cutting measures and has been able to maintain a stable cost during the year. Overall, the Group’s margins remained stable in 2021.

Energy conservation and emission controls are increasingly important factors in the cement industry and the Group continues to work towards the highest industry standards in these areas. All of the Group’s production facilities are NSP lines, mostly situated in close proximity to limestone quarries and the Group uses conveyor belts at many of its plants in order to minimise transportation related emissions. The Group has constructed heat-recycling plants at over 80% of its production capacity, reducing approximately 30% of electricity consumption and decreasing CO2 emissions by approximately 22,000 tons per year per million tons of production.

All of the Group’s plants in Shaanxi, Xinjiang and Guizhou Provinces have been installed with denitration (De-NOx) equipment, reducing nitrous oxide emissions by approximately 60% per ton of clinker produced, as well as Particulate Matter (PM) reduction equipment. The Group is also involved in hazardous and municipal waste incineration.

### Africa



# Milestones

Year	Event	Year End Cement Capacity (million tons)
2004	The Group's first NSP production facility commenced construction in 2003 at Pucheng. The plant was commissioned in February.	1.4
2006	The Group was listed on the London Stock Exchange AIM market in December, raising GBP22 million.	1.4
2007	The Group's second production facility was constructed at Lantian in Xi'an. The two production lines were commissioned in May and August, respectively.	3.6
2008	The Group successfully completed a USD60 million syndicated loan.	3.6
2009	The Group's Ankang Xunyang production facility commenced operation in January, establishing a core market in southern Shaanxi.  The Group's first acquisitions, the Zhen'an and Danfeng Plants in Shangluo region, were completed in August and December.	8.5
2010	The Group's two production lines in Hanzhong, the Yangxian and Mianxian Plants, were commissioned in January and July respectively.  The USD60 million syndicated loan was repaid in March.  In August, the Group was delisted from the London AIM market and was successfully listed on The Stock Exchange of Hong Kong Limited (the "HKSE"), raising HK\$1.6 billion.  The Weinan Pucheng Line 2 was commissioned in September. The Group acquired the Ankang Jianghua Plant in December, completing the establishment of a leadership position in southern Shaanxi.	12.5
2011	The Group successfully issued a USD400 million 5-year senior note at 7.5% p.a. interest rate.  The Group established its first production base in Xinjiang through the acquisition of the Hetian Plant in Hotan region in May. The Group also announced the construction of the Yutian Plant in Hotan, Xinjiang.  The Group's third plant in Hanzhong region, the Hanzhong Xixiang Plant, was commissioned in May.  The Group acquired the Weinan Hancheng Plant in May.	16.2
2012	The Group's Shangluo Danfeng Line 2 Plant was commissioned in April.  The Group acquired the Weinan Shifeng Plant and the Weinan Fuping Plant in April and June 2012, an important move in the supply consolidation process in Shaanxi Province and strengthening its presence in the Xi'an Metropolitan market.  The Yutian Plant, Hetian, Xinjiang was commissioned in August.	23.7
2013	The Group successfully issued a RMB800 million 3-Year Mid-Term Note at 6.1% p.a. interest rate in March. Most of the proceeds were used to refinance short-term bank borrowings.	23.7
2014	The Group completed phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility in January, the first of such facilities in Shaanxi Province and North West China. This marks an important step in the Group's on-going efforts in environmental protection solutions, and a new revenue stream for the Group.  The Group successfully issued a USD400 million 5-year senior note at 6.5% p.a. interest rate to redeem in full the previous senior notes issued in 2011.	23.7



## Milestones

Year	Event	Year End Cement Capacity (million tons)
2015	<p>Completion of the construction of the 1.5 million tons Xinjiang Yili Plant and the 1.8 million tons Guizhou Huaxi Plant with full commissioning commencing in the first quarter of 2015.</p> <p>Announcement in June of a subscription by Conch International Holdings (HK) Limited, a wholly owned subsidiary of Conch Cement for new shares in the Group equal to approximately 16.67% of total issued share capital of the Company as enlarged by the subscription shares.</p> <p>The Group acquired the Yaowangshan Cement Plant, with a cement capacity of 2.2 million tons, in October taking Group total current capacity to 29.2 million tons.</p> <p>Subsequently, both Conch Cement and the Company, among others, entered into an acquisition agreement (the "Acquisition Agreement") in November whereby the Group purchases 4 cement plants in Central Shaanxi from Conch Cement totaling 10.4 million tons of cement capacity in consideration of an issue of 3,402,876,000 shares by the Company ("Consideration Shares"). After the issue of the Consideration Shares, Conch Cement will increase their holding in the Group to 57.57%.</p>	29.2
2016	<p>As certain conditions precedent of the Acquisition Agreement were not satisfied or waived before 5:00 pm on 30 June 2016, the long stop date under the Acquisition Agreement, the Acquisition Agreement ceased and was determined.</p> <p>The Group successfully issued the first tranche of the short-term notes with an aggregate principal amount of RMB800 million at the interest rate of 5.5% per annum, and with a term of one year to investors in the national inter-bank market in the PRC on 15 March 2016.</p> <p>Fuping Municipal Waste Treatment Facility was commissioned in March.</p>	29.2
2017	<p>The Group successfully issued the second tranche of the short-term notes with an aggregate principal amount of RMB400 million at the interest rate of 6.98% per annum, and with a term of one year to investors in the national inter-bank market in the PRC on 3 March 2017.</p> <p>Mianxian Solid Waste Treatment Facility was commissioned in October.</p>	29.2
2018	<p>The Group early redeemed USD80 million 5-year senior note in November and December.</p> <p>Four aggregates production lines with capacities of 7 million tons in total were commissioned.</p>	29.2
2019	<p>The Group fully repaid USD400 million 5-year senior note at the maturity date in September.</p> <p>The Group successfully raised a syndicated loan of USD150 million with a term of three years in September.</p> <p>The Group's production capacities of aggregates and commercial concrete increased to 15.0 million tons and 4.55 million cubic meters, respectively.</p>	29.2
2020	<p>The Moyu Plant, Xinjiang was commissioned in December.</p> <p>The Mozambique Plant, Africa was commissioned in December.</p> <p>The Group's production capacity of commercial concrete increased to 9.8 million cubic meters.</p>	33.2
2021	<p>The Tongchuan Plant, Shaanxi was commissioned in June.</p> <p>The Group fully repaid the syndicated loan of USD150 million.</p> <p>The Group successfully issued a USD600 million 5-year senior note at 4.95% p.a. interest rate.</p>	29.0

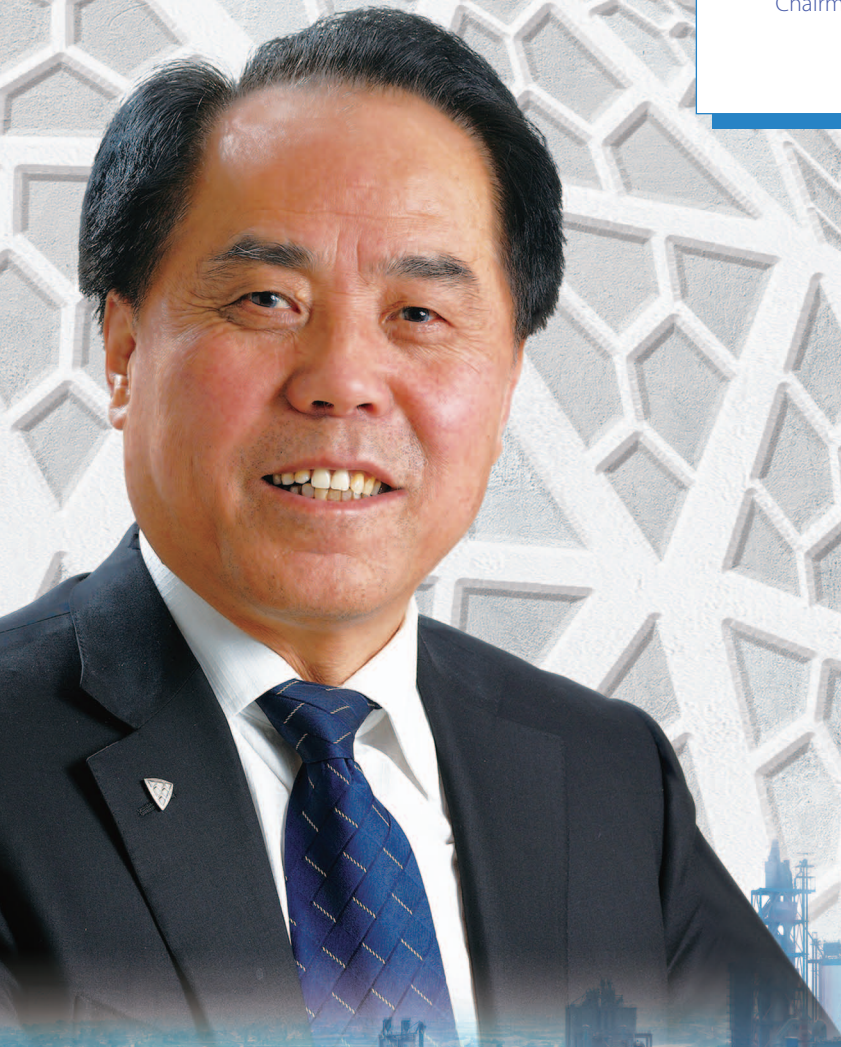


## Chairman's Statement

High quality development with environmental protection solutions will be a major focus in 2022 and beyond

**Zhang Jimin**

Chairman



## Chairman's Statement

On behalf of the board of directors (the "Board") of West China Cement Limited and its subsidiaries, I am pleased to present to our shareholders the annual report (including the audited consolidated financial statements) of the Group for the year ended 31 December 2021.

### OVERVIEW

The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused by high transportation costs. The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. ASPs in Central Shaanxi have been increasing in recent years even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy. In 2021, the impact of the coronavirus disease 2019 ("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.

Energy conservation and emission controls are increasingly important factors in the cement industry and the Group continues to work towards the highest industry standards in these areas. All of the Group's production facilities are NSP lines, mostly situated in close proximity to limestone quarries and the Group uses conveyor belts at many of its plants in order to minimise transportation related emissions. The Group has constructed heat-recycling plants at over 80% of its production capacity, reducing approximately 30% of electricity consumption and decreasing CO<sub>2</sub> emissions by approximately 22,000 tons per year per million tons of production. All of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces have been installed with denitration (De-NO<sub>x</sub>) equipment, reducing nitrous oxide emissions by approximately 60% per ton of clinker produced, as well as Particulate Matter (PM) reduction equipment. The Group is also involved in hazardous and municipal waste incineration.

### FINANCIAL RESULTS

In 2021, the Group saw a stable operating environment in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang. The Group's cement and clinker sales volumes have increased slightly from 19.9 million tons in 2020 to 20.3 million tons in 2021 and the Group's profitability has been improved as a result of the mitigated impact of the COVID-19 outbreak during the year, which resulted in 1.5% increase in gross profit as compared to 2020. In addition, the Group has maintained strong cash flows, with EBITDA increased from approximately RMB3.0 billion in 2020 to RMB3.2 billion in 2021. The Group's net gearing ratio has in turn increased from 21.2% in 2020 to 42.3% in 2021, as a result of the increase in borrowings for capacity development during the year. The ratio is still maintained at a low industry level to provide a healthy statement of financial positions in the Group.



## Chairman's Statement

### DIVIDEND

Having considered the Group's stable net profit for the year ended 31 December 2021, the Board has recommended payment of a final dividend of RMB8.7 cents per ordinary share for this financial year.

### OPERATIONS

In 2021, Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI"). Both FAI and RDI have returned to normal level as a result of the government's economic stimulating policies and the mitigated 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. During the year, ASPs was improved with a slight decrease in sales volume in Shaanxi Province.

Operations at the Group's plant in Xinjiang Province have been improving in 2021. 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. In Guizhou Province, 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 and the sales volume remained low 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 New Area.

Even though the economy was still under the impact of the COVID-19 outbreak, the ASPs in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang were improving and the overall sales volume remained stable. Moreover, the Group has continued to implement efficiency enhancements and cost control measures and has been able to limit the increase in cost under the increasing prices of bulk raw materials and coal during the year. Overall, these have contributed to the Group's stable margins.



## Chairman's Statement

### ENVIRONMENTAL PROTECTION SOLUTIONS & SAFETY

The Group's work in energy conservation, emission controls and environmental protection solutions have continued to be a major focus in 2021. The Group has already completed the installation of de-nitration ("De-NOx") equipment at all of the Group's plants in China. This equipment reduces nitrogen oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants in China having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation.

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

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2020, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

### OUTLOOK

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 the 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. Against the above background, it is expected that, in relation to the cement industry, the overall market demand and the market prices will remain stable.



## Chairman's Statement

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 adjustments to the 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 carry out 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.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2021. I would also like to thank our shareholders for their continuing support of our Group in the past and into the future.

**Zhang Jimin**

*Chairman*

27 March 2022





# 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.



## Management Discussion and Analysis

### 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 a 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 a capacity utilization rate at approximately 62% (2020: 61%).



## Management Discussion and Analysis

### Xinjiang & Guizhou Provinces

Operations at the Group's plant in Xinjiang Province have been improving in 2021. Sales volume in Xinjiang has 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 a 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 a 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.



## Management Discussion and Analysis

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 mine 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.



## Management Discussion and Analysis

### 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 the 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 adjustments to the 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 carry out 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.



## Management Discussion and Analysis

### 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.



## Management Discussion and Analysis

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 NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans to further implement measures to strengthen environmental management and monitoring during 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.



## Management Discussion and Analysis

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 the 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 29.7% 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 the 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.





# Management Discussion and Analysis

## Other Expenses

Other expenses primarily included the donations and legal and professional fees. 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 fees 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 fees 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 payables 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 12 to the consolidated financial statements above.



## Management Discussion and Analysis

### 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 the 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: RMB2,237.0 million). 70.8% (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 25, 34, 39, 35 and 50 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 RMB4,193.2 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 RMB776.8 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).



## Management Discussion and Analysis

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 EGT 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. Renminbi and Meticais are not freely convertible currencies. Future exchange rates of the Renminbi and Meticais 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 Meticais. The appreciation or depreciation of Renminbi and Meticais against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

### CREDIT RISK MANAGEMENT

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

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

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



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

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.

## BOARD OF DIRECTORS

### Responsibilities of the Board

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

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

## Board Composition

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board, as at 31 December 2021, comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Board members are listed below:

### Executive Directors:

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

### Non-executive Directors:

Mr. Ma Zhaoyang  
Ms. Liu Yan (resigned with effect from 23 July 2021)  
Mr. Shi Guanglei (appointed with effect from 23 July 2021)  
Mr. Fan Changhong

### Independent non-executive Directors:

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

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

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

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

Biographical information of the Directors is set forth on pages 35 to 37 of this annual report.

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



## Corporate Governance Report

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

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

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2021, the roles and duties of the Chairman and the Chief Executive Officer of the Company were carried out by different individuals and had been clearly defined in writing.

During the year ended 31 December 2021, the Chairman of the Board was Mr. Zhang Jimin and the Chief Executive Officer was Dr. Ma Weiping. The positions of Chairman and Chief Executive Officer were held by separate persons in order to preserve independence and a balance of views and judgements. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

### INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

During the year ended 31 December 2021, there were two in-house seminars conducted covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and the Securities and Futures Ordinance ("SFO").



## Corporate Governance Report

Details regarding the trainings attended by the Directors during the year ended 31 December 2021 are as follows:

Directors	External training	In-house training
<b>Executive Directors</b>		
Mr. Zhang Jimin	–	2/2
Dr. Ma Weiping	–	2/2
<b>Non-Executive Directors</b>		
Mr. Ma Zhaoyang	–	2/2
Ms. Liu Yan (resigned on 23 July 2021)	–	1/2
Mr. Shi Guanglei (appointed on 23 July 2021)	–	1/2
Mr. Fan Changhong	–	2/2
<b>Independent Non-Executive Directors</b>		
Mr. Lee Kong Wai Conway	21	2/2
Mr. Tam King Ching Kenny	20	2/2
Mr. Zhu Dong	–	2/2

### DELEGATION BY THE BOARD

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

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

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

### BOARD MEETINGS AND ATTENDANCES

The Board meets regularly in person or by means of electronic communication. During the year ended 31 December 2021, two Board meetings were held. Directors received at least 14 days' prior notice of regular Board meetings and an agenda. For Board meetings scheduled at short notice, Directors are given as much notice as possible in the circumstances.

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

The table below sets out the attendance records of each Director at the Board Meetings and the annual general meeting for the year 2021 ("2021 AGM") during the year ended 31 December 2021:

Directors	Number of Board meetings attended	2021 AGM attended
Mr. Zhang Jimin	3/3	1/1
Dr. Ma Weiping	3/3	1/1
Mr. Ma Zhaoyang	3/3	1/1
Ms. Liu Yan (resigned on 23 July 2021)	2/3	1/1
Mr. Shi Guanglei (appointed on 23 July 2021)	1/3	0/1
Mr. Fan Changhong	3/3	1/1
Mr. Lee Kong Wai Conway	3/3	1/1
Mr. Tam King Ching Kenny	3/3	1/1
Mr. Zhu Dong	3/3	1/1

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2021.



## Corporate Governance Report

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

- making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors, and any questions regarding resignations and dismissals;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing policy on engagement of an external auditor to supply non-audit services;
- identifying and making recommendations on any matters where action or improvement is needed and reporting to the Board on the same;
- monitoring integrity of the Group's financial statements, annual reports and accounts, interim reports and reviewing significant financial reporting judgements contained in them;
- considering any significant or unusual items that are, or may need to be, reflected in the reports or accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- reviewing the Group's financial controls, internal control and risk management systems;
- discussing with the management the internal control system and ensuring that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Group's accounting and financial reporting function;
- considering any major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;
- reviewing and monitoring the effectiveness of the internal audit function;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts, or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- acting as key representative body for overseeing the Company's relations with the external auditors;
- reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- reporting to the Board on the matters in the Code;
- establishing a whistle blowing policy and system for employees and those who deal with the Company to raise concerns, in confidence;
- performing the Company's corporate governance functions, including (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the code and disclosures in the Corporate Governance Report;
- considering any other topics as defined by the Board.



## Corporate Governance Report

The table below sets out the details of Audit Committee meeting attendance of each Director during the year ended 31 December 2021.

Directors	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	3/3
Mr. Tam King Ching Kenny	3/3
Mr. Zhu Dong	3/3

### REMUNERATION COMMITTEE

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

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

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

- assessing performance of executive Directors and approving the terms of service contracts of executive Directors;
- reviewing and making recommendations to the Board about the Group's policy and structure for all remuneration of Directors and senior management;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goal and objectives;

- determining, with delegated responsibility, on the remuneration packages of individual executive directors and senior management, and making recommendation to the Board on the remuneration of non-executive directors;
- reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct; and
- ensuring that no director or any of his associates is involved in deciding his own remuneration.

The table below sets out the details of Remuneration Committee meeting attendance of each Director during the year ended 31 December 2021.

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

### REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in Note 15 to the consolidated financial statements.

### NOMINATION COMMITTEE

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

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





## Corporate Governance Report

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

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

No separate meeting of the Nomination Committee was held during the year ended 31 December 2021 and the members of the Nomination Committee discussed (among others) composition of the board in board meeting during the year.

### INTERNAL CONTROL

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

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

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

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the consolidated financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2021, the Directors have selected appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. The Directors also ensure that the consolidated financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 52 of this annual report.

### EXTERNAL AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Company. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on pages 52 to 56 of this annual report.

The remuneration paid and payable to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2021 is as follows:

	2021 RMB'000
Audit services	3,397
Non-audit services (for review of the unaudited interim results of the Group for the six months ended 30 June 2021)	550
Total	3,947



# Corporate Governance Report

## INVESTOR RELATIONS

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

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

During the year, the executive Directors and investor relations representatives have participated in two full scale Non Deal Roadshows, covering investors in Asia, Europe and the United States, following the release of our 2020 Annual Results and our 2021 Interim Results. In addition, the Company has participated in a number of major investor conferences as well as other communications with investors and market participants.

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

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

## SHAREHOLDER RIGHTS

### Convening an extraordinary general meeting by shareholders

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

- Eligible Shareholders (as defined below) may submit a written requisition (the "Requisition") to the Directors or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in the Requisition. For this purpose, "Eligible Shareholder(s)" means any one or more Shareholders holding at the date of deposit of the Requisition not less than five (5) percent of the paid up capital of the Company carrying the right of voting at general meetings of the Company.
- Eligible Shareholders who wish to convene an extraordinary general meeting must deposit the Requisition signed by the Eligible Shareholder(s) concerned at the registered office of the Company at 13 Castle Street, St. Helier, Jersey JE1 1ES, Channel Islands for the attention of the Company Secretary of the Company.
- The Requisition must state clearly the name(s), the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) concerned must prove his/her/their shareholding in the Company to the satisfaction of the Company.
- The Company will check the Requisition, and the identity and the shareholding of the Shareholder will be verified with the Share Registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to consider convening an extraordinary general meeting within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting.



## Corporate Governance Report

- If within 21 days from the date of deposit of the Requisition the Directors fails to proceed to convene such extraordinary general meeting within 2 months of such date, the Eligible Shareholders(s) concerned, or any of them representing more than one half of the voting rights of all of them, may themselves call for an extraordinary general meeting in accordance with the relevant provisions of the Companies (Jersey) Law 1991 and the memorandum and articles of association of the Company, but such extraordinary general meeting so called shall not be held after 3 months from that date, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.
- At any extraordinary general meeting called pursuant to the Requisition, unless such meeting is called by the Directors, no business other than that stated in the Requisition as the objects of the meeting shall be transacted.

### Making enquiry to the Board

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

## DIVIDEND POLICY

### 1. Introduction

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

### 2. Purpose

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

## 3. Considerations

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

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

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



## Corporate Governance Report

### 4. Review

- 4.1 This Policy reflects the Company's views on the financial and cash-flow position of the Group prevailing at the time of its adoption and shall in no way constitute a legally binding commitment by the Company of its future dividend.
- 4.2 The Board shall review and reassess the Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

### 5. Reporting

- 5.1 The Company shall disclose the decision on whether or not to declare, recommend or pay any dividend, including the rate and amount of the dividend and the expected payment date immediately after the decision from the Board and in its financial statements in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
- 5.2 The Company shall disclose the dividend policy in its Corporate Governance Report incorporated in the annual report as required under Appendix 14 to the Listing Rules.



# Directors and Senior Management

## DIRECTORS

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

### Executive Directors

#### **Mr. Zhang Jimin — Chairman**

Mr. Zhang, aged 67, the founder of the Group, is currently the Chairman and executive Director of the Company. He is responsible mainly for the Group's overall strategic planning and investment decisions. Mr. Zhang is also a director of a number of the Group's subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

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

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

Mr. Zhang also holds several industry associations and political positions. He is the Chairman of the Shaanxi Province Cement Association, an industry association jointly established by The Raw Materials Division of The Industry and Information Technology Department of Shaanxi Province and various cement production enterprises in Shaanxi, holding this position since December 2009. As the Chairman of the Shaanxi Province Cement Association, Mr. Zhang promotes information exchange between cement enterprises in Shaanxi, leading the association to formulate a self-regulatory

regime, maintaining fair market competition, providing technology and human resources and assisting the Shaanxi Government in regulating the cement industry in Shaanxi Province. Mr. Zhang was also a Xi'an City representative of the 11th Standing Committee of the Shaanxi Provincial People's Congress and participated in the plenary sessions of the 11th Standing Committee of the Shaanxi Provincial People's Congress for discussion and approval of various matters in relation to the political and economical development of Shaanxi Province. Mr. Zhang was also the Vice President of the China Cement Association.

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

#### **Dr. Ma Weiping — Chief Executive Officer**

Dr. Ma, aged 60, was appointed as a non-executive Director of the Company in June 2012 and redesignated as an executive Director and chief executive officer of the Company in February 2015. He has over 23 years of management and technical experience in the building materials industry in both the United States of America and China. From 1996 to 2002, Dr. Ma served as a senior process engineer and project manager for Holcim in Michigan, United States. From 2002 to 2005, Dr. Ma served as a vice president of marketing and sales for Lafarge (China) in Beijing and served in a similar position for Lafarge Shuion Cement from 2005 to 2008. From 2008 to 2009, he served as a general manager and vice president for Lafarge A&C in Chongqing. Preceding his appointment as a non-executive Director, from 2009 to June 2012, Dr. Ma was also a chief representative and managing director of Fuping Cement, a company wholly owned by Italcementi Group.

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



## Directors and Senior Management

### Non-executive Directors

#### Mr. Ma Zhaoyang

Mr. Ma, aged 53, was appointed as a non-executive Director of the Company on 29 July, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of the Company and assumes an advisory role with the Company in respect of the overall strategic planning and operation of its business. Mr. Ma has been the chairman and director of International Cement Group Ltd., a company listed on the main board of the Singapore Exchange since November 2015.

#### Mr. Shi Guanglei

Mr. Shi, aged 41, graduated from Henan University of Technology, the PRC, in July 2003, majoring in accounting and finance and obtained a master's degree in business administration from New York Institute of Technology, the United States, in May 2018. Mr. Shi has extensive experience in financial management and risk control. He is currently a director of the secretary office of the board of directors of Anhui Conch Cement Company Limited ("Anhui Conch"), primarily responsible for the management of affairs of the board of directors, investor relations management and equity investment and financing management. Prior to that, from December 2015 to August 2017, Mr. Shi served as a regional member of the Conch Cement Zhejiang Regional Management Committee, mainly responsible for regional financial management and participation in regional operation management. During the same period, he also served as the chief accountant and deputy general manager of Jiande Conch Cement Co., Ltd., primarily responsible for financial management, operation management and public relations work. From July 2013 to December 2015, Mr. Shi worked as an assistant to the head of the finance department of Anhui Conch, mainly responsible for tax management, insurance management, supply and sales financial management and construction asset financial management. From April 2011 to July 2013, he served as the deputy chief accountant of Wuhu Conch Plastic Products Co., Ltd. and from February 2006 to April 2011, he worked in Huaian Conch Cement Co., Ltd. with his last position as the director of the finance department, both mainly responsible for financial management works.

#### Mr. Fan Changhong

Mr. Fan, aged 56, was appointed as a non-executive Director of the Company on 15 July 2019. Mr. Fan graduated from Wuhan University of Technology in 1986 with a bachelor's degree in engineering. Mr. Fan has rich experience in cement production management and external communication. Mr. Fan served as the regional director of Anhui Conch Cement Company Limited ("Conch Cement") (Shanghai area) from May 2013 to April 2019, responsible for market operation and resource co-ordination of Conch Cement in Shanghai, Su-Xi-Chang Area and Nantong. Meanwhile, he also served as the general manager of Shanghai Conch Cement Company Limited and Shanghai Conch Cement Sales Company Limited, responsible for the production and operation management of the two companies. He then also served as the general manager of Conch Mingzhu Cement Company Limited from March 2016 to April 2019, responsible for the production and operation management of the company. Mr. Fan is currently the regional director of Conch Cement (Shaanxi and Gansu area) and the general manager of Pingliang Conch Cement Co., Ltd ("Pingliang Conch"), responsible for the market operation and resource co-ordination of Conch Cement in Shaanxi and Gansu and the production and operation management of Pingliang Conch

### Independent non-executive Directors

#### Mr. Lee Kong Wai Conway

Mr. Lee, aged 67, was appointed as an independent non-executive Director of the Company on 29 July, 2010. Mr. Lee serves as Chairman of the audit committee of the Company, member of the remuneration committee of the Company, and also member of the nomination committee of the Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of the Group and providing independent advice to the Board on various financial and corporate governance matters.

Mr. Lee received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong



## Directors and Senior Management

Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of Chaowei Power Holdings Limited, China Modern Dairy Holdings Limited, Gome Electrical Appliances Holding Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited, WH Group Limited and Guotai Junan Securities Limited, companies listed on the main board of the HKSE, since July 2010, November 2010, March 2011, November 2012, November 2013, August 2014 and April 2017 respectively. He was also an independent non-executive director of China Taiping Insurance Holdings Company Limited, Merry Garden Holdings Limited, Citic Securities Company Limited, Tibet Water Resources Ltd. and China Rundong Auto Group Limited, companies which are listed on the main board of the HKSE, from October 2009 to August 2013, from July 2014 to September 2015, from November 2011 to May 2016, from March 2011 to February 2020 and from August 2014 to December 2020, respectively, and Sino Vanadium Inc., which was listed on TSX Venture Exchange in Canada, between October 2009 and December 2011. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to December 2017.

### Mr. Zhu Dong

Mr. Zhu, aged 60, was appointed as an independent non-executive Director of the Company on 15 July 2019. Mr. Zhu graduated in 1982 from Guangxi University with a bachelor degree in mechanical engineering and he finished a program of Master of Business Administration held by Tsinghua University in 1996. Mr. Zhu has approximately 30 years of experience in capital markets and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. From August 1982 to November 1992, Mr. Zhu worked at various departments in the PRC government. He served as a senior manager at the Peregrine Investment Group from May 1994 to May 1998. He was the managing director at the BMP Paribas Capital (Asia Pacific) Limited from May 1998 to July 2011. From September 2011 to May 2016, he was the managing director of Nomura International (Hong Kong) Limited. Mr. Zhu is currently an independent non-executive director of HPC Holdings Limited, a company listed on the Stock Exchange.

### Mr. Tam King Ching Kenny

Mr. Tam, aged 72, was appointed as an independent non-executive Director of the Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of the Company and also the members of the audit committee and nomination committee of the Company. He is mainly responsible for overseeing the policy and structure of the remuneration for Directors and senior management of the Company. He is also responsible for monitoring the Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

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

## SENIOR MANAGEMENT

### Yaobai Group

#### Ms. Wangrui — Chief Executive Officer

Ms. Wang, aged 44, is the chief executive officer of Yaobai Group and primarily responsible for overseeing the overall operation of Yaobai Group. Ms. Wang obtained an MBA degree from Hong Kong Economy & Trading Management Academy in July 2010. She joined the Group in 1998 and held several positions including office manager, assistant manager, chief administration officer, general manager of materials company, and general manager of sales company, etc. In January 2020, Ms. Wang was appointed as the chief executive officer of the Yaobai Group. She has won several rewards, such as Outstanding Communist Party Member of Ministry of Industry and Information of Shaanxi Province (陝西省工信廳中共優秀共產黨員), and Outstanding Entrepreneur of National Building Material Industry (全國建材行業優秀企業家).



## Directors and Senior Management

### West Holding Group

#### **Mr. Wang Fayin — Chief Executive Officer**

Mr. Wang, aged 50, is the chief executive officer of West Holding Group and primarily responsible for overseeing the overall operation of West Holding Group and supervises the engineering management of the Group. He obtained an associate diploma in electric application technology from Luoyang Institute of Science and Technology (洛陽工業高等專科學院). Mr. Wang joined the Group in May 1996 and held several positions including workshop director, factory manager, director of production technology department, chief of electricity section, regional general manager, etc. Mr. Wang has extensive experience in production technology. He has won several rewards granted by Shaanxi Association for Technological Innovation in Building Material Industry (陝西省建材行業技術創新協會).

### West China Cement Limited

#### **Mr. Chu Yufeng — Chief Financial Officer**

Mr. Chu, aged 44, joined Shaanxi Yaobai, as deputy chief financial officer in July 2012 and he was the deputy administration, finance and control director of Shaanxi Fuping, from November 2010 to June 2012. In 2014, Mr. Chu was appointed as the chief financial officer of Shaanxi Yaobai and he has been responsible for financial management and audit matters of Yaobai Group for over 5 years. In January 2020, Mr. Chu was also appointed as the chief financial officer of the Company. Prior to joining the Group, Mr. Chu was a finance manager in a software company in the PRC from September 2008 to October 2010 and an electric equipment manufacturer in the PRC from November 2007 to August 2008. Mr. Chu received a master degree in business administration from an international business program jointly organised by Maastricht School of Management (MSM) of Netherlands and Independent University of Bangladesh in June 2005. He also graduated with a bachelor's degree in commerce in international accounting from Xi'an JiaoTong University in June 1999. Mr. Chu is a member of the Association of Chartered Certified Accountants.

#### **Mr. Chan King Sau — Financial Controller and Company Secretary**

Mr. Chan, aged 44, joined the Company on 1 June, 2010. Mr. Chan was an assistant financial controller of the Company before being appointed as chief financial officer of the Company. He was also appointed as the company secretary of the Company in June 2012. In January 2020, Mr. Chan was designated as the financial controller of the Company. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.





# Directors' Report

The Directors are pleased to present the annual report of the Company, including the audited consolidated financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are the manufacture and sales of cement and cement products. The activities of the principal subsidiaries are set out on pages 151 to 153 of this annual report. In addition to the principal cement business, one of the subsidiaries of the Company, Guangxin International, was approved by the Ministry of Commerce of the PRC as a licenced lessor and commenced financial leasing business.

## BUSINESS REVIEW

The business review of the Group as at 31 December 2021 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 15 to 25.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2021, these systems were operational at 14 out of 17 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO<sub>2</sub>") emissions by approximately 22,000 tons per million tons of cement production.

The Group completed the installation of De-nitration ("De-NO<sub>x</sub>") equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NO<sub>x</sub>") emissions by approximately 60% per ton of clinker produced, bringing NO<sub>x</sub> emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation in five plants. During the year, eighteen plants were already re-greened as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Moreover, green limestone mine projects, including soil reclamation and mine re-greening, already commenced construction to comply with the environmental policy. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.



# Directors' Report

## MAIN RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cement. It is exposed to a variety of risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the above main risks and measures for risk reduction are set out in the section headed "Management Discussion and Analysis" and Note 51 of the consolidated financial statements below.

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

## RELATIONSHIPS WITH MAJOR STAKEHOLDERS

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

### Employees

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

### Customers

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

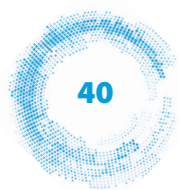
### Suppliers

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

### Regulators

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

During the year ended 31 December 2021, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.



## Directors' Report

### Shareholders

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

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

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).

### TAX RELIEF

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



## Directors' Report

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the movements in reserves on page 161 and the consolidated statement of changes in equity on page 60, respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies (Jersey) Law 1991 as amended (the "Law"), amounted to approximately RMB3,932.2 million.

### CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2021 amounted to RMB6.8 million (2020: RMB24.7 million).

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group, during the year ended 31 December 2021 are set out in Note 17 to the consolidated financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year under review are set forth in Note 42 and Note 47 to the consolidated financial statements, respectively.

### 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.

### PRE-EMPTIVE RIGHTS

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

### EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", as at the end of and during the year ended 31 December 2021, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

### PERMITTED INDEMNITY PROVISION

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



## Directors' Report

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, total sales attributable to the largest customer of the Group was approximately 3.7% of total sales of the Group and total sales attributable to the top five customers of the Group were approximately 13.6% of total sales of the Group.

For the financial year ended 31 December 2021, total purchase attributable to the largest supplier accounted for approximately 16.0% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 28.3% of total purchases of the Group.

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

### DIRECTORS

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

#### Executive Directors

Mr. Zhang Jimin (*Chairman*)

Dr. Ma Weiping (*Chief executive officer*)

#### Non-executive Directors

Mr. Ma Zhaoyang

Ms. Liu Yan (resigned on 23 July 2021)

Mr. Shi Guanglei (appointed on 23 July 2021)

Mr. Fan Changhong

#### Independent non-executive Directors

Mr. Lee Kong Wai Conway

Mr. Tam King Ching Kenny

Mr. Zhu Dong

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

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

### DIRECTORS' AND SENIOR MANAGERMENTS BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set forth on pages 35 to 38 of this annual report.

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

Details of the emoluments of the Directors and the five highest paid individuals of the Company during the year ended 31 December 2021 are set in Note 15 and Note 16 to the consolidated financial statements.



## Directors' Report

### RETIREMENT BENEFIT SCHEMES

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

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in Note 48 to the consolidated financial statements.

### DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

### DIRECTORS' SERVICE CONTRACTS

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

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

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

### MANAGEMENT CONTRACTS

Except for service contracts entered into with the Directors or any person engaged in full-time employment of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

### APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executive's Interests and Short Positions" and the "Share Option Scheme" below, at no time during the year ended 31 December 2021 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



## Directors' Report

### CONNECTED TRANSACTION

The related party transactions set out in Note 49 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under chapter 14A of the Listing Rules.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

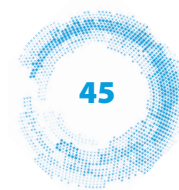
As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### (1) Interests in shares of the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares held as at 31 December 2021 Total (Note 1)</b>	<b>Approximate % of issued share capital of the Company as at 31 December 2021</b>
Zhang Jimin	Interest of a controlled corporation	1,756,469,900 (L) (Note 2)	32.30%
Ma Zhaoyang	Interest of a controlled corporation	221,587,950 (L) (Note 3)	4.07%

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) These shares are held by Asia Gain Investments Limited ("Asia Gain") which is beneficially and wholly-owned by Zhang Jimin.
- (3) These shares are held by Techno Faith Investments Limited ("Techno Faith") and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.



## Directors' Report

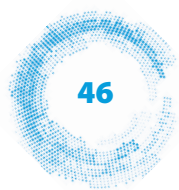
### (2) Interests in underlying shares of the Company - equity derivatives of the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme</b>	<b>Approximate % of issued share capital of the Company as at 31 December 2021</b>
Zhang Jimin	Beneficial owner	8,175,000	0.150%
Ma Weiping	Beneficial owner	9,075,000	0.167%
Ma Zhaoyang	Beneficial owner	1,775,000	0.033%
Lee Kong Wai, Conway	Beneficial owner	1,275,000	0.023%
Tam King Ching, Kenny	Beneficial owner	1,775,000	0.033%

Save as disclosed above, as at 31 December 2021, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the HKSE pursuant to the Model Code.

### DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2021, the Directors were not aware of any business or interest of the Directors or any controlling shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.





## Directors' Report

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

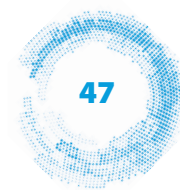
As at 31 December 2021, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Name of shareholder	Capacity	As at 31 December 2021	
		Number of ordinary shares of held (Note 1)	Approximate % of issued share capital of the Company
Asia Gain (Note 2)	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") (Note 3)	Beneficial owner	1,471,789,970 (L)	27.06%
Anhui Conch Cement Co., Ltd. ("Conch Cement") (Note 3)	Interest in a controlled corporation	1,471,789,970 (L)	27.06%
安徽海螺集團有限責任公司 (Note 3)	Interest in a controlled corporation	1,471,789,970 (L)	27.06%
China Conch Venture Holdings Limited ("China Conch") (Note 3)	Interest in a controlled corporation	1,471,789,970 (L)	27.06%
Citigroup Inc.	Beneficial owner	378,453,621 (L) 3,813,946 (S)	6.95% 0.07%
AllianceBernstein L.P	Beneficial owner	271,782,000 (L)	5.00%

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.
- (3) Conch is beneficially and wholly-owned by Conch Cement, which is owned as to 36.78% by 安徽海螺集團有限責任公司. 安徽海螺集團有限責任公司 is indirectly controlled by China Conch.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 31 December 2021 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.



## Directors' Report

### ENFORCEMENT OF THE DEED OF NON-COMPETITION

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

The Company has received from each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited an annual confirmation that it/he/she has complied with its/his/her obligations under the deed of non-competition during the year ended 31 December 2021.

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

### SHARE OPTION SCHEME

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

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

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

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

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

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

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

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.



## Directors' Report

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

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

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

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

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

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

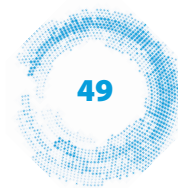
There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

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

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

### 8. The basis of determining the exercise price:

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



## Directors' Report

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

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

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

During the year ended 31 December 2021:

Category and name of participant	Date of grant of share options (Note)	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				Outstanding as at 31 December 2021
				Outstanding as at 1 January 2021	Granted during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Lapsed during the year ended 31 December 2021	
<b>Directors</b>								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,000,000	-	-	-	2,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	2,775,000	-	-	-	2,775,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	3,400,000	-	-	-	3,400,000
Ma Zhaoyang	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	-	-	-	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	-	-	-	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	-	-	-	700,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	-	-	-	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	-	-	-	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	8,000,000	-	-	-	8,000,000
Lee Kong Wai, Conway	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	-	-	-	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	250,000	-	-	-	250,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	-	-	-	700,000
Tam King Ching, Kenny	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	-	-	-	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	-	-	-	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	-	-	-	700,000
<b>Other employees (Group A)</b>	22 March 2013	1.25	22 March 2014 to 21 March 2023	6,750,000	-	-	-	6,750,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	16,625,000	-	-	-	16,625,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,200,000	-	-	-	11,200,000
<b>Other employees (Group B)</b>	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,100,000	-	-	1,100,000	-
Total				57,750,000	-	-	1,100,000	56,650,000

## Directors' Report

### Notes:

1. The closing prices of the shares of the Company on 22 March 2011, 21 March 2013, 21 March 2014 and 10 April 2015, being the dates immediately before the dates on which the share options were granted, were HK\$3.32, HK\$1.25, HK\$0.91 and HK\$1.37 per share, respectively.
2. The vesting of Share Options granted under the Share Option Scheme on each of 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015 is conditional upon the achievement of certain performance targets as set out in the respective offer letters, including among others, achievement of strategic goals and financial and operational performance targets, during the vesting period and the exercise period of the Share Options.

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

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

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2021 and as at the date of this annual report.

## AUDITORS

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

On behalf of the Board of Directors

**Zhang Jimin**

*Chairman*

27 March 2022



# Independent Auditor's Report

# Deloitte.

# 德勤

## TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED

*(incorporated in Jersey with limited liability)*

### OPINION

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 161, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by International Auditing and Assurance Standard Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standard) (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.



# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### Impairment assessment for past due loan receivables

We identified the impairment assessment of the past due loan receivables as a key audit matter due to the significance of the past due loan receivables to the Group's consolidated financial statements and the involvement of significant judgement and management estimates in assessing the expected credit losses ("ECL") of the Group's past due loan receivables at the end of the reporting period.

As disclosed in Note 25 to the consolidated financial statements, as at 31 December 2021, the Group had past due loan receivables of approximately RMB872,012,000 which represented approximately 3.3% of the total assets of the Group.

As detailed in Notes 3 and 4 to the consolidated financial statements, the ECL measurement involves significant management judgement, with the involvement of: (i) the selection of appropriate models and key inputs used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL model.

Our procedures in relation to the impairment assessment of the past due loan receivables included:

- Obtaining an understanding of the Group's key controls on how the management estimates the credit loss allowance for the past due loan receivables;
- Testing the input data of the ECL model on a sample basis to evaluate the completeness and accuracy of the data input as well as testing the calculation of the ECL model;
- Selecting samples to test the reasonableness of future cash flows from borrowers estimated by the Group, including the expected recoverable amounts of collaterals, to assess whether there were material misstatements in the loss allowance; and
- With the support of our internal modelling specialist, reviewing and assessing on the reasonableness of the key parameters and assumptions used in the ECL model adopted by the management, including PD, LGD and forward looking information.



## Independent Auditor's Report

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





## Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



## Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan, Benjie Pak Kin.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 March 2022



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	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	6	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	7	386,608	(152,663)
Impairment losses under expected credit loss model, net of reversal	8	(189,450)	(128,408)
Share of result of an associate		1,904	16,628
Share of result of a joint venture		(190)	–
Interest income	9	169,416	195,762
Finance costs	10	(261,081)	(165,184)
Profit before tax	11	2,083,591	1,847,456
Income tax expense	12	(300,639)	(264,494)
<b>Profit for the year</b>		<b>1,782,952</b>	1,582,962
<b>Other comprehensive income (expense) for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		88,630	(3,552)
<b>Total comprehensive income for the year</b>		<b>1,871,582</b>	1,579,410
Profit for the year attributable to:			
— Owners of the Company		1,585,070	1,560,480
— Non-controlling interests		197,882	22,482
		<b>1,782,952</b>	1,582,962
Total comprehensive income attributable to:			
— Owners of the Company		1,640,021	1,556,928
— Non-controlling interests		231,561	22,482
		<b>1,871,582</b>	1,579,410
Earnings per share	14		
— Basic (RMB)		0.291	0.287
— Diluted (RMB)		0.291	0.287



# Consolidated Statement of Financial Position

AT 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	17	13,884,979	11,161,110
Right-of-use assets	18	823,707	643,185
Mining rights	19	1,117,095	539,903
Other intangible assets	20	232,195	208,186
Interest in an associate	22	–	77,643
Interest in a joint venture	23	9,810	–
Equity investment at fair value through profit or loss (“FVTPL”)	24	162,181	–
Loan receivables	25	323	524,091
Deferred tax assets	26	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	44	404,200	85,200
Deposits paid for acquisition of an associate		164,257	–
Other deposits	28	2,884	23,123
Amount due from a joint venture	30	534,064	–
Investment in entrusted product	31	–	81,855
		<b>17,813,465</b>	13,735,914
<b>Current assets</b>			
Inventories	27	1,111,169	731,434
Trade and other receivables and prepayments	28	2,497,218	1,748,635
Loan receivables	25	1,004,581	1,214,955
Structure deposits	32	–	100,000
Investment in entrusted product	31	81,855	–
Restricted/pledged bank deposits	33	632,348	723,831
Bank balances and cash	33	3,507,715	651,463
		<b>8,834,886</b>	5,170,318
<b>Current liabilities</b>			
Borrowings	34	2,725,704	1,878,894
Medium-term notes	39	524,132	–
Trade and other payables	36	3,788,985	2,721,557
Dividend payable		8,000	8,000
Contract liabilities	37	257,925	260,594
Deferred income	40	320,995	12,961
Income tax payable		108,877	63,698
		<b>7,734,618</b>	4,945,704
<b>Net current assets</b>		<b>1,100,268</b>	224,614
<b>Total assets less current liabilities</b>		<b>18,913,733</b>	13,960,528



# Consolidated Statement of Financial Position

AT 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
<b>Non-current liabilities</b>			
Borrowings	34	<b>1,291,488</b>	600,548
Medium-term notes	39	<b>712,284</b>	1,232,842
Asset retirement obligation	38	<b>337,043</b>	347,413
Deferred tax liabilities	26	<b>83,783</b>	78,701
Deferred income	40	<b>27,771</b>	35,301
Senior notes	35	<b>3,876,911</b>	–
Amount due to a non-controlling shareholder of a subsidiary	41	–	1,138,506
Other long-term payables	41	<b>792,826</b>	–
		<b>7,122,106</b>	3,433,311
<b>Net assets</b>		<b>11,791,627</b>	10,527,217
<b>Capital and reserves</b>			
Share capital	42	<b>141,837</b>	141,837
Share premium and reserves	43	<b>11,171,711</b>	10,188,965
Equity attributable to owners of the Company		<b>11,313,548</b>	10,330,802
Non-controlling interests		<b>478,079</b>	196,415
<b>Total equity</b>		<b>11,791,627</b>	10,527,217

The consolidated financial statements on pages 57 to 161 were approved and authorised for issue by the Board of Directors on 27 March 2022 and are signed on its behalf by:

**ZHANG JIMIN**

DIRECTOR

**MA WEIPING**

DIRECTOR

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Equity reserve	Translation reserve	Share option reserve	Statutory reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000 (Note 43)	RMB'000	RMB'000	RMB'000 (Note 43)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	141,771	2,817,941	(306,006)	-	25,487	1,060,049	5,313,697	9,052,939	172,725	9,225,664
Profit for the year	-	-	-	-	-	-	1,560,480	1,560,480	22,482	1,582,962
Exchange differences on translation of foreign operations	-	-	-	(3,552)	-	-	-	(3,552)	-	(3,552)
Profit and total comprehensive income for the year	-	-	-	(3,552)	-	-	1,560,480	1,556,928	22,482	1,579,410
Transfer to statutory reserve	-	-	-	-	-	160,493	(160,493)	-	-	-
Shares issued for share options exercised (Note 47)	66	5,041	-	-	(1,453)	-	-	3,654	-	3,654
Appropriation of maintenance and production funds (Note)	-	-	-	-	-	56,365	(56,365)	-	-	-
Utilisation of maintenance and production funds (Note)	-	-	-	-	-	(22,758)	22,758	-	-	-
Acquisition of non-controlling interests	-	-	2,093	-	-	-	-	2,093	(16,953)	(14,860)
Deemed contribution from non-controlling interests (Note 43(h))	-	-	53,686	-	-	-	-	53,686	37,924	91,610
Dividends recognised as distribution (Note 13)	-	(338,498)	-	-	-	-	-	(338,498)	-	(338,498)
Dividends recognised as distribution to non-controlling interests	-	-	-	-	-	-	-	-	(19,763)	(19,763)
At 31 December 2020	141,837	2,484,484	(250,227)	(3,552)	24,034	1,254,149	6,680,077	10,330,802	196,415	10,527,217
Profit for the year	-	-	-	-	-	-	<b>1,585,070</b>	<b>1,585,070</b>	<b>197,882</b>	<b>1,782,952</b>
Exchange differences on translation of foreign operations	-	-	-	<b>54,951</b>	-	-	-	<b>54,951</b>	<b>33,679</b>	<b>88,630</b>
Profit and total comprehensive income for the year	-	-	-	<b>54,951</b>	-	-	<b>1,585,070</b>	<b>1,640,021</b>	<b>231,561</b>	<b>1,871,582</b>
Transfer to statutory reserve	-	-	-	-	-	<b>122,020</b>	<b>(122,020)</b>	-	-	-
Share options lapsed (Note 47)	-	-	-	-	<b>(1,310)</b>	-	<b>1,310</b>	-	-	-
Appropriation of maintenance and production funds (Note)	-	-	-	-	-	<b>61,521</b>	<b>(61,521)</b>	-	-	-
Utilisation of maintenance and production funds (Note)	-	-	-	-	-	<b>(25,796)</b>	<b>25,796</b>	-	-	-
Acquisition of a subsidiary (Note 45)	-	-	-	-	-	-	-	-	<b>66,667</b>	<b>66,667</b>
Dividends recognised as distribution (Note 13)	-	<b>(657,275)</b>	-	-	-	-	-	<b>(657,275)</b>	-	<b>(657,275)</b>
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	<b>3,936</b>	<b>3,936</b>
Disposal of a subsidiary	-	-	-	-	-	-	-	-	<b>(12,500)</b>	<b>(12,500)</b>
Dividends recognised as distribution to non-controlling interests	-	-	-	-	-	-	-	-	<b>(8,000)</b>	<b>(8,000)</b>
At 31 December 2021	<b>141,837</b>	<b>1,827,209</b>	<b>(250,227)</b>	<b>51,399</b>	<b>22,724</b>	<b>1,411,894</b>	<b>8,108,712</b>	<b>11,313,548</b>	<b>478,079</b>	<b>11,791,627</b>

Note:

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



# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 RMB'000	2020 RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>2,083,591</b>	1,847,456
Adjustments for:			
Finance costs		<b>261,081</b>	165,184
Interest income		<b>(169,416)</b>	(195,762)
Net foreign exchange (gain) loss		<b>(292,598)</b>	149,725
Depreciation of property, plant and equipment		<b>1,026,560</b>	864,888
Depreciation of right-of-use assets		<b>27,115</b>	14,267
Amortisation of mining rights		<b>27,464</b>	21,159
Amortisation of other intangible assets		<b>3,679</b>	1,469
Loss on disposal of property, plant and equipment		<b>5,758</b>	18,909
Gain on fair value changes of investment in entrusted product		<b>(5,600)</b>	(16,030)
Gain on fair value changes of equity investment at FVTPL		<b>(3,380)</b>	–
Gain on disposal of investments in			
— a subsidiary		<b>218</b>	–
— an associate		<b>(79,254)</b>	–
Impairment loss, net of reversal, under expected credit loss model	8	<b>189,450</b>	128,408
Impairment on mining rights		<b>20,803</b>	–
Impairment on property, plant and equipment		<b>96,346</b>	–
Reversal of write-down of inventories		<b>(1,701)</b>	(18,726)
Share of result of an associate		<b>(1,904)</b>	(16,628)
Share of result of a joint venture		<b>190</b>	–
Government grants released to profit or loss		<b>(14,365)</b>	(13,221)
Operating cash flows before movements in working capital		<b>3,174,037</b>	2,951,098
Increase in inventories		<b>(367,356)</b>	(47,182)
Increase in trade and other receivables and prepayments		<b>(267,342)</b>	(320,992)
(Decrease) increase in trade and other payables		<b>(276,852)</b>	378,127
(Decrease) increase in contract liabilities		<b>(2,669)</b>	34,005
Cash generated from operations		<b>2,259,818</b>	2,995,056
Income tax paid		<b>(300,168)</b>	(312,937)
<b>Net cash from operating activities</b>		<b>1,959,650</b>	2,682,119



# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
<b>INVESTING ACTIVITIES</b>			
Interest received		175,016	195,762
Dividend received from an associate		–	7,254
Purchase of property, plant and equipment		(3,401,472)	(2,675,120)
Purchase of mining rights		(135,826)	(67,880)
Purchase of right-of-use assets		(232,213)	(188,431)
Purchase of other intangible assets		(25,148)	(10,420)
Purchase of structure deposits		–	(100,000)
Proceeds from disposal of property, plant and equipment		63,550	23,120
Proceeds from disposal of structure deposits		100,000	90,000
Proceeds from disposal of entrusted product		–	116,030
Deposit paid for acquisition of a subsidiary		(80,000)	(85,200)
Deposit paid for acquisition of an associate		(164,257)	–
Loans to third parties		(24,400)	(249,770)
Repayments received for loans to third parties		179,534	204,429
Net cash outflow on acquisitions of subsidiaries	44&45	(28,731)	(22,199)
Net cash outflow from disposal of subsidiaries		(5,033)	–
Government grants received for acquisition of property, plant and equipment		2,921	16,300
Government grants received for demolition of property, plant and equipment		502,012	–
Advance to a joint venture		(534,064)	–
Advance to third parties		–	(94,448)
Repayment of advances from third parties		–	92,268
Withdrawal of restricted/pledged bank deposits		836,721	661,782
Placement of restricted/pledged bank deposits		(745,238)	(1,031,465)
<b>Net cash used in investing activities</b>		<b>(3,516,628)</b>	(3,117,988)
<b>FINANCING ACTIVITIES</b>			
New borrowings raised		4,006,856	2,311,972
Repayments of borrowings		(2,453,963)	(2,166,436)
Proceeds from issuance of medium-term notes	39	–	700,000
Medium-term notes issue costs paid	39	–	(2,100)
Proceeds from issuance of senior notes	35	3,834,221	–
Dividends paid to non-controlling shareholders of a subsidiary		(8,000)	(11,763)
Dividends paid		(657,275)	(338,498)
Shares issued for share options exercised		–	3,654
Capital injection by non-controlling interests		3,936	–
Acquisition of non-controlling interests		–	(1,579)
Interest paid		(272,353)	(173,210)
<b>Net cash from financing activities</b>		<b>4,453,422</b>	322,040
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2,896,444</b>	(113,829)
Cash and cash equivalents at 1 January		651,463	779,559
Effect of foreign exchange rate changes		(40,192)	(14,267)
Cash and cash equivalents at 31 December, represented by bank balances and cash		<b>3,507,715</b>	651,463





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL INFORMATION

West China Cement Limited (the “Company”) and its subsidiaries (collectively “the Group”) are principally engaged in the production and sale of cement in western China, the PRC and in Africa.

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

The Company’s ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”).

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

## 2. 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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Cont’d)

### New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	<i>Insurance Contracts and the related Amendments</i> <sup>3</sup>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>3</sup>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> <sup>3</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>3</sup>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>2</sup>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>2</sup>
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018–2020</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Cont’d)

### New and amendments to IFRSs in issue but not yet effective (Cont’d)

#### Amendments to IAS 1 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.

#### 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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Cont’d)

### New and amendments to IFRSs in issue but not yet effective (Cont’d)

#### Amendments to IAS 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.

#### 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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.1 Basis for preparation of consolidated financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

In addition, for financial reporting purposes, fair value measurements are categorised in Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies

#### **Basis of consolidation**

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Basis of consolidation** *(Cont'd)*

##### **Changes in the Group's interests in existing subsidiaries**

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### **Business combinations or asset acquisitions**

##### **Optional concentration test**

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

##### **Asset acquisitions**

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Business combinations or asset acquisitions** *(Cont'd)*

##### **Business combinations**

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Goodwill**

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

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

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

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

#### **Interest in an associate and a joint venture**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Interest in an associate and a joint venture *(Cont'd)***

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is including in the determination of the gain or loss on disposal of the associate.

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

#### **Revenue from contracts with customers**

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

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

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

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

#### **Principal versus agent**

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

#### **Leases**

##### **Definition of a lease**

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Leases** *(Cont'd)*

##### **The Group as a lessee**

###### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

###### *Short-term leases and leases of low-values assets*

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

###### *Right-of-use assets*

The cost of right-of-use assets includes:

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Leases** *(Cont'd)*

##### **The Group as a lessee** *(Cont'd)*

###### *Sale and leaseback transactions*

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to assess whether sale and leaseback transaction constitutes a sale by the Group.

###### *The Group as a buyer-lessor*

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

#### **Foreign currencies**

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Borrowing costs**

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

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

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

#### **Government grants**

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

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

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

#### **Employee benefits**

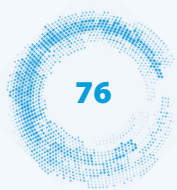
##### **Retirement benefit costs**

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

##### **Short-term employee benefits**

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

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Share-based payments**

##### **Equity-settled share-based payment transactions**

###### *Share options granted to employees*

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

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

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

#### **Taxation**

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

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Taxation** *(Cont'd)*

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

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

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

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

#### **Property, plant and equipment**

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

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

Mining assets include primarily the following:

##### **(a) Stripping costs**

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

##### **(b) Asset retirement obligation**

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

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

#### **Mining rights**

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Intangible assets**

##### ***Intangible assets acquired separately***

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

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

##### ***Intangible assets acquired in a business combination***

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

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

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

*(Cont'd)*

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

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

#### **Provisions**

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Financial instruments**

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

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

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

#### **Financial assets**

##### *Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Financial instruments** *(Cont'd)*

#### **Financial assets** *(Cont'd)*

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivables, other deposits, structured deposits, entrusted product, bank balances and restricted/pledged bank deposits) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Financial instruments** *(Cont'd)*

#### **Financial assets** *(Cont'd)*

#### *Impairment of financial assets (Cont'd)*

(i) Significant increase in credit risk

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

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

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

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Financial instruments** *(Cont'd)*

#### **Financial assets** *(Cont'd)*

#### *Impairment of financial assets (Cont'd)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Financial instruments** *(Cont'd)*

#### **Financial assets** *(Cont'd)*

#### *Impairment of financial assets (Cont'd)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Significant accounting policies *(Cont'd)*

#### **Financial instruments** *(Cont'd)*

##### **Financial assets** *(Cont'd)*

###### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

##### **Financial liabilities and equity instruments**

###### *Classification as debt or equity*

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

###### *Equity instruments*

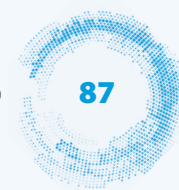
An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

###### *Financial liabilities*

All financial liabilities including borrowings, trade and other payables, amount due to non-controlling shareholder of a subsidiary, dividend payables, other long-term payables, senior notes and medium-term notes are subsequently measured at amortised cost using the effective interest method.

###### *Derecognition of financial liabilities*

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

Details of the impairment assessment of property, plant and equipment is disclosed in Note 17.

### Impairment of financial assets

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

### Trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix. The provision rates are based on debtors' aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Notes 28 and 51, respectively.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### Impairment of financial assets (Cont'd)

#### Loan receivables

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

The information about the Group's loan receivables and the ECL are disclosed in Notes 25 and 51, respectively.

### Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2021, the carrying amounts of goodwill is RMB193,357,000 (2020: RMB193,357,000) as disclosed in Note 21.

### Assets retirement obligation

The estimation of the liabilities for assets retirement obligation involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of retirement obligation to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of retirement activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the assets retirement obligations is RMB337,043,000 (2020: RMB347,413,000) as disclosed in Note 38.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 5. REVENUE AND SEGMENT INFORMATION

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

### 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.

### 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 RMB'000	2020 RMB'000
The PRC	<b>7,520,301</b>	7,101,682
Mozambique	<b>416,288</b>	–
Others	<b>66,202</b>	29,370
	<b>8,002,791</b>	7,131,052

The proportion of the Group's non-current assets (excluding financial instruments and deferred tax assets) by locations is as follows:

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

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### 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

#### (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	7,765,511	482,490	8,248,001	(245,210)	8,002,791
SEGMENT PROFIT	1,859,905	382,171	2,242,076	-	2,242,076
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 costs on senior notes					(30,571)
Unallocated finance costs on bank loans					(19,254)
Profit before tax					2,083,591

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

### Operating Segments *(Cont'd)*

#### (i) Segment revenue and results *(Cont'd)*

For the year ended 31 December 2020

	The PRC RMB'000	Overseas RMB'000	Total RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
<b>SEGMENT REVENUE</b>					
External sales	7,101,682	29,370	7,131,052	-	7,131,052
Inter-segment sales	41,754	-	41,754	(41,754)	-
<b>Total</b>	<b>7,143,436</b>	<b>29,370</b>	<b>7,172,806</b>	<b>(41,754)</b>	<b>7,131,052</b>
<b>SEGMENT PROFIT (LOSS)</b>					
	2,232,481	(174,716)	2,057,765	-	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 costs on bank loans					(56,271)
<b>Profit before tax</b>					<b>1,847,456</b>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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, certain other income, certain other gains or losses, central administrative costs, legal and professional expenses, directors' emoluments and finance costs 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.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Operating Segments (Cont'd)

##### (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	(1,701)	—	(1,701)

##### 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	(18,726)	—	(18,726)



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6. OTHER INCOME

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

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

### 7. OTHER GAINS AND LOSSES, NET

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

*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 Meticais (“MZN”) as well as the exchange differences incurred on intercompany balances between the subsidiaries with different functional currencies.





## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Details of impairment assessment are set out in Note 51.

### 9. INTEREST INCOME

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

### 10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on:		
— bank loans	189,458	143,051
— senior notes	99,671	–
— medium-term notes	90,074	55,544
	<b>379,203</b>	198,595
Less: amount capitalised	<b>(135,018)</b>	(50,489)
	<b>244,185</b>	148,106
Unwinding of discount (Note 38)	<b>16,896</b>	17,078
	<b>261,081</b>	165,184

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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 11. PROFIT BEFORE TAX

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

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

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.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 12. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	266,055	287,115
Withholding tax	67,294	49,836
	<b>333,349</b>	336,951
Under (over) provision in prior years:		
PRC EIT (Note)	11,998	(81,321)
Deferred tax (Note 26):		
Current year	(44,708)	14,010
Attributable to change in tax rate	-	(5,146)
	<b>(44,708)</b>	8,864
Income tax expense	<b>300,639</b>	264,494

Note: Certain of the Group's subsidiaries were subject to PRC EIT at the rate of 25% in 2019. However, these subsidiaries are entitled to enjoy concession rate of 15% in PRC western region upon their 2019 final settlement and payment of PRC EIT with relevant tax authorities and thus resulted in the over provision of PRC EIT during the year ended 31 December 2020.

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

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

The Group's subsidiaries in Mozambique, Mauritius, the Republic of Congo and Ethiopia are subject to profit tax at the rates of 32%, 15%, 30% and 30%, respectively.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

	2021 RMB'000	2020 RMB'000
Profit before tax	2,083,591	1,847,456
Tax at domestic income tax rate of 25% (2020: 25%)	520,897	461,864
Tax effects on:		
Expenses not deductible for tax purpose	25,231	93,930
Income not taxable for tax purpose	(26,987)	(16,327)
Additional tax benefit applicable to the Group (Note a)	(64,105)	(66,160)
Tax holiday and concession rates of group entities (Note b)	(217,727)	(196,170)
Tax effect of share of result of an associate	(476)	(4,157)
Tax effect of share of result of a joint venture	47	–
Change in tax rate for deferred tax assets recognised	–	(5,146)
Tax on interest income on intra-group loans (Note c)	1,133	3,235
Withholding tax on undistributed profits of PRC subsidiaries (Note d)	49,300	81,021
Tax losses not recognised as deferred tax assets	15,771	5,510
Utilisation of tax losses previously not recognised as deferred tax assets	(8,081)	(9,009)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,362)	(2,776)
Under (over) provision in respect of prior years	11,998	(81,321)
Tax expense for the year	300,639	264,494

Notes:

- Pursuant to the relevant tax rules and regulation in the PRC, expenses in research nature are deductible at 75% (2020: 75%) of such expenses incurred additionally. The related tax benefit amounted to RMB64,105,000 (2020: RMB66,160,000) for the year ended 31 December 2021.
- Certain of the Company's subsidiaries are established in areas where preferential tax rates were granted by the local tax authorities:

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2021	2020	
和田堯柏水泥有限公司 Hetian Yaobai Cement Co., Ltd.* ("Hetian Yaobai")	Xinjiang	15%	15%	(i)
和田魯新建材有限公司 Luxin Building Materials Co., Ltd.* ("Luxin")	Xinjiang	15%	15%	(i)
西安藍田堯柏水泥有限公司 Xi'an Lantian Yaobai Cement Co., Ltd.* ("Lantian Yaobai")	Shaanxi	15%	15%	(i)
陝西富平水泥有限公司 Fuping Cement Co., Ltd.* ("Fuping")	Shaanxi	15%	15%	(i)

\* The English name is for identification purpose only



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2021	2020	
陝西實豐水泥股份有限公司 Shifeng Cement Co., Ltd.* ("Shifeng")	Shaanxi	15%	15%	(i)
商洛堯柏龍橋水泥有限公司 Longqiao Yaobai Cement Co., Ltd.* ("Longqiao Yaobai")	Shaanxi	15%	15%	(i)
蒲城堯柏特種水泥有限公司 Pucheng Yaobai Special Cement Co., Ltd.* ("Pucheng Yaobai")	Shaanxi	15%	15%	(i)
西安中港智慧物流有限公司 Xi'an Zhonggang Intelligent Logistics Co., Ltd.* ("Zhonggang Logistics")	Shaanxi	15%	15%	(i)
貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd.* ("Guizhou Linshan")	Guizhou	15%	15%	(i)
西安光信小額貸款有限公司 Xi'an Guangxin Microfinance Co., Ltd.*	Shaanxi	15%	15%	(i)
韓城堯柏陽山莊水泥有限公司 Hancheng Yangshanzhuang Cement Co., Ltd.* ("Hancheng")	Shaanxi	15%	15%	(i)
安康市堯柏水泥有限公司 Ankang Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
漢中堯柏水泥有限公司 Hanzhong Yaobai Cement Co., Ltd.*	Shaanxi	15%	15%	(i)
漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd.* ("Mianxian")	Shaanxi	15%	15%	(i)
漢中西鄉堯柏水泥有限公司 Hanzhong Xixiang Yaobai Cement Co., Ltd.* ("Xixiang")	Shaanxi	15%	15%	(i)
伊犁堯柏水泥有限公司 Yili Yaobai Cement Co., Ltd.* ("Yili Yaobai")	Xinjiang	15%	15%	(i)
銅川藥王山生態水泥有限公司 Tongchuan Yaowangshan Ecological Cement Co., Ltd.* ("Yaowangshan")	Shaanxi	15%	15%	(i)
陝西新意達建材產業發展有限公司 Shaanxi Xinyida Building Materials Industry Development Co., Ltd.* ("Xinyida Jiancai")	Shaanxi	15%	15%	(i)

\* The English name is for identification purpose only



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2021	2020	
陝西新意達恒眾混凝土有限公司 Shaanxi Xinyida Hengzhong Concrete Co., Ltd.* ("Xinyida Hengzhong")	Shaanxi	15%	15%	(i)
銅川堯柏節能環保建材有限公司 Tongchuan Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
韓城市堯柏節能環保建材有限公司 Hancheng Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
安康堯柏節能環保建材有限公司 Ankang Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	15%	(i)
陝西堯柏新材料科技有限公司 Shaanxi Yaobai New Material Technology Co., Ltd.* ("Xincai")	Shaanxi	15%	15%	(i)
銅川中港智慧物流有限公司 Tongchuan Zhonggang Intelligent Logistics Co., Ltd.*	Shaanxi	15%	15%	(i)
光信(伊犁)融資租賃有限公司 Guangxin (Yili) Financial Leasing Co., Ltd.* ("Guangxin Yili")	Xinjiang	0%	0%	(ii)
陝西柏源盛通人力資源有限公司 Baiyuan Shengtong Human Resources Co., Ltd.* ("Shengtong Human Resources")	Shaanxi	25%	20%	(iii)
漢中堯柏節能環保建材有限公司 Hanzhong Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.*	Shaanxi	15%	20%	(i)&(iii)
渭南華源碩混凝土有限公司 Weinan Huayuanshuo Concrete Co., Ltd.*	Shaanxi	20%	20%	(iii)
陝西堯柏節能環保建材有限公司 Shaanxi Yaobai Energy Conservation and Environmental Protection Building Materials Co., Ltd.* ("Yaobai Energy")	Shaanxi	25%	20%	(iii)
銅川柏雲智能數據技術有限公司 Tongchuan Baiyun Intelligent data technology Co., Ltd.*	Shaanxi	20%	20%	(iii)
墨玉堯柏建材有限公司 Moyu Yaobai Building Materials Co., Ltd.* ("Moyu Jiancai")	Xinjiang	12.5%	0%	(iv)

\* The English name is for identification purpose only



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Notes: (Cont'd)

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

Entities	Place of establishment	Tax rate for the year ended 31 December		Tax benefit
		2021	2020	
和田堯柏建材有限公司 Hetian Yaobai Building Materials Co., Ltd.* ("Hetian Jiancai")	Xinjiang	0%	0%	(iv)
陝西豐盛德遠實業有限公司 Shaanxi Fengshengdeyuan Industrial Co., Ltd.* ("Shaanxi Fengsheng")	Shaanxi	15%	15%	(v)
西安柏雲智能數據技術有限公司 Baiyun Intelligent Data Technology Co., Ltd.* ("Baiyun")	Shaanxi	15%	15%	(v)
商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd.* ("Xiushan Yaobai")	Shaanxi	15%	15%	(v)
銅川堯柏特種水泥有限公司 Tongchuan Yaobai Cement Co., Ltd.* ("Tongchuan Yaobai")	Shaanxi	15%	25%	(i)
安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co. Ltd.* ("Jianghua")	Shaanxi	15%	25%	(i)
陝西柏安外加劑有限公司 Shaanxi Baian Admixture Co., Ltd.* ("Baian")	Shaanxi	15%	25%	(i)
墨玉堯柏水泥有限公司 Moyu Yaobai Cement Co., Ltd.* ("Moyu Yaobai")	Shaanxi	0%	25%	(iv)

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

In addition, according to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) issued on 23 April 2020, companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The above group entities which located in western region and are engaged in the encouraged business are entitled to continue to enjoy the preferential EIT rate of 15% for the year ended 31 December 2021.

During the year ended 31 December 2021, the Group's subsidiaries, Tongchuan Yaobai, Jinghua and Baian are located in western region and is engaged in the business encouraged by the PRC government and is thus entitled to enjoy the above concession rate of 15%.

\* The English name is for identification purpose only

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Notes: (Cont'd)

- b. Certain of the Company's subsidiaries are established in areas where preferential tax rates were granted by the local tax authorities: (Cont'd)
- (ii) Five-year tax holidays with 0% tax rate starting from year 2018.
  - (iii) Concession rate of 20% were granted to the small and micro enterprises. Apart from the concessional tax rate, additional tax benefits were granted to these entities for the first RMB3,000,000 taxable income as below:

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

During the year ended 31 December 2021, Shengtong Human Resources and Yaobai Energy no longer qualified as small and micro enterprise and hence they are subject to tax rate of 25% for the year ended 31 December 2021.

- (iv) Tax incentive of “兩免三減半” was granted to these subsidiaries. The Group's subsidiaries, Moyu Jiancai, Hetian Jiancai and Moyu Yaobai are entitled to the tax incentive starting from year 2019, 2020 and 2021, respectively.
  - (v) Three-year tax holidays with 15% tax rate granted to high-tech enterprises from 2020.
- c. Interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and the PRC.
- d. Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 5% under the PRC Enterprise Income Tax Law.

## 13. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020: special dividend of HK\$4.1 cents (equivalent to RMB3.4 cents) (2019: Nil) per share	<b>186,228</b>	–
2020 Final: HK\$10.4 cents (equivalent to RMB8.6 cents) (2019 Final: HK\$6.9 cents (equivalent RMB6.3 cents)) per share	<b>471,047</b>	338,498
	<b>657,275</b>	338,498

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK\$10.7 cents (equivalent to RMB8.7 cents) (2020: HK\$10.4 cents, equivalent RMB8.6 cents) per ordinary share, in an aggregate amount of RMB475,521,000 (2020: RMB471,047,000) and no special dividend (2020: HK\$4.1 cents, equivalent to RMB3.4 cents, in an aggregate amount of RMB186,228,000) per ordinary share have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 14. EARNINGS PER SHARE

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

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

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.

## 15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2021	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Share-based payments RMB'000	Total RMB'000
<b>Executive directors</b>						
Zhang Jimin	-	1,500	2,300	-	-	3,800
Ma Weiping (Chief Executive)	-	2,018	1,667	13	-	3,698
<b>Non-executive directors</b>						
Ma Zhaoyang	331	-	-	-	-	331
Liu Yan (resigned on 23 July 2021)	185	-	-	-	-	185
Fan Changhong	331	-	-	-	-	331
Shi Guanglei (appointed on 23 July 2021)	146	-	-	-	-	146
<b>Independent non-executive directors</b>						
Lee Kong Wai Conway	331	-	-	-	-	331
Zhu Dong	331	-	-	-	-	331
Tam King Ching Kenny	331	-	-	-	-	331
	<b>1,986</b>	<b>3,518</b>	<b>3,967</b>	<b>13</b>	<b>-</b>	<b>9,484</b>

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2020	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Share-based payments RMB'000	Total RMB'000
<b>Executive directors</b>						
Zhang Jimin	–	1,500	2,300	–	–	3,800
Ma Weiping (Chief Executive)	–	2,012	1,667	3	–	3,682
<b>Non-executive directors</b>						
Ma Zhaoyang	347	–	–	–	–	347
Liu Yan (resigned on 23 July 2021)	347	–	–	–	–	347
Fan Changhong	347	–	–	–	–	347
<b>Independent non-executive directors</b>						
Lee Kong Wai Conway	347	–	–	–	–	347
Zhu Dong	347	–	–	–	–	347
Tam King Ching Kenny	347	–	–	–	–	347
	2,082	3,512	3,967	3	–	9,564

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

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

During the year, no emolument was paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2020: nil).

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: nil).



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include two directors (2020: two) of whose remuneration are set out in Note 15 above. The remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Salaries and allowances	<b>3,843</b>	4,955
Performance related bonus	<b>1,224</b>	–
Retirement benefits	<b>92</b>	8
	<b>5,159</b>	4,963

The above employees' emoluments were within the following bands:

	<b>Number of employees</b>	
	<b>2021</b>	2020
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	3
HK\$2,000,001 to HK\$2,500,000	<b>2</b>	–

During the year, no emolument was paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2020: nil).



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>							
At 1 January 2020	3,974,692	277,289	289,224	6,751,316	1,416,530	1,020,665	13,729,716
Exchange realignment	–	(1,060)	(746)	(1,424)	–	(256,871)	(260,101)
Additions	14,489	61,947	101,545	70,705	23,114	2,648,615	2,920,415
Acquisition of a subsidiary (Note 45)	–	–	–	–	–	93,987	93,987
Assets injection by non-controlling interests	–	–	–	–	–	1,520,381	1,520,381
Transfers	290,634	10,753	199,988	346,839	114,612	(962,826)	–
Disposals	(23,423)	(9,211)	(7,222)	(143,939)	–	–	(183,795)
At 31 December 2020	4,256,392	339,718	582,789	7,023,497	1,554,256	4,063,951	17,820,603
Exchange realignment	51,414	4,421	4,398	92,004	17	114,101	266,355
Additions	42,806	55,088	23,452	312,902	3,563	3,044,473	3,482,284
Acquisition of a subsidiary (Notes 44 & 45)	130,141	1,023	2,812	63,563	–	76,033	273,572
Transfers	2,632,028	53,023	71,942	2,952,473	103,558	(5,813,024)	–
Disposals/written off	(232,344)	(10,337)	(7,919)	(180,274)	(19,349)	–	(450,223)
At 31 December 2021	<b>6,880,437</b>	<b>442,936</b>	<b>677,474</b>	<b>10,264,165</b>	<b>1,642,045</b>	<b>1,485,534</b>	<b>21,392,591</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
At 1 January 2020	1,443,521	59,399	255,349	3,753,549	424,553	–	5,936,371
Depreciation charge	186,965	49,543	38,363	499,667	90,350	–	864,888
Eliminated on disposals	(11,703)	(6,021)	(6,030)	(118,012)	–	–	(141,766)
At 31 December 2020	1,618,783	102,921	287,682	4,135,204	514,903	–	6,659,493
Depreciation charge	325,441	73,938	23,162	536,340	67,679	–	1,026,560
Impairment loss in profit or loss	–	–	–	–	96,346	–	96,346
Eliminated on disposals/written off	(116,158)	(7,906)	(5,035)	(145,242)	(3,234)	–	(277,575)
Exchange realignment	–	175	143	2,470	–	–	2,788
At 31 December 2021	<b>1,828,066</b>	<b>169,128</b>	<b>305,952</b>	<b>4,528,772</b>	<b>675,694</b>	<b>–</b>	<b>7,507,612</b>
<b>CARRYING VALUES</b>							
At 31 December 2021	<b>5,052,371</b>	<b>273,808</b>	<b>371,522</b>	<b>5,735,393</b>	<b>966,351</b>	<b>1,485,534</b>	<b>13,884,979</b>
At 31 December 2020	2,637,609	236,797	295,107	2,888,293	1,039,353	4,063,951	11,161,110



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Details of property, plant and equipment pledged are set out in Note 50.

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

<b>Category of property, plant and equipment</b>	<b>Useful life</b>
Buildings	20 to 50 years
Motor vehicles	4 to 8 years
Electronic and other equipment	3 to 5 years
Machinery	10 to 12 years

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

### Impairment assessment

During the year ended 31 December 2021, owing to the replacement of production capacity, the Group ceased operation of certain of its production lines. The management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment with carrying amount of RMB348,462,000 (2020: Nil).

The recoverable amounts of the owned properties, plant and equipment have been determined based on their fair value less costs of disposal. The Group uses direct comparison to estimate the fair value less costs of disposal of the assets which is based on the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, plant and equipment. The fair value measurement is categorised into Level 3 fair value hierarchy. The relevant assets were impaired to their recoverable amount of RMB252,116,000 (2020: Nil), which is their carrying values at year end and the impairment of RMB96,346,000 (2020: Nil) has been recognised in profit or loss within the relevant functions to which these assets relate during the year.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 18. RIGHT-OF-USE ASSETS

	<b>Leasehold land</b>	
	RMB'000	
<b>As at 31 December 2021</b>		
Carrying amount		823,707
<b>As at 31 December 2020</b>		
Carrying amount		643,185
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Depreciation charge	<b>27,115</b>	14,267
Total cash outflow for leases	<b>232,213</b>	188,431
Additions to right-of-use assets ( <i>Note</i> )	<b>268,547</b>	188,431

Note: Amount includes right-of-use assets from new leases entered and business combination.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB6,289,000 (2020: RMB177,852,000) in which the Group is in the process of obtaining. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights. Details of right-of-use assets pledged are set out in Note 50.

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



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 19. MINING RIGHTS

	RMB'000
<hr/>	
COST	
At 1 January 2020	659,813
<hr/>	
Addition	18,710
At 31 December 2020	678,523
Addition	442,328
Acquisition of a subsidiary (Note 45)	183,131
Written off	(34,128)
<hr/>	
At 31 December 2021	1,269,854
<hr/>	
AMORTISATION AND IMPAIRMENT	
At 1 January 2020	117,461
Charge for the year	21,159
<hr/>	
At 31 December 2020	138,620
Charge for the year	27,464
Impairment loss (Note)	20,803
Written off	(34,128)
<hr/>	
At 31 December 2021	152,759
<hr/>	
CARRYING AMOUNT	
At 31 December 2021	1,117,095
<hr/>	
At 31 December 2020	539,903
<hr/>	

Note: During the year ended 31 December 2021, pursuant to a government notice from Department of Emergency Management of Shaanxi Province, in order to protect the ecological environment of Qingling mountains, the Group is required to close its mine located in Lantian, Shaanxi, the PRC. Accordingly, an impairment loss of RMB20,803,000 in respect of such mining right was recognised in the current year.

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

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



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 20. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Emission rights RMB'000	Total RMB'000
<b>COST</b>					
At 1 January 2020	193,357	20,610	8,011	–	221,978
Addition	–	–	8,537	1,883	10,420
At 31 December 2020	193,357	20,610	16,548	1,883	232,398
Addition	–	–	25,148	–	25,148
Acquisition of a subsidiary (Note 44)	–	–	23	2,517	2,540
At 31 December 2021	193,357	20,610	41,719	4,400	260,086
<b>ACCUMULATED AMORTISATION</b>					
At 1 January 2020	–	20,610	2,133	–	22,743
Charge for the year	–	–	1,462	7	1,469
At 31 December 2020	–	20,610	3,595	7	24,212
Charge for the year	–	–	3,586	93	3,679
At 31 December 2021	–	20,610	7,181	100	27,891
<b>CARRYING AMOUNT</b>					
At 31 December 2021	193,357	–	34,538	4,300	232,195
At 31 December 2020	193,357	–	12,953	1,876	208,186

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

Computer software	5 years
Emission rights	20 years





## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 21. IMPAIRMENT TESTING ON GOODWILL

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

	2021 RMB'000	2020 RMB'000
Cement plant — Xiushan Yaobai	45,274	45,274
Cement plant — Luxin	49,133	49,133
Cement plant — Shifeng	55,872	55,872
Cement plant — Fuping	7,258	7,258
Cement plant — Yaowangshan	29,613	29,613
Commercial mixed station — Shaanxi Fengsheng	6,207	6,207
	<b>193,357</b>	193,357

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The terminal growth of 2.6% (2020: 2.6%) and pre-tax discount rate of 15% (2020: 15%) were applied, which is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. According to the result of the analysis, the management did not identify an impairment for the above CGUs to which the goodwill are allocated during the years ended 31 December 2021 and 2020. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the above CGUs to exceed the recoverable amounts of respective CGUs.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 22. INTEREST IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Unlisted equity investment, at cost	-	31,425
Share of post-acquisition profits and other comprehensive income, net of dividends received	-	46,218
	-	77,643

During the current year, the Group entered into a sale agreement to dispose of its 100% equity interest in West Environment Technology Holdings Limited ("WETH"). WETH acts as an investment holding entity and does not have any operation except for holding 20% interests in Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental"). The disposal is made to a directly wholly-owned subsidiary of China Conch Ventures Holdings Limited ("China Conch") in which China Conch is a substantial shareholder of the Company with its shares listed on the Main Board of SEHK. Before the disposal, the investment in Yaobai Environmental was previously accounted for as an investment in an associate using the equity method of accounting. The Group received 5,206,349 shares issued by China Conch Ventures in return. The Group intended to hold the investment in the long run and the investment is hence classified as a non-current asset. This transaction has resulted in the Group recognising a gain on disposal of RMB79,254,000 in profit or loss, calculated at the follows:

	RMB'000
Consideration received, representing by the fair value of the shares transferred	158,801
Less: carrying amount of Yaobai Environmental at the date of disposal	(79,547)
	79,254

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

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2021	2020	2021	2020	
Yaobai Environmental	China	Shaanxi	N/A	20%	N/A	20%	Treatment of dangerous and hazardous waste



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Summarised financial information of Yaobai Environmental

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

	2020 RMB'000
Current assets	150,096
Non-current assets	321,346
Current liabilities	84,894
Revenue	170,086
Profit and total comprehensive income for the year	83,142
Dividends receivable from the associate during the year	19,254

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

	2020 RMB'000
Net assets of Yaobai Environmental	386,548
Proportion of the Group's ownership interest in Yaobai Environmental	20%
The Group's share of net assets of Yaobai Environmental	77,310
Others	333
Carrying amount of the Group's interest in Yaobai Environmental	77,643



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 23. INTEREST IN A JOINT VENTURE

During the current year, the Group established a subsidiary, Ankang Baicheng Real Estate Co., Ltd.\* ("Baicheng Real Estate") 安康市柏城置業有限公司 with registered share capital of RMB20,000,000. Subsequently, the Group entered into a sale agreement to dispose of its 50% equity interest in Baicheng Real Estate with an independent third party with a cash consideration of RMB10,000,000. After the disposal, Baicheng Real Estate becomes the joint venture of the Group.

	<b>2021</b> <b>RMB'000</b>
Unlisted equity investment, at cost	<b>10,000</b>
Share of post-acquisition loss and other comprehensive expense, net of dividends received	<b>(190)</b>
	<b>9,810</b>

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

Name of Entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
			2021	2020	2021	2020	
Baicheng Real Estate	The PRC	Shaanxi	<b>50%</b>	N/A	<b>50%</b>	N/A	Real estate development and operation

#### Summarised financial information of Baicheng Real Estate

Summarised financial information in respect of Baicheng Real Estate is set out below. The summarised financial information below represents amounts shown in Baicheng Real Estate's financial statements prepared in accordance with IFRSs.

	<b>2021</b> <b>RMB'000</b>
Current assets	<b>561,363</b>
Non-current assets	<b>398</b>
Current liabilities	<b>542,141</b>
Revenue	-
Loss and total comprehensive expense for the year	<b>(379)</b>

\* The English name is for identification purpose only



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 23. INTEREST IN A JOINT VENTURE (Cont'd)

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

	<b>2021</b> <b>RMB'000</b>
Net assets of Baicheng Real Estate	<b>19,620</b>
Proportion of the Group's ownership interest	<b>50%</b>
Carrying amount of the Group's interest	<b>9,810</b>

### 24. EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Listed:		
— Equity securities	<b>162,181</b>	—

The above listed equity investments represent ordinary shares of China Conch listed in SEHK. Details of the transactions is set out in Note 22.

### 25. LOAN RECEIVABLES

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 25. LOAN RECEIVABLES (Cont'd)

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.

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

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

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. Details of impairment assessment are set out in Note 51.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. DEFERRED TAX

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

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Deferred tax assets	<b>92,463</b>	42,673
Deferred tax liabilities	<b>(83,783)</b>	(78,701)
	<b>8,680</b>	(36,028)

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

	<b>Allowance for doubtful debts and accruals</b> RMB'000	<b>Other long-term payables and deferred income</b> RMB'000	<b>Tax losses</b> RMB'000	<b>Assets booked at fair value on acquisition</b> RMB'000	<b>Withholding tax on undistributed profits of PRC subsidiaries</b> RMB'000	<b>Total</b> RMB'000
At 1 January 2020	36,737	9,114	291	(53,306)	(20,000)	(27,164)
Credited (charged) to profit or loss	12,793	363	(282)	4,301	(31,185)	(14,010)
Effect of change in tax rate	(5,058)	(1,864)	–	12,068	–	5,146
At 31 December 2020	44,472	7,613	9	(36,937)	(51,185)	(36,028)
Credited (charged) to profit or loss	26,437	(95,545)	92,712	3,110	17,994	44,708
At 31 December 2021	70,909	(87,932)	92,721	(33,827)	(33,191)	8,680

At the end of the reporting period, the Group had unused tax losses of RMB441,615,000 (2020: RMB40,006,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB370,884,000 (2020: RMB36,000) of such losses.

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. DEFERRED TAX (Cont'd)

No deferred tax have been recognised in respect of the tax losses of RMB70,731,000 (2020: RMB39,970,000) due to unpredictability of future profit streams. The unused tax losses not recognised will be expired in the following year ending 31 December:

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
2024	–	17,931
2025	<b>7,646</b>	22,039
2026	<b>63,085</b>	–
	<b>70,731</b>	39,970

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2021, the Group recognised deferred taxation in respect of withholding tax of RMB33,191,000 (2020: RMB51,185,000) for undistributed earnings of certain PRC subsidiaries.

As at 31 December 2021, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB5,483,808,000 (2020: RMB4,840,264,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### 27. INVENTORIES

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Raw materials and consumables	<b>571,326</b>	362,860
Work in progress	<b>316,261</b>	226,127
Finished goods	<b>223,582</b>	142,447
	<b>1,111,169</b>	731,434





## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 28. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Details of trade receivables pledged are set out in Note 50.

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.

\* The English name is for identification purpose only



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 28. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

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.

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

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 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.

Details of impairment assessment of trade and other receivables are set out in Note 51.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 29. TRANSFER OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 December 2021 and 2020 that were transferred to suppliers by endorsing the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2021 RMB'000	2020 RMB'000
Carrying amount of transferred assets	310,030	493,764
Carrying amount of associated liabilities	310,030	493,764
Net position	-	-

### 30. AMOUNT DUE FROM A JOINT VENTURE

Amount represents advance made to the joint venture to finance for its real estate project. The advance is unsecured and bears interest rate of 7% per annum. The Group did not specify the repayment date for the advance but is expecting the joint venture to repay upon its completion and sold out of the real estate unit, which is expected to be more than 12 months from the date of statement of financial position.

### 31. INVESTMENT IN ENTRUSTED PRODUCT

Balance as of RMB81,855,000 as at 31 December 2021 (2020: RMB81,855,000) represents an investment in entrusted product named "國民信託穩鑫1號" which is classified as financial assets at FVTPL.

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

As at 31 December 2021, the entrusted product is due within one year and thus reclassified as current assets.

### 32. STRUCTURE DEPOSITS

During the year ended 31 December 2020, the Group invested RMB100,000,000 in structure deposits product of "芙蓉景程\*月月得益4號" issued by the Bank of Chengdu, with a contractual term of 35 days. The investment scope covers the purchase of central bank bills, treasury bonds, financial bonds, short-term financing bonds, medium-term bills, corporate bonds and other types of standardised financial products listed and traded in the inter-bank market etc.. The return of the financial asset is based on the performance of the underlying investment scope. The financial product was mature and redeemed in 2021.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. BANK BALANCES AND CASH/RESTRICTED/PLEGDED BANK DEPOSITS

	2021 RMB'000	2020 RMB'000
Restricted/pledged bank deposits		
— denominated in RMB	<b>632,348</b>	723,831
Bank balances and cash		
— denominated in RMB	<b>854,235</b>	490,763
— denominated in US\$	<b>2,379,453</b>	133,083
— denominated in other currencies	<b>274,027</b>	27,617
	<b>3,507,715</b>	651,463

Bank balances and restricted/pledged bank deposits carry interest at market rates of 0.30% to 3.20% (2020: 0.30% to 2.75%) per annum.

Restricted/pledged bank deposits represent bank deposits of RMB153,487,000, RMB408,861,000 and RMB70,000,000 (2020: RMB158,397,000, RMB328,434,000 and RMB237,000,000) set aside as securities deposits for projects bidding, bills payable and bank loans (Note 50), respectively. The Group used the trade facilities in projects bidding process which were required by contractors.

### 34. BORROWINGS

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

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.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 34. BORROWINGS (Cont'd)

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

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

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	<b>0.75% to 8.00%</b>	0.70% to 8.00%
Variable rate borrowings	<b>4.65% to 6.48%</b>	4.65% to 6.83%

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.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 50.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 35. 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 SEHK 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.

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.

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



## Notes to the Consolidated Financial Statements

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### 36. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	1,805,500	1,715,273
Bill payables	178,000	121,500
	<b>1,983,500</b>	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 (Note)	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 (Note 41)	249,179	137,854
	<b>3,788,985</b>	2,721,557

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 (Note 45).

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 RMB'000	2020 RMB'000
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	19,645	11,506
	<b>1,805,500</b>	1,715,273



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 37. CONTRACT LIABILITIES

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>257,925</b>	260,594

As at 1 January 2020, contract liabilities amounted to RMB226,589,000.

Contract liabilities at the end of the reporting period represent the advances from customers in respect of cement sales contracts. Approximately RMB243,525,000 of contract liabilities brought forward from prior year had been recognised during the year ended 31 December 2021 (2020: RMB204,973,000).

## 38. ASSET RETIREMENT OBLIGATION

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
At 1 January	<b>347,413</b>	336,398
Addition	<b>1,566</b>	20,297
Unwinding of discount	<b>16,896</b>	17,078
Utilisation of provision	<b>(28,832)</b>	(26,360)
At 31 December	<b>337,043</b>	347,413

During the year ended 31 December 2021, the Group recognised assets retirement obligation of RMB1,566,000 (2020: RMB20,297,000) relating to the acquired mining rights as disclosed in Note 19.

## 39. 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.





## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 39. MEDIUM-TERM NOTES (Cont'd)

	2021 RMB'000	2020 RMB'000
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)
Carrying amount at 31 December	1,236,416	1,232,842
Analysed as:		
Current liabilities	524,132	–
Non-current liabilities	712,284	1,232,842

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.

### 40. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants relating to:		
— acquisition of property, plant and equipment (Note a)	36,818	48,262
— demolition of property, plant and equipment (Note b)	311,948	–
	348,766	48,262
Less: amounts expected to be recognised within one year	(320,995)	(12,961)
	27,771	35,301

Notes:

- (a) The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 5 to 12 years. RMB14,365,000 (2020: RMB13,221,000) was released to profit or loss and recorded in other income in the current reporting period.
- (b) During the year ended 31 December 2021, owing to the need of better urban reservation, one of the Group's subsidiaries had been approached by the government to close its existing manufacturing plant located in the city. The subsidiary received approximately RMB502,012,000 from the local government in return for the demolition work as well as the compensation for its loss incurred. As at period end date, the subsidiary was in the process of demolition. During the current year, approximately RMB190,064,000 of government grant has been recognised to offset the respect demolition costs and its related loss incurred. The balance represented the grant that was yet to recognise as at 31 December 2021. The demolition is expected to complete by 2022.



# Notes to the Consolidated Financial Statements

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## 41. OTHER LONG-TERM PAYABLES/AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	2021 RMB'000	2020 RMB'000
Payable related to Dugongo (defined below) (Note a)	736,777	1,138,506
Payable for mining rights (Note b)	305,228	137,854
	<b>1,042,005</b>	1,276,360
Less: current portion (Note 36)	<b>(249,179)</b>	(137,854)
	<b>792,826</b>	1,138,506

Notes:

- (a) As of 31 December 2020, the Group recorded RMB1,138,506,000 payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party with repayment periods from 2022 to 2026. The payable is non-secured and bears interest of 6.42% per annum.
- (b) According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041 using a discount rate of 4.65% per annum.

## 42. SHARE CAPITAL

	Share capital		
	Number of shares '000	GBP'000	Shown in the consolidated financial statements RMB'000
<i>Ordinary shares of 0.002 Great Britain Pound ("GBP") each</i>			
<b>Authorised:</b>			
At 1 January 2020, 31 December 2020 and 2021	10,000,000	20,000	
<b>Issued and fully paid:</b>			
At 1 January 2020, 31 December 2020 and 2021	5,438,883	10,876	141,837



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 43. RESERVES

### Equity reserve

Equity reserve comprises:

- (a) On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was debited to equity reserve.
- (b) On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was credited directly to equity reserve.
- (c) On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of 安康堯柏江華水泥有限公司 Ankang Yaobai Jianghua Cement Co., Ltd.\* ("Jianghua Yaobai") to acquire the remaining 20% equity interests in Jianghua Yaobai from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was credited directly to equity reserve.
- (d) On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was debited directly to equity reserve.
- (e) On 9 February 2018, the Group entered an agreement with the non-controlling shareholders of 陝西建達信工程有限公司 Jiandaxin Engineering Inspection Company\* ("Jiandaxin") to acquire the remaining 55% equity interests in Jiandaxin from the non-controlling shareholders. The difference amounted to RMB138,000 between the consideration paid of RMB1,088,000 and the non-controlling interest decreased of RMB950,000 was debited directly to equity reserve.
- (f) On 5 August 2020, the Group signed an agreement with the non-controlling shareholder of Xinyida Hengzhong to acquire 9.6% equity interests in Xinyida Hengzhong from the non-controlling shareholder. The difference amounted to RMB3,651,000 between the consideration of RMB3,360,000 and the non-controlling interest decreased of RMB7,011,000 was debited directly to equity reserve.
- (g) On 21 November 2020, the Group entered into an agreement with the non-controlling shareholder of 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited\* ("Baihong Ouli") to acquire the remaining 20% equity interests in Baihong Ouli from the non-controlling shareholder. The difference amounted to RMB1,558,000 between the consideration of RMB11,500,000 and the non-controlling interest increased of RMB9,942,000 was credited directly to equity reserve.

\* The English name is for identification purpose only



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 43. RESERVES (Cont'd)

### Equity reserve (Cont'd)

Equity reserve comprises: (Cont'd)

- (h) During the year ended 31 December 2020, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo. These assets, with original carrying amount of approximately US\$201,804,000 (equivalent to RMB1,428,771,000), was revalued at approximately of US\$214,758,000 (equivalent to RMB1,520,381,000) at the time of injection. Dugongo was liable to take up the respective payable of approximately US\$201,804,000 (equivalent to RMB1,428,771,000) as a result of such injection. The difference of RMB89,477,000 (after deducting the capital contribution of RMB2,133,000 by the non-controlling shareholder) was deemed as the contribution from the non-controlling shareholder. Amount of RMB53,686,000 was directly credited to the equity reserve which represents the portion attributed to the Group as a result of such injection.

### Statutory reserve

In accordance with relevant rules and regulations in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to appropriate 10% of the profit after tax determined under the accounting principles and financial regulations applicable in the PRC to the statutory reserve until the balances reach 50% of their respective registered capital. The reserve can be used to offset losses incurred or to increase their respective paid-in capital. Except for offset of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital.

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

## 44. ACQUISITION OF A SUBSIDIARY AND DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

### Acquisition of a subsidiary

On 16 June 2021, the Group signed a sales and purchase agreement with an independent third party to acquire 100% equity interests in Shangnan hucaoping Mining Development Co., Ltd.\* ("Hucaoping") 商南葫草坪礦業開發有限公司 with a cash consideration of RMB10,000,000. Hucaoping is principally engaged in the mining and sales of vanadium mines which is used vanadium steel, and is widely used in different industries such as vehicles, railways, vessels, etc.

\* The English name is for identification purpose only



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 44. ACQUISITION OF A SUBSIDIARY AND DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

(Cont'd)

Acquisition of a subsidiary (Cont'd)

#### Fair value of assets and liabilities recognised at the date of acquisition

	RMB'000
<i>Assets</i>	
Other receivables and prepayments	8,274
Inventories	10,834
Property, plant and equipment	271,653
Right-of-use assets	3,841
Other intangible assets	2,540
Other current assets	12,262
Bank balances and cash	456
<i>Liabilities</i>	
Other payables	(64,860)
Borrowings	(235,000)
Net assets	10,000

Other receivables acquired with gross contractual amounts of RMB8,274,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

Acquisition-related costs are immaterial and are recognised as administrative expenses when they are incurred.

No goodwill arose from the acquisition of Hucaoping.

#### Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	10,000
Less: bank balances and cash acquired	(456)
	9,544

#### Impact of acquisition on the results of the Group

As at the date of acquisition and the reporting period end, Hucaoping has still not yet commenced operations and no material impact on the results is identified has the acquisition been effected at the beginning of the current period.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 44. ACQUISITION OF A SUBSIDIARY AND DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

(Cont'd)

### Deposits paid for acquisition of subsidiaries

Balances as at 31 December 2021 and 2020 represent the deposits paid for the acquisition of subsidiaries. As at 31 December 2021, the Group paid total deposit of RMB404,200,000 to the existing shareholder of Kangding Paomashan (as defined in Note 28) for the acquisition of Kangding Paomashan. The directors of the Company is of the opinion that such acquisition is expected to complete in 2022.

## 45. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

### For the year ended 31 December 2021

On 8 September 2021, the Group acquired 60% interest in Shaanxi Jinping Mining Co., Ltd.\* ("Shaanxi Jinping") 陝西金平礦業有限公司 for a cash consideration of RMB100,000,000. Shaanxi Jinping is principally engaged in the exploitation and sales of mines in Shaanxi Province.

The Group elected to apply optional concentration test in according with IFRS 3 *Business Combination* and concluded the mining rights and it related fixed assets are considered as a single identifiable asset. Subsequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets and goodwill resulting from the effects of deferred tax liabilities) acquired is concentrated in the single identifiable asset concluded that the acquired set of activities and assets is not a business.

### Consideration transferred

	RMB'000
Cash consideration	
— paid in prior year	20,000
— paid in the current year	20,000
Consideration payable at the end of reporting period	60,000
	100,000

\* The English name is for identification purpose only



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 45. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(Cont'd)

For the year ended 31 December 2021 (Cont'd)

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

	RMB'000
<i>Assets</i>	
Other receivables	83
Other current assets	7,271
Bank balances and cash	813
Property, plant and equipment	1,919
Mining rights	183,131
<i>Liabilities</i>	
Trade and other payables	(26,550)
Net assets acquired	166,667
Net assets acquired attributable to:	
— owners of the Company	100,000
— non-controlling interests	66,667

**Net cash outflow arising on acquisition of Shaanxi Jinping**

	RMB'000
Consideration paid in cash	20,000
Less: bank balances and cash acquired	(813)
	19,187



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 45. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(Cont'd)

### For the year ended 31 December 2020

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

#### Consideration transferred

	RMB'000
Cash	43,000

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

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

#### Net cash outflow arising on acquisition of Hongxing Glass

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





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 46. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>1,416,412</b>	1,942,054

## 47. SHARE-BASED PAYMENTS

The Company's current share option scheme was adopted pursuant to a resolution of board of directors passed on 31 March 2010 for the primary purpose of providing incentives to directors and eligible employees through the subscription of the Company's shares, and will expire 10 years after the date of grant ("Post-IPO Share Option Scheme").

The total number of shares in respect of options may be granted under the Post-IPO Share Option Scheme is not permitted to exceed 10% of the issued share capital of the Company as at 23 August 2010, which aggregated at 411,533,185 shares, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer, upon payment of HK\$1 per grant. Options may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000 ("First Issuance"), 34,000,000 ("Second Issuance"), 52,100,000 ("Third Issuance") and 29,100,000 options ("Forth Issuance"), respectively, to directors, senior management and staff, and the estimated fair value of the four option issuances using the Black-Scholes option pricing model was approximately HK\$1.04, HK\$0.58, HK\$0.41 and HK\$0.56 at the respective grant date.

The share options granted are exercisable within a period of 10 years after the corresponding vesting periods (4 years) succeeding the specific grant date of each individual tranche under a particular issuance, subject to the fulfilment of certain non-market performance condition, for example, the share options of a specific tranche would vest if the growth in profit after tax of the Group during the year ending on the vesting date (Year 1) equal or exceed 15% as compared to the previous financial year (Year 0). In the event when the growth is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound growth in profit after tax of the Group in the following financial year (Year 2) equal or exceed 15% as compared to that of Year 0. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options of the said tranche will not vest.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 47. SHARE-BASED PAYMENTS (Cont'd)

#### Fair value of the share options

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate excluding non-market performance condition. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2021 and 2020:

#### Year ended 31 December 2021

	Date of grant	Weighted average remaining contractual life	Exercise period of tranches under the issuance	Exercise price	Number of options ('000)				
					Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2021
First Issuance	23 March 2011	Expired	23 March 2012 to 22 March 2021	HK\$3.41	1,100	-	-	1,100	-
Second Issuance	22 March 2013	1 years 3 months	22 March 2014 to 21 March 2023	HK\$1.25	10,050	-	-	-	10,050
Third Issuance	24 March 2014	2 years 3 months	24 March 2015 to 23 March 2024	HK\$0.91	21,900	-	-	-	21,900
Forth Issuance	13 April 2015	3 years 3 months	13 April 2016 to 12 April 2025	HK\$1.45	24,700	-	-	-	24,700
					57,750	-	-	1,100	56,650
<b>Exercisable at the end of the year</b>									<b>56,650</b>
<b>Weighted average exercise price</b>									<b>HK\$1.21</b>



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 47. SHARE-BASED PAYMENTS (Cont'd)

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

#### Year ended 31 December 2020

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

No share options were exercised during the year ended 31 December 2021.

During the year ended 31 December 2020, 350,000 share options were exercised at the exercise price of HK\$1.45 per share or approximately RMB1.22 per share at the weighted average exchange rate or HK\$1: RMB0.84, 2,175,000 share options were exercised at the exercise price of HK\$0.91 per share or approximately RMB0.77 per share at the weighted average exchange rate of HK\$1: RMB0.84 and 1,225,000 share options were exercised at the exercise price of HK\$1.25, or approximate RMB1.05 per share at weighted average exchange rate of HK\$1: RMB0.84.

During the years ended 31 December 2021, 1,100,000 share options were expired (2020: Nil).



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 48. RETIREMENT BENEFITS PLANS

The Group participate in the MPF Scheme for its employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The MPF Scheme now requires the Group and its employees in Hong Kong to contribute 5% of the employees' monthly salary to the MPF Scheme subject to a monthly salary cap of HK\$30,000.

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The subsidiary is required to contribute 20% of payroll costs to the retirement scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The total expense recognised in the profit or loss of RMB54,497,000 (2020: RMB4,646,000) represents contributions paid or payable under the retirement benefit scheme.

## 49. RELATED PARTY DISCLOSURES

The Group has paid or payable to the key management for employee services. The key management includes directors (executive and non-executive) of the Company and senior management of the Group.

### Key management compensation

	2021 RMB'000	2020 RMB'000
Salaries and other short-term employee benefits	15,633	15,686
Post-employment benefits	138	26
	15,771	15,712

## 50. 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 RMB'000	2020 RMB'000
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
	4,028,363	3,491,152



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS

### a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (borrowings, medium-term notes and senior notes as detailed in Notes 34, 39 and 35, respectively, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity).

The directors of the Company review the capital structure on a semi-annual basis. In order to maintain or adjust the capital structure, the Group will balance its overall capital structure through adjusting the payment of dividends paid to shareholders, issuance of new shares or issue of new debt or the redemption of existing debt.

### b. Categories of financial instruments

	2021 RMB'000	2020 RMB'000
<b>Financial assets</b>		
— Loans and receivables at amortised cost (including cash and cash equivalents)	7,523,882	4,555,918
— Equity investment at FVTPL	162,181	—
— Investment in entrusted products	81,855	81,855
— Structure deposits	—	100,000
<b>Financial liabilities</b>		
— Amortised cost	13,436,947	7,380,912

### c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, entrusted products, structure deposits, restricted/pledged bank deposits, bank balances and cash, equity instrument at FVTPL, trade and other payables, amount due to non-controlling shareholder of subsidiaries, other long-term payables, borrowings, senior notes and medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risk.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

#### Market risks (Cont'd)

##### (i) Foreign currency risk

The Group undertakes transactions, mainly the issuance of senior notes, borrowings and new shares, denominated in foreign currencies other than the functional currency of RMB. Hence, exposures to exchange rate fluctuations arise.

The Group does not use derivative financial instruments to hedge its foreign currency risk. However, the Group monitors foreign currency exposure and will consider hedging significant exposure should the need arise. The carrying amounts of Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The US\$	3,876,911	406,777	2,379,453	133,083
Euros ("EUR")	147,694	–	149,319	475
The Central African CFA franc ("XAF")	196,088	107,065	6,184	15,506
	4,220,693	513,842	2,534,956	149,064
Other foreign currency (including HK\$, MZN, ETB ("Ethiopian Birr"), and Singapore Dollar, etc.)	–	–	118,523	11,636

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

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% (2020: 5%) which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against the relevant foreign currencies, there will be a decrease in post-tax profit for the year of RMB63,215,000 (2020: RMB13,679,000) and there would be an equal but opposite impact on the profit or loss for the year for a 5% strengthen of RMB against relevant foreign currencies.

##### (ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to loan receivables, restricted/pledged deposits, fixed-rate borrowings, medium-term notes and senior notes (as detailed in Notes 25, 33, 34, 39 and 35, respectively).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (as detailed in Note 34) and bank balances (Note 33).

The Group does not have formal policies on managing interest rate risk. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure for variable-rate borrowings at the end of each reporting period. For variable-rate borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would be decreased/increased by approximately RMB4,406,000 (2020: RMB2,957,000).



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

#### Market risks (Cont'd)

##### (iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. The Group currently do not have any policy to manage the risk as the management is of the opinion that the equity price risk is insignificant to the Group.

#### Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to its trade and other receivables, loan receivables, bank balances, and restricted/pledged bank deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for loan receivables. The credit risks associated with loan receivables is mitigated because they are secured by assets collateralised by the third parties as disclosed in Note 25.

#### Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has formulated a defined trade credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from customers. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually for significant balances and insignificant balances with specific risks, and based on provision matrix for the remaining trade receivables as stated below.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of cement sales customers and independent third parties.

The Group measures ECL allowance for most of its trade receivables using a provision matrix by debtors' aging because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2021 and 2020 within lifetime ECL. Debtors with significant outstanding balances with gross carrying amounts of RMB158,582,000 (2020: RMB47,841,000) as at 31 December 2021 were assessed individually.

#### As at 31 December 2021

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.6%	434,629
1 to 90 days past due	1.9%	148,595
91 to 360 days past due	15.7%	229,935
Over 360 days past due	46.0%	183,284
		996,443

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

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

#### Trade receivables arising from contracts with customers (Cont'd)

#### As at 31 December 2020

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

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort, such as economic data and forecasts published by governmental bodies and industrial information published by relevant institutions. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered.

During the year ended 31 December 2021, the Group provided RMB66,063,000 (2020: RMB40,106,000) as an additional impairment allowance for trade receivables based on the provision matrix.

The Group's trade receivables backed by bills represent the bills issued by banks and trust company with high credit ratings and therefore are considered to be low credit risk. During the years ended 31 December 2021 and 2020, the directors of the Company consider that ECL on trade receivables backed by bills was insignificant.

#### Loan receivables

Credit risk of loan receivables is monitored by the dedicated credit risk department of the Group responsible for the review and managing of credit risk for all corporate loan borrowers. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Group to define the terms of the loans as well as assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Group monitors credit risk of loan receivables regularly by reviewing changes in creditworthiness of the loan borrowers, past collection history, subsequent settlement of each loan borrower, and also relevant collaterals and guarantees as well as forward-looking information, in order to mitigate the risk of significant exposure from bad debts.

Credit risk is often greater when the loan borrowers are concentrated in one single industry or geographical location or have comparable economic characteristics. The loan borrowers of the Group are located in different provinces of the PRC and are from different industries. As the loan borrowers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group's loan receivables.

The Group considers a loan receivable in default and therefore as loss in internal credit rating (credit-impaired) for ECL calculations in all cases when there is evidence indicating the asset is credit-impaired. As part of a qualitative creditworthiness assessment of whether a loan borrower is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the loan borrower as in default and therefore assessed as Loss for ECL calculations or whether other internal credit rating is appropriate.





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

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

##### Bank balances and cash, and restricted/pledged bank deposits

The credit risks on bank balances and cash, and restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

##### Other receivables

Other receivables that is measured at amortised cost were considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL. The management make periodic individual assessment on the recoverability based historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

##### Amount due from a joint venture

Amount due from a joint venture was considered of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL. The management make periodic individual assessment on the recoverability based on quantitative and qualitative information that is reasonable and supportive forward-looking information.

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

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

The tables detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount		2020 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets at amortised cost</b>								
— Loan receivables	25	N/A	Low risk	12m ECL	136,327	-	830,030	-
			Doubtful	Lifetime ECL – not credit-impaired	826,794	-	967,140	-
			Loss	Lifetime ECL – credit-impaired	241,559	1,204,680	53,193	1,850,363
— Trade receivables backed by bills	28	N/A	(note 2)	12m ECL	489,119	489,119	539,557	539,557
— Trade receivables	28	N/A	(note 3)	Lifetime ECL (provision matrix)	993,433	-	727,748	-
			Watch list	Lifetime ECL (significant balances, individually assessed)	158,582	-	47,841	-
			Loss	credit-impaired	3,010	1,155,025	3,404	778,993
— Other receivables	28	N/A	(note 1)	12m ECL	367,083	367,083	177,713	177,713
— Dividend receivables	28	N/A	(note 1)	12m ECL	-	-	12,000	12,000
— Amount due from a joint venture	30	N/A	(note 1)	12m ECL	534,064	534,064	-	-
— Bank balances	33	AA+	N/A	12m ECL	3,503,836	3,503,836	647,820	647,820
— Restricted/pledged bank deposits	33	AA+	N/A	12m ECL	632,348	632,348	723,831	723,831



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

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

Notes:

1. Apart from trade receivables, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due RMB'000	Total RMB'000
<b>2021</b>			
Other receivables	-	<b>367,083</b>	<b>367,083</b>
Amount due from a joint venture	-	<b>534,064</b>	<b>534,064</b>
<b>2020</b>			
Other receivables	-	177,713	177,713
Dividend receivables	-	12,000	12,000

2. The Group set different categories for customers settling with bills according to the internal credit rating assessment. The Group does not accept bills from customers with lower credit ratings.
3. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2020	14,208	6,898	21,106
Changes due to financial instruments recognised as at 1 January 2020:			
— Transfer to credit-impaired	(542)	542	-
— Impairment losses recognised	11,589	191	11,780
— Impairment losses reversed	(5,206)	(4,227)	(9,433)
New financial assets originated or purchased	38,823	-	38,823
As at 31 December 2020	58,872	3,404	62,276
Changes due to financial instruments recognised as at 1 January 2021:			
— Impairment losses recognised	65,874	-	65,874
— Impairment losses reversed	(1,098)	(394)	(1,492)
— Write-offs	(1,300)	-	(1,300)
New financial assets originated or purchased	37,294	-	37,294
As at 31 December 2021	159,642	3,010	162,652

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	2021		2020	
	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000	Increase/(decrease) in lifetime ECL (not credit-impaired) RMB'000	(credit-impaired) RMB'000
Trade debtors with gross carrying amount of RMB264,057,000 recognised at 1 January 2021 (2020: RMB109,336,000)	65,874	-	11,589	191
One trade debtor with a gross carrying amount of Nil (2020: RMB3,404,000) defaulted and transferred to credit-impaired	-	-	(542)	542
Settlement in full of trade debtors with a gross carrying amount of RMB514,936,000 (2020: RMB234,934,000)	(1,098)	(394)	(5,206)	(4,227)
New trade receivables with gross carrying amount of RMB890,968,000 (2020: RMB669,657,000)	37,294	-	38,823	-

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

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	17,687	-	7,709	25,396
Changes due to financial instruments recognised as at 1 January 2020:				
— Transfer to credit-impaired	(176)	-	176	-
— Transfer to lifetime ECL	(10,790)	10,790	-	-
— Impairment losses recognised	5,441	43,238	36,206	84,885
— Impairment losses reversed	(1,876)	(129)	(6)	(2,011)
New financial assets originated or purchased	3,047	-	-	3,047
As at 31 December 2020	13,333	53,899	44,085	111,317
Changes due to financial instruments recognised as at 1 January 2021:				
— Transfer to credit-impaired	(481)	(2,971)	3,452	-
— Transfer to lifetime ECL	(900)	900	-	-
— Impairment losses recognised	1,291	34,377	63,400	99,068
— Impairment losses reversed	(10,935)	(1,396)	(655)	(12,986)
New financial assets originated or purchased	1,128	1,249	-	2,377
As at 31 December 2021	3,436	86,058	110,282	199,776

The average loss rate of loan receivables for the year is 16.6 % (2020: 6.0%).



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

	31 December 2021		
	Increase (decrease) in 12m ECL RMB'000	Increase (decrease) in lifetime ECL	
		Not credit- impaired RMB'000	Credit- impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB24,400,000 (2020: RMB249,770,000)	1,128	1,249	–
Settlement in full of loan receivables with a gross carrying amount of RMB670,084,000 (2020: RMB204,430,000)	(10,935)	(1,396)	(655)
Past due loan receivables with a gross carrying amount of RMB1,068,353,000 (2020: RMB1,119,329,000)	(90)	32,306	66,852
	<b>(9,897)</b>	<b>32,159</b>	<b>66,197</b>

	31 December 2020		
	Increase (decrease) in 12m ECL RMB'000	Increase (decrease) in lifetime ECL	
		Not credit- impaired RMB'000	Credit- impaired RMB'000
Advance of new loan receivables with a gross carrying amount of RMB249,770,000 (2019: RMB463,600,000)	3,047	–	–
Settlement in full of loan receivables with a gross carrying amount of RMB204,430,000 (2019: RMB367,763,000)	(1,876)	(129)	(6)
Past due loan receivables with a gross carrying amount of RMB1,119,329,000 (2019: RMB236,193,000)	(5,525)	54,028	36,382
	<b>(4,354)</b>	<b>53,899</b>	<b>36,376</b>

During the year ended 31 December 2021, the Group reversed an impairment loss previously recognised for other receivables of RMB685,000 (2020: recognised loss allowance of RMB1,317,000) and the Group did not write off any other receivables during the year (2020: write off other receivables of RMB3,000). The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

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

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the Group regularly monitors its operating cash flows to meet its liquidity requirements in short and long term. The Group also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At 31 December 2021</b>							
Trade and other payables	-	3,505,602	-	-	-	3,505,602	3,505,602
Other long-term payables	4.65-6.42%	-	281,057	330,183	324,121	935,361	792,826
Borrowings							
— variable rates	5.33%	346,719	71,136	480,593	493,428	1,391,876	1,175,000
— fixed rates	4.35%	2,484,058	102,179	189,174	227,646	3,003,057	2,842,192
Dividend payables	-	8,000	-	-	-	8,000	8,000
Senior notes	4.95%	189,359	189,358	4,113,867	-	4,492,584	3,876,911
Medium-term notes (including related interest)	7.25%	567,750	736,750	-	-	1,304,500	1,236,416
		<b>7,101,488</b>	<b>1,380,480</b>	<b>5,113,817</b>	<b>1,045,195</b>	<b>14,640,980</b>	<b>13,436,947</b>

	Weighted average interest rate %	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At 31 December 2020</b>							
Trade and other payables	-	2,522,122	-	-	-	2,522,122	2,522,122
Amount due to non-controlling shareholder of a subsidiary	-	-	1,138,506	-	-	1,138,506	1,138,506
Borrowings							
— variable rates	4.91%	326,057	523,933	-	-	849,990	788,483
— fixed rates	4.04%	1,590,654	8,483	25,449	135,474	1,760,060	1,690,959
Dividend payables	-	8,000	-	-	-	8,000	8,000
Medium-term notes (including related interest)	7.25%	127,833	567,750	736,750	-	1,432,333	1,232,842
		<b>4,574,666</b>	<b>2,238,672</b>	<b>762,199</b>	<b>135,474</b>	<b>7,711,011</b>	<b>7,380,912</b>



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 51. FINANCIAL INSTRUMENTS (Cont'd)

### d. Fair values of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purpose.

In estimating the fair value, the Group used market-observable data to the extent that is available. For instruments with unobservable inputs under Level 3, the management is of the opinion that these unobservable inputs are not significant to the Group.

#### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

Name	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)
	31/12/2021 RMB'000	31/12/2020 RMB'000		
Equity investment at FVTPL	162,181	–	Level 1	Quoted bid price in an active market
Investment in entrusted product	81,855	81,855	Level 2	Based on the net asset values of the trust, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.
Structure deposits	–	100,000	Level 3 (Note)	Discounted cash flow. Future cash flow are estimated based on the net asset values of the investment portfolios and market interest rates of the portfolios

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

#### Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of the financial assets and liabilities recorded at amortised cost are determined in accordance with the generally accepted pricing model based on discounted cash flows.

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Borrowings</b>	<b>Senior Notes</b>	<b>Medium-term Notes</b>	<b>Dividend payables</b>	<b>Interest payables</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note)	RMB'000
<b>At 1 January 2020</b>	2,315,589	–	521,098	–	12,382	2,849,069
Financing cash flows	21,598	–	660,400	(350,261)	(11,772)	319,965
Non-cash financing activities:						
Interest expenses	143,051	–	55,544	–	–	198,595
Foreign exchange gain	(39,783)	–	–	–	–	(39,783)
Dividends declared	–	–	–	338,498	–	338,498
Dividend declared to a non-controlling shareholder	–	–	–	19,763	–	19,763
Acquisition of a subsidiary	38,987	–	–	–	–	38,987
Accrued transaction cost	–	–	(4,200)	–	–	(4,200)
<b>At 31 December 2020</b>	2,479,442	–	1,232,842	8,000	610	3,720,894
Financing cash flows	1,363,435	3,834,221	(86,500)	(665,275)	3,605	4,449,486
Non-cash financing activities:						
Interest expenses	189,458	99,671	90,074	–	–	379,203
Foreign exchange gain	(15,143)	(56,981)	–	–	–	(72,124)
Dividends declared	–	–	–	657,275	–	657,275
Dividend declared to a non-controlling shareholder	–	–	–	8,000	–	8,000
<b>At 31 December 2021</b>	4,017,192	3,876,911	1,236,416	8,000	4,215	9,142,734

Note: Interest payables are included in trade and other payables (Note 36).





# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2021	2020	
<b>Directly held</b>						
West China BVI	Ordinary	British Virgin Islands	HK\$7,800	100%	100%	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Ordinary	Hong Kong	HK\$100	100%	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,890,000,000	100%	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Ankang Yaobai Cement Co., Ltd.* 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	100%	100%	Production and sale of cement
Hanzhong Yaobai Cement Co., Ltd.* 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	100%	100%	Production and sale of cement
Mianxian 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	100%	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd.* 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	100%	100%	Purchase and sale of raw materials
Xixiang 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	100%	100%	Production and sale of cement
Longqiao Yaobai 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	100%	100%	Production and sale of cement
Xiushan Yaobai 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	100%	100%	Production and sale of cement
Jianghua Yaobai 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2021	2020	
Hancheng Yaobai Yangshanzhuang Cement Co., Ltd.* ("Hancheng Yaobai") 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	80%	80%	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Production and sale of cement
Hetian Yaobai 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	100%	100%	Production and sale of cement
Shifeng 寶豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Fuping 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	100%	100%	Production and sale of cement
Guizhou Linshan 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	100%	100%	Production and sale of cement
Yili Yaobai 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB100,000,000	100%	100%	Production and sale of cement
Yaowangshan 銅川藥王山生態水泥有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	100%	100%	Production and sale of cement
Guangxin International Financial Leasing Co., Ltd.* ("Guangxin International") 光信國際融資租賃有限公司	Ordinary	Shaanxi, PRC	RMB420,000,000	100%	100%	Finance lease business



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiaries	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
				2021	2020	
Guangxin Yili 光信(伊犁)融資租賃有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	100%	100%	Finance lease business
Zhonggang Logistics 西安中港智慧物流有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	100%	100%	Transportation
Pucheng Yaobai 蒲城堯柏特種水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	100%	100%	Production and sale of cement
Shaanxi Fuda Mining Engineering Co., Ltd.* 陝西富達礦山工程有限公司	Ordinary	Shaanxi, PRC	RMB40,000,000	100%	100%	Production and sale of cement
Shaanxi Fengsheng 陝西豐盛德遠實業有限公司	Ordinary	Shaanxi, PRC	RMB50,000,000	55%	55%	Production and sale of cement
West International Holding Limited 西部國際控股有限公司	Ordinary	Hong Kong	HK\$100	100%	100%	Investment holding
Xinyida Jiancai 陝西新意達建材產業發展有限公司	Ordinary	Shaanxi, PRC	RMB81,951,600	60%	60%	Sale of cement and related material
Dugongo	Ordinary	Moçambique	MZN 100,000	60%	60%	Production and sale of cement and related material
Hongxing Glass	Ordinary	Republic of Congo	XAF100,000,000	100%	100%	Production and sale of glass
Hucaoping	Ordinary	Shaanxi, PRC	RMB11,960,766	100%	N/A	Exploitation and sales of mines
Shaanxi Jinping	Ordinary	Shaanxi, PRC	RMB5,000,000	60%	N/A	Exploitation and sales of mines

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

- (a) Except for West China BVI, Faithful Alliance, Dugongo and Hongxing Glass, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.
- (b) Other than Shaanxi Yaobai and Fuping which are wholly-owned foreign enterprises held directly by Faithful Alliance and Guangxin Yili, which is sino-foreign owned by Faithful Alliance and Guangxin International, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

### Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit and total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
				RMB'000	RMB'000	RMB'000	RMB'000
Hancheng Yaobai	Shaanxi, PRC	20%	20%	8,897	16,169	52,385	51,488
Dugongo	Moçambique	40%	40%	208,479	18	210,597	2,118
Xinyida Hengzhong	Shaanxi, PRC	52%	52%	5,002	17,322	61,349	56,347
Shaanxi Fengsheng	Shaanxi, PRC	45%	45%	3,833	12,959	43,006	39,173
Individually immaterial subsidiaries with non-controlling interests						110,742	47,289
Total						478,079	196,415

### Hancheng Yaobai

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

	2021 RMB'000	2020 RMB'000
Current assets	123,937	89,585
Non-current assets	239,084	221,164
Current liabilities	101,095	52,807
Non-current liabilities	–	500
Equity attributable to owners of the Company	209,541	205,954
Non-controlling interests	52,385	51,488



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

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

#### Hancheng Yaobai (Cont'd)

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Revenue	<b>325,988</b>	358,714
Expenses	<b>(281,501)</b>	(277,868)
Profit for the year	<b>44,487</b>	80,846
Profit attributable to owners of the Company	<b>35,590</b>	64,677
Profit attributable to non-controlling interests	<b>8,897</b>	16,169
Dividends paid to non-controlling interests of Hancheng Yaobai	<b>8,000</b>	16,000
Net cash inflow from operating activities	<b>84,789</b>	98,707
Net cash outflow from investing activities	<b>(76,023)</b>	(101,652)
Net cash outflow from financing activities	<b>(8,000)</b>	(2,000)
Net cash inflow (outflow)	<b>766</b>	(4,945)



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

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

#### Dugongo

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Current assets	<b>281,639</b>	59,807
Non-current assets	<b>2,794,489</b>	1,935,466
Current liabilities	<b>1,619,450</b>	507,207
Non-current liabilities	<b>930,189</b>	1,482,771
Equity attributable to owners of the Company	<b>315,892</b>	3,177
Non-controlling interests	<b>210,597</b>	2,118



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

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

#### Dugongo (Cont'd)

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Revenue	<b>394,082</b>	46
Expenses	<b>42,916</b>	–
Profit attributable to owners of the Company	<b>262,199</b>	28
Profit attributable to non-controlling interests	<b>174,799</b>	18
Profit for the year	<b>436,998</b>	46
Other comprehensive income attributable to the Company	<b>50,519</b>	–
Other comprehensive income attributable to non-controlling interests	<b>33,680</b>	–
Other comprehensive income for the year	<b>84,199</b>	–
Total comprehensive income attributable to owners of the Company	<b>312,718</b>	28
Total comprehensive income attributable to non-controlling interests	<b>208,479</b>	18
Total comprehensive income	<b>521,197</b>	46
Net cash inflow (outflow) from operating activities	<b>114,756</b>	(22,274)
Net cash (outflow) inflow from investing activities	<b>(71,046)</b>	20,076
Net cash inflow from financing activities	<b>7,407</b>	5,154
Net cash inflow	<b>51,117</b>	2,956



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

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

#### Xinyida Hengzhong

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

	2021 RMB'000	2020 RMB'000
Current assets	181,970	167,153
Non-current assets	13,854	17,194
Current liabilities	78,387	76,485
Equity attributable to owners of the Company	56,088	51,515
Non-controlling interests	61,349	56,347
	2021 RMB'000	2020 RMB'000
Revenue	140,740	209,160
Expenses	(131,164)	(176,002)
Profit for the year	9,576	33,158
Profit attributable to owners of the Company	4,574	15,836
Profit attributable to non-controlling interests	5,002	17,322
Dividends paid to non-controlling interests of Xinyida Hengzhong	-	3,763
Net cash inflow from operating activities	233	3,994
Net cash outflow from investing activities	(1,011)	(1,895)
Net cash outflow from financing activities	-	-
Net cash (outflow) inflow	(778)	2,099





## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

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

#### Shaanxi Fengsheng

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

	2021 RMB'000	2020 RMB'000
Current assets	183,956	123,513
Non-current assets	21,537	23,303
Current liabilities	109,924	59,764
Equity attributable to owners of the Company	52,563	47,879
Non-controlling interests	43,006	39,173
	2021 RMB'000	2020 RMB'000
Revenue	147,894	171,230
Expenses	(139,376)	(142,433)
Profit for the year	8,518	28,797
Profit attributable to owners of the Company	4,685	15,838
Profit attributable to non-controlling interests	3,833	12,959
Dividends paid to non-controlling interests of Shaanxi Fengsheng	-	3,763
Net cash (outflow) inflow from operating activities	(264)	5,962
Net cash inflow (outflow) from investing activities	1,278	(449)
Net cash outflow from financing activities	-	(5,110)
Net cash inflow	1,014	403



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

## 54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>		
Unlisted investments in subsidiaries	1,700,742	1,700,742
Property, plant and equipment	126	114
Amounts due from subsidiaries	4,121,053	2,121,105
Equity investment at FVTPL	162,181	–
	<b>5,984,102</b>	3,821,961
<b>Current assets</b>		
Other receivables and prepayments	88,268	–
Bank balances and cash	2,104,618	28,367
	<b>2,192,886</b>	28,367
<b>Current liability</b>		
Other payables	203,346	178,698
<b>Net current assets (liabilities)</b>	<b>1,989,540</b>	(150,331)
<b>Total assets less current liabilities</b>	<b>7,973,642</b>	3,671,630
<b>Non-current liabilities</b>		
Senior notes	3,876,911	–
Borrowings	–	178,483
	<b>3,876,911</b>	178,483
<b>Net assets</b>	<b>4,096,731</b>	3,493,147
<b>Capital and reserves</b>		
Share capital	141,837	141,837
Share premium and reserves	3,954,894	3,351,310
	<b>4,096,731</b>	3,493,147



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

### 54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

#### Movements in reserves

	<b>Share premium</b>	<b>Share option reserve</b>	<b>(Accumulated losses) retained earnings</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	2,817,941	25,487	(225,357)	2,618,071
Profit and total comprehensive income for the year	–	–	1,068,149	1,068,149
Shares issued for share options exercised (Note 47)	5,041	(1,453)	–	3,588
Dividends recognised as distribution	(338,498)	–	–	(338,498)
At 31 December 2020	2,484,484	24,034	842,792	3,351,310
Profit and total comprehensive income for the year	–	–	1,260,859	1,260,859
Lapse of share-based payments	–	(1,310)	1,310	–
Dividends recognised as distribution	(657,275)	–	–	(657,275)
At 31 December 2021	1,827,209	22,724	2,104,961	3,954,894



# Group Financial Summary

## RESULTS

	2021 RMB'000	For the year ended 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	<b>8,002,791</b>	7,131,052	7,247,389	5,911,744	4,760,038
Profit (loss) before tax	<b>2,083,591</b>	1,847,456	2,243,801	1,632,111	974,206
Income tax expense	<b>(300,639)</b>	(264,494)	(394,272)	(451,648)	(248,010)
Profit (loss) and total comprehensive income (expense) for the year	<b>1,871,582</b>	1,579,410	1,849,529	1,180,463	726,196
Attributable to:					
Owners of the Company	<b>1,640,021</b>	1,556,928	1,801,281	1,159,449	710,843
Non-controlling interests	<b>231,561</b>	22,482	48,248	21,014	15,353
	<b>1,871,582</b>	1,579,410	1,849,529	1,180,463	726,196

## ASSETS AND LIABILITIES

	2021 RMB'000	At 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	<b>26,648,351</b>	18,906,232	14,579,813	12,392,057	11,671,939
Total liabilities	<b>(14,856,724)</b>	(8,379,015)	(5,354,149)	(4,793,102)	(5,043,233)
	<b>11,791,627</b>	10,527,217	9,225,664	7,598,955	6,628,706
Equity attributable to:					
Owners of the Company	<b>11,313,548</b>	10,330,802	9,052,939	7,525,265	6,578,674
Non-controlling interests	<b>478,079</b>	196,415	172,725	73,690	50,032
	<b>11,791,627</b>	10,527,217	9,225,664	7,598,955	6,628,706

